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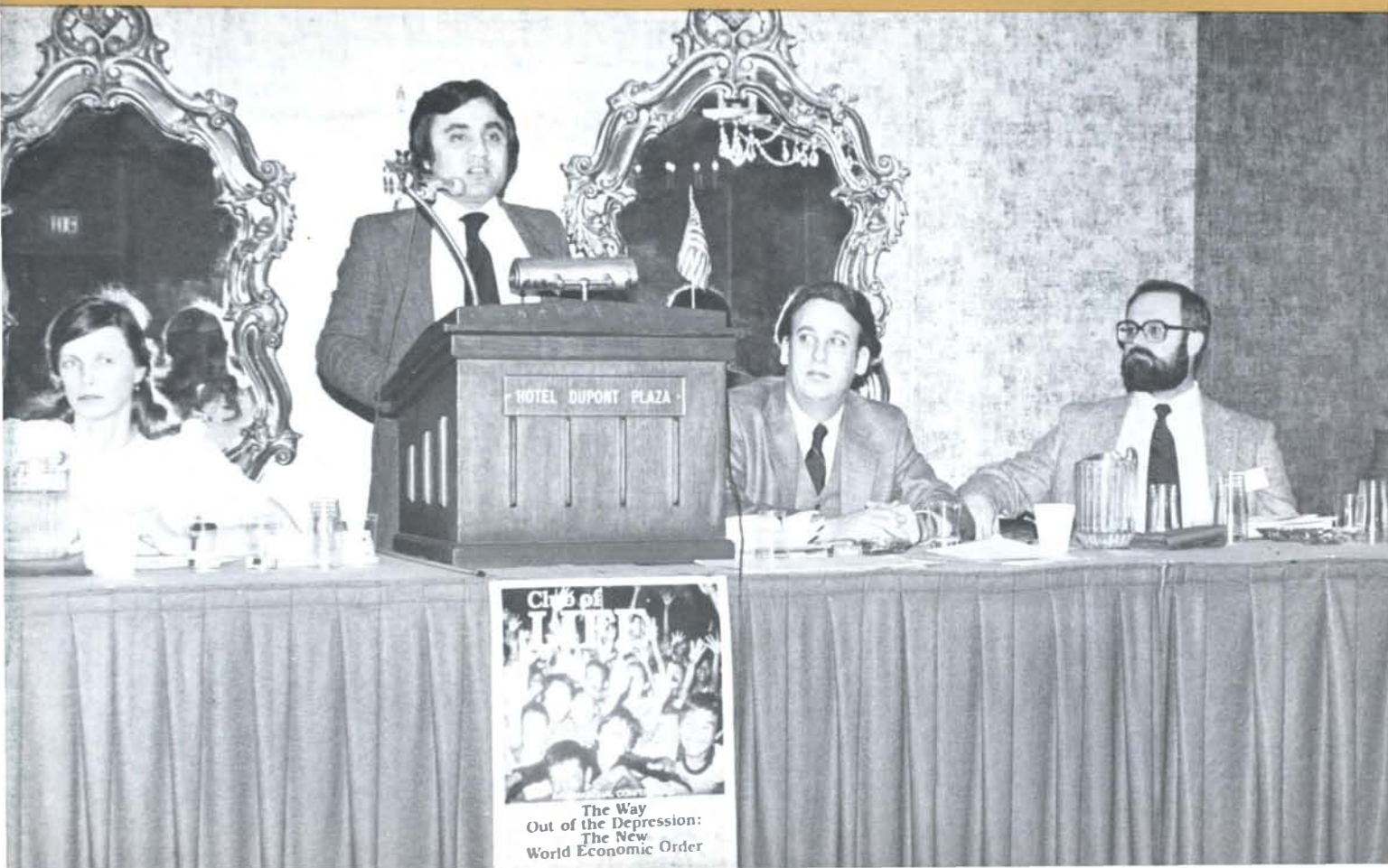
Executive Intelligence Review

March 8, 1983

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Behind the upheavals in northeast India
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**Club of Life's mandate to Non-Aligned:
a debtors' cartel for world recovery**



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EIR

From the Managing Editor

This week's Special Report documents the potentially history-making events staged by the international Club of Life organization toward the end of February. Conferences were staged throughout the world, led by "flagship" gatherings in Washington, D.C. and Paris, France—all intended to "send a message" to the early-March meeting of Non-Aligned heads of state in New Delhi, India: There are forces in the "North" prepared to cooperate and support you of the "South" in building a New World Economic Order. Our coverage of the events features the leading speeches delivered in Washington and Paris.

The spirit of the conferences is perhaps best captured by the image of the farmer from Georgia, engaged in intense discussion with African diplomats on the applicability of American agricultural technology to solving Africa's economic crisis. "If I go bankrupt here," the farmer concluded, "I'd like to come to your country and show you some of our American farming techniques."

The Washington conference was marked by a rally of over 200 in front of the White House during a noon break in the proceedings. Club of Life participants demanded that President Reagan reject IMF demands for increased funding and powers to control all international financial transactions. Conference organizers led the throng in chants as they marched past the Oval Office: "President Reagan, Get Smarter; Bust the IMF or You'll Go Like Carter!" The Rev. Cleveland Sparrow, a local Baptist minister, praised the demonstrators: "For what you are doing, the unborn generations will bless you. As the Bible says, 'Go ye, therefore, into all the world.'"

We also want to call your attention to this week's International section, where you will find counterintelligence reports on the Nazi International's operations against the government of India, and on the most recent successes of EIR's collaborators in tracking and indicting leading figures in the global narcotics and weapons traffic.

Susan Johnson

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At the Feb. 19 session of the Club of Life meeting in Washington, D.C., left to right: Nancy Spannaus, the Club's U.S. coordinator; Javed Shah, head of the U.S.-Canadian branch of the Pakistan People's Party; Daniel Sneider, *EIR's* Asia editor; and Hall Christmon of UP Technological Development Corporation.

Stuart Lewis/NSIPS

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Corrections: The picture credit for our March 1 cover photograph was inadvertently omitted. Stanley Ezrol of our Washington bureau took the photo of demonstrators confronting participants in the IMF Interim Committee meeting in Washington last month.

In our Feb. 22 issue, the article on India's elections contained a typographical error. The early-January Congress-I Party electoral defeats were in two *southern* states.

The oil-price drop: how far, how fast?

by Judith Wyrer

After over a week of intensive consultations with both OPEC and non-OPEC oil exporters, Saudi Oil Minister Zaki Yamani on Feb. 23 declared that he thought it "doubtful" that OPEC as a whole would arrive at an oil pricing and production agreement. Days before, Yamani and five other OPEC oil ministers had parleyed in Riyadh, Saudi Arabia. After the meeting Yamani announced that they had reached an agreement on a cut in the price of oil, but Yamani refused to reveal that cut until the other seven OPEC producers were consulted.

But leaks from two participating countries, the United Arab Emirates and Qatar, indicated that Riyadh and its allies were ready to drop the OPEC marker price from \$34 a barrel to \$27, undercutting both the British National Oil Corporation and Nigeria, which the week before had lowered their price to about \$30 a barrel.

In the midst of an unprecedented density of contacts among oil producers since the Feb. 18 British price drop, Yamani and the oil ministers of the Gulf allied to Saudi Arabia have issued repeated warnings that if OPEC could not reach an agreement, they were prepared to take matters into their own hands.

As *EIR* reported last week, Saudi Arabia has a contingency plan to drastically increase its production and lower its oil price perhaps to as little as \$20 a barrel in order to regain control of the oil markets. A drop to \$27 may only be a brief moment in a rapid downturn in crude prices.

On Feb. 21, George Bradley, the Assistant Deputy Secretary of Energy, told the U.S. Senate Banking Committee that the United States could manage an oil price drop to \$20

a barrel. It was the first public acknowledgement by an administration official that a decline in world oil prices by up to 40 percent was possible. The next day the *New York Times*, a daily notorious for its allegiance to the British oligarchy, reported that oil traders in London saw the oil price bottoming out at \$25 a barrel, while New York traders expected it to slide to \$20 a barrel. These are reflections of what is thought to be some differences between Washington and London on just where the "safety net" under the price of oil is.

While London continues to caution against too drastic a drop, Washington is lauding the oil price cut as a welcome sign. Bradley affirmed that the \$20 price would quicken President Reagan's long-awaited economic recovery.

The British position

British Prime Minister Margaret Thatcher, in a speech of Feb. 23, warned of the impact of a dramatic oil price drop on the world financial situation. Even though Britain started the latest round of price cuts, its policy has been that the oil price should drop slowly in small increments, to no lower than the \$23 per barrel mark.

In fact, the 1983 budget written by British Chancellor of the Exchequer Geoffrey Howe, during November 1982, accounts for an oil price drop to as low as \$25 a barrel. The British Treasury brings in substantial tax earnings from North Sea oil, this year estimated to yield over 7 billion pounds sterling. But because that oil is sold in high-valued dollars as opposed to the very weak British pound, the City of London makes a handsome premium on oil sales once those dollars

are reconverted into pounds.

The real danger to London of a large price drop and concomitant production increase led by Saudi Arabia is not so much that of a threat to the British economy, which is only 4 to 5 percent dependent upon North Sea oil, but undercutting British North Sea oil's growing share of the world market. Since Britain initiated its policy of taking small oil price cuts in 1982, the United Kingdom has carved out a growing market share providing sufficient marginal market leverage to determine the trend in oil prices internationally. At present the British North Sea is producing at a record high of 2.3 million barrels a day (mbd), and exporting upwards of 1.4 mbd. This has occurred while OPEC's total production has slid from a 1979 high of just about 32 mbd to the present nadir of under 14 mbd.

Britain, in fact, remains a net importer of up to 800,000 b/d, more than half its total estimated 1.5 mbd oil consumption. London's policy is to export as much of the high quality North Sea oil as it can, in order to increase its market leverage. From the standpoint of the City of London, British oil exports function as a weapon against the moderate bloc of Saudi-led OPEC producers, which are allied to the United States. It is little surprise to hear OPEC members, Algeria and Venezuela, harshly attack London following its mid-February price drop for dominating the oil markets.

The reason for the precipitous decline in OPEC's output is the effective boycott of those 13 producers by the multinational oil companies. Since the late-January meeting of OPEC, the cartel's total output has slid by nearly 5 mbd. The major oil companies are consuming crude from their massive oil stockpiles at a rate ranging from 3 to 6 mbd instead of buying from the OPEC exporters. The majors can argue that unloading expensive oil is necessary in anticipation of a ratchet downward of crude prices, in order to balance their books.

But the question becomes: Why are the companies only boycotting the OPEC producers? This boycott is meant to pressure the cartel to make a cut in oil prices. Because of depressed world oil demand, refineries lose money on crude oil priced higher than \$29 to \$30 a barrel. But the question remains an open one regarding differing objectives between the United States and the British on where the cutting should stop. As a source from Chase Manhattan Bank admitted, the multinational oil companies could halt their massive destocking overnight and if not reverse, certainly slow the downturn in oil prices, by resuming purchases of oil from OPEC.

OPEC's next move

Saudi Arabia has announced that there will probably be a full oil ministers' meeting of OPEC during the week of Feb. 28 in Geneva. It is expected that the 13 ministers will reach a consensus on price cut by \$4 a barrel, lowering the OPEC marker to \$30. But there is every likelihood that the agreement will not last, since hungry OPEC countries like Nigeria

and Algeria will probably shave oil prices again to earn badly needed revenues. Already, the major oil companies which buy British oil are pressuring London for another price cut, in response to the anticipated OPEC cut next week.

Should the OPEC agreement collapse, then Saudi Arabia and its allies will be wont to cut another \$3 to \$27 a barrel as agreed upon during meetings in Riyadh. But Nigeria has already stated that it will enact another price cut in response to an OPEC cut.

On Feb. 22 British Foreign Minister Francis Pym met with Mexico's energy minister, Francisco Labastida. London has viewed the non-OPEC producers like Mexico as potential allies in its effort to leverage world oil markets at the expense of OPEC. But Mexico appears to have gone the other way, having signed an accord with OPEC member Venezuela that same week pledging not to undercut the cartel. In view of the assault that developing countries like Mexico are now undergoing by the London-New York banks and the IMF on renegotiating Mexico's debt, Mexico's move appears to signal its pursuit of solidarity with fellow developing nations. Mexico was expected to follow London's lead and drop its price by \$4 a barrel Feb. 26, but at the last minute reversed that decision.

Instead, on Feb. 24 Labastida made the first trip by a Mexican oil minister to Saudi Arabia, for consultations. This move might portend the long-mooted prospect of Mexico joining OPEC, something Saudi Arabia has for some time supported, but London has opposed.

Stretching out the price drop

London has already put out the word that another oil price cut by BNOC may come as soon as March 1. According to the *Financial Times* of Feb. 25, Gulf Oil Corporation, one of the largest purchasers of British North Sea crude, has notified BNOC that it will not fulfill its purchase requirement of 100,000 barrels per day in March unless there is another BNOC price reduction. Since December, Gulf has been the leader of the group of mostly U.S. majors which have called upon BNOC to lower its price.

Given Gulf's longstanding marketing links to the British group of companies, primarily east of Suez and in the Far East, Gulf's demands are very likely coordinated with BNOC. Not only was Gulf behind the move to get the Feb. 18 three-dollar price-cut by BNOC, it was a dominant force in pressuring Nigeria to lower its price by \$5.50 a barrel to the same \$30.00 level, a move which occurred within 48 hours of the BNOC cut.

More than any other U.S. multinational, Gulf has been a vocal supporter of London's policy of restructuring world oil trade. This goes back to Gulf chairman James Lee's public endorsement of the British scheme to create a North-South agreement to raise oil prices in "little steps" in 1980; it is most recently reflected in Lee's Feb. 2 statement to New

York oil analysts that Gulf was all but pulling out of Nigeria in order to retrench in Western Hemispheric oil projects in the Arctic.

A drawn-out period of price decline, even to a temporary level of below \$20 a barrel, is seen as the means by which to undermine the developing-sector oil producers' control of their oil. This need not come in the immediate form of denationalization.

The case of Nigeria illustrates the point. Following the near-zero level of Nigerian oil sales in the days prior to its price cut, the Nigerian government acceded to demands by the major oil companies which market its oil to allow the majors a greater profit on their take of Nigerian crude. The initial concession by the Lagos government gave the equity-owning multinationals an additional \$.60 profit per barrel of crude.

Though this might appear an insignificant concession, it conforms to what *EIR* has documented as the objective of the major companies during the 1980s: to force oil producers in the developing sector to give multinational oil concerns contracts which increasingly favor the company and in the long term reflect the process of the return to a colonial system.

Controlling the market

Throughout the 1970s, the multis surrendered control over the wellheads in developing countries. And most insiders in New York and London concur that the increasing leverage the oil companies have over the oil exporters of the South comes as a result of the majors' control of marketing outlets.

According to numerous studies by City of London think tanks like the influential Petroleum Economics, Ltd., the oil market over the course of the '80s will no longer be based on long-term contracts between producer and consumer, an arrangement which has provided stability; rather, oil will become a commodity subject to speculation like any other raw material, and futures markets will become the chief means of trading oil.

In this light, the oil companies become purely trading concerns, not engaged in any aspect of energy production, and secure ultimate leverage over oil prices and availability. The growth of futures markets has been highly controversial within the oil industry, especially in the United States. Gulf's James Lee has been one of the few to acknowledge this trend and admit that Gulf is preparing to take up the role as oil trader.

London was the site of the first such futures market three years ago. At that time, only British Petroleum was an overt supporter of the London gas-oil futures market. Since then, these markets have proliferated to U.S. shores, and the first crude oil futures market will be inaugurated soon in New York.

Though the majors gave Third World oil producers a certain amount of control of their oil at the wellhead through-

out the course of the 1970s, the producers were forbidden from acquiring independent marketing capabilities in the advanced sector. This was most glaringly demonstrated when Secretary of State Henry Kissinger intervened in the mid-1970s to prevent the National Iranian Oil Company, then the ninth largest oil company in the world, from buying a chain of U.S. gasoline stations owned by Ashland Oil.

Similarly the wealthiest Third World oil exporters, the Arabian Gulf exporters, have voiced their complaints about the difficulty of purchasing tankers to build up their own exporting capability outside the framework of the majors.

As long as the state oil companies of developing countries are kept from a marketing capability internationally, they will be subject to the kind of bullying which Nigeria experienced when the majors boycotted it prior to its price cut. The slow price-drop scenario, perhaps extending over the next 6 to 12 months, will provide an environment in which producing states, desperate for exports, will make more and more concessions to the multis.

The effects on the North

There is already talk in Europe and in the United States that whatever economic relief may come from an oil-price drop, it will not be passed onto the consumer. France and Italy as well as the U.K. are already considering a tax hike on gasoline to offset the anticipated drop in prices.

And a drop in gasoline prices will invite cash-strapped state governments in the United States to impose similar taxes. Plans are already afoot in certain states for such taxes. From Washington's point of view, this would take pressure off the White House to impose further federal taxes on gasoline, a move risky to Reagan, who hopes to increase his popularity as a result of an economic upturn resulting from the price drop. The federal government is already imposing an increase in the federal gasoline tax of \$.05 a gallon in April.

Low oil prices are also expected to spark a wave of bankruptcies among small independent oil producers and banks, primarily in the so-called sun belt. States like Oklahoma and Texas will be hardest hit. Small oil producers, which took out large loans to explore for oil when the oil price skyrocketed to near \$40 a barrel in the aftermath of the Khomeini takeover in Iran, can't meet payments as the oil price falls. In the state of Oklahoma alone, according to the Governor's office, there are 25 Oklahoma banks on the verge of going under due to collapsing oil prices. In Oklahoma the price of gasoline is now under \$.90 a gallon. Expensive drilling rigs which three years ago were in short demand are now being sold for 30 percent of their previous value.

Moreover, oil industry analysts are already talking about the coming "third oil shock" hitting sometime in 1985, probably sparked by a new Middle East crisis, making the favorable effects of the current price drop at best a very short-term phenomenon.

The White House, the market, the Fed, and the price of gold

by Renée Sigerson

There are several equations—political and financial—now acting upon the price of gold. Currently, these factors point toward a strengthening of the gold price against a weakening U.S. dollar. However, as the monetization of gold has now become a live political question in Washington and other capitals, the trends in the gold price are less important than determining who will dominate the gold market, and what role gold could play to achieve economic recovery.

On Feb. 24, the price of gold fell \$24 to \$476 an ounce within hours of the opening of New York's Commodity Exchange. The source of the dumping was apparently Arab oil-producing countries—such as the United Arab Emirates—who have hoarded gold, but now need cash because the price of oil is falling. The widespread explanation circulated that day was that the price had fallen because lower oil prices reduce inflation expectations, but that was “the official press reason only,” a New York trading company source said.

In fact, the Arabs had begun liquidating in early January, when oil prices had definitely started to decline. As this became known, “sell-loss” orders piled up with the New York houses. January also marked one of the heaviest months ever in trading of silver and platinum. On Feb. 24, when pressures finally brought the gold price below \$495, the sell-loss transactions went into effect, creating what our source characterized as an “avalanche.”

Among the financial institutions closely monitoring this whole sequence of events, according to banking sources, was the U.S. Federal Reserve. This is unusual. Firmly anti-gold on ideological grounds, the Fed ordinarily dismisses gold developments. It turns out that the Fed's interest in the point at which the price would crack was one of the results of the factional situation emerging in Washington, D.C. on the issue of gold policy.

“There is serious discussion in the White House and Congress about the idea of a gold-backed dollar,” a source at the House Banking Committee divulged Feb. 22. The Fed, foreign central bankers, and an array of Democratic and Republican officials are extremely worried about this discussion. It is well-known that President Reagan desperately wants to bolster the economy, and give credibility to his continuous pronouncements of recovery. With pressure mounting against

the U.S. dollar, uncertainty around financing for the deficit, and a crumbling tower of global debt denominated in dollars, signals are that Reagan just might catch on that linking the dollar to gold could increase his economic policy leverage.

Although it is too early to tell, it cannot be excluded that “market forces”—i.e., Swiss, British, and Wall Street bankers—will attempt to use wild fluctuations in the gold price in coming weeks to help dissuade Reagan from moving in this direction. Because of the oil-price developments, the private money markets are currently skittish enough that such turbulence is not difficult to arrange. The Swiss and British have their own “private market” plans for gold, and the last thing they would like to see is a heavy-handed U.S. government gold policy.

Dissuade the President

Two proposals are known to be circulating on the highest levels in Washington on gold remonetization. While scarcely a word of this debate has leaked to the press, secret cross-party consultations have already occurred on how to disorient Reagan on this issue. Participants have included intimates of the Democratic Party's national chairman, California banker Charles Manatt, and right-wing Republicans around Congressman Jack Kemp, who derive their monetary views from the Swiss-based Mont Pelerin Society.

What led to the confluence between these Democrats and Republicans was their concern about potential White House interest in the proposal of *EIR* founder Lyndon H. LaRouche which calls for unilateral U.S. remonetization of gold at \$500 per ounce. A series of recent interviews with U.S. monetary experts demonstrated that even opponents of the LaRouche plan admit, on the technical level, that “it works” as a stepping stone towards economic recovery.

What makes the LaRouche plan so controversial is its central feature of basing gold remonetization on U.S. Treasury issuance of gold-backed bonds, for purposes of financing expanded international trade in real commodities. It is this provision to provide net new liquidity for previously determined productive purposes, which throws the monetarist and liberal opponents of the LaRouche plan into such hysteria. Across the board, these opponents would prefer to spew out

“soft” dollars to finance the International Monetary Fund, rather than strengthen the U.S. government’s sovereign powers to reverse the economic depression.

To short-circuit White House interest in the LaRouche plan, these proponents of supranational, anti-industrial monetary institutions aim now to discredit remonetization of gold in Reagan’s view. “People are . . . alarmed that there is serious discussion of the gold-backed dollar,” a congressional source privy to these deliberations leaked. “Unless the gold idea is shown to be unworkable now, there is always a real chance that the administration might turn to it in a crisis.” To discredit gold, he proposed, “the best thing that could happen is to have a debate now in which [some people] first push gold and then back off.”

Mid-February, Jack Kemp burst into Reagan’s office and told him that the world monetary system was about to go bust, and that the President should remonetize gold. A formal version of Kemp’s remonetization schema will soon land on Reagan’s desk. It will be written by the Hudson Institute’s Herman Kahn. The Kahn blueprint will specify that the Treasury should issue gold-backed bonds, but *exclusively* for the purpose of financing the U.S. deficit—not to authorize liquidity for trade-financing purposes.

As involuted as it may sound, what Kemp, Kahn and their Swiss-London friends are doing is a rerun of a trick they skillfully pulled on Reagan in 1981, around the President’s special Gold Commission. At that time, Alan Greenspan, the Swiss bankers’ friend who sits on the board of Morgan Guaranty, participated in the script, which ended in the Commission rejecting any restoration of gold’s role. Kemp’s friends report Greenspan is working with them this time around too.

‘Free-market forces’

Concurrent with this tug-of-war, international commodity trading houses and fast-buck vulture operations are playing their own game with gold. In January, the single largest private operator on the world gold market, Geneva’s Edmund Safra, merged his private Trade Development Bank with Wall Street’s American Express, vastly upping his leverage and maneuverability. The multi-billion Phibro/Salomon group is also gearing up on gold. Insiders report Phibro is setting up a network of trading companies which are moving into select Third World countries, to pick up on barter trade. Gold deals will play an important part in these arrangements.

Other trading firms reports plans to invest in gold-mining in Brazil. A New York company moving into Latin America expects the dollar to sag sharply in coming months, and predicts a “shift of financial power to the benefit” of countries which import oil, with prospects for exotic private financing arrangements, involving gold. The last thing these “market forces” would like is a tough U.S. gold policy. Don’t be surprised if they rig some heavy fluctuations in the price to help dissuade Washington from adopting a gold-based recovery policy.

Group of 77 meeting sidesteps immediate

by Carlos Cota Meza in Cartagena

The ministerial-level summit of the Ibero-American members of the Group of 77 developing nations, meeting in Cartagena, Colombia, went into deliberations in an atmosphere of economic shellshock. In the week before technical delegations assembled on Feb. 21, and foreign ministers began arriving Feb. 23, the following drastic developments occurred:

- Brazil devalued the cruzeiro 30 percent in the biggest “maxi” in a decade; called on the Bank for International Settlements (BIS) to roll over a \$1.4 billion bridge loan, an unheard-of procedure; and let Banco do Brasil payments at its New York office go formally into arrears (see International Credit).

- Venezuela suspended all trading of the bolivar, and for three days went into non-stop emergency sessions of the cabinet to resolve on a devaluation (it would be the first in two decades), exchange controls, or a combination of the two (see Business Briefs). The week before it had been informed it was simply not going to get the \$8.7 billion restructuring of its short-term debt into longer-term maturities.

- On Feb. 16, Mexico suddenly informed its 13-member advisory group of international banks that the group had better ante up \$500 million in an emergency bridge loan toward the delayed jumbo loan of \$5 billion or see Mexico fail to meet its February bills.

As delegates walked the streets of Cartagena to reach the convention center, they passed among frantic vacationers and others buying or selling bolivars at as much as 50 percent below the official bolivar quotation. However, a response from the meeting appropriate to the gravity of the crisis was not forthcoming. Despite a strong economic platform offered by the Latin American Economic System (SELA), the majority of delegations waffled on using the meeting as a forum to make any decisive breaks with the IMF world order. The Non-Aligned meeting which begins in New Delhi the first week in March will not have the benefit of major initiatives for a new world order passed on from the Cartagena gathering.

Pure strong arming explains a good deal of the timid out-

in Colombia action on debt

come. The sharpest case is that of Colombian President Belisario Betancur. The first President in the continent to back up Bolivian President Hernán Siles Zuazo's call for collective debt renegotiation last fall, Betancur was expected to make a strong speech to open the plenary session the final day of deliberations, Feb. 25. However, for the preceding five weeks he had had to face down a continual threat of military coup from a coalition of drug- and terror-linked elements of the military with the State Department directed Liberal Party faction of former President Alfonso López Michelson. Two nights before Betancur was to speak at Cartagena, these forces pressured the Supreme Court into a decision which ruled Betancur's emergency financial measures against drug-infested banks unconstitutional.

The next day the word was out that Betancur would not be going to the New Delhi Non-Aligned summit. And his speech at Cartagena, while including jabs at the IMF order, pulled its punches in terms of the "debtors' cartel" issue.

Betancur's proposals echoed the World Bank and Brandt Commission: a greater volume of IMF Special drawing Rights; a "new Marshall Plan" to be financed by reducing arms expenditures; and case-by-case renegotiation of the worst-off debt situations. He also termed "trustworthy" the prospects of an economic recovery in the advanced sector.

What Betancur faces in Colombia is just a warmup for what will be happening to the rest of the continent, if action is not taken quickly. This was made clear by a spokesman for the special Ibero-American "debt squad" apparatus set up jointly by the Rockefeller interests, the Ditchley Group of bankers, and the IMF on Feb. 24 in New York (see article, page 10).

Alzamora debunks 'illusion' of recovery

What the meeting should have agreed upon—and what remains upon the table as the unpostponeable agenda for the continent—was presented by Carlos Alzamora, head of SELA, in his opening speech on Feb. 22. Alzamora stressed that the continent must 1) use its heavy foreign indebtedness

to establish the developing sectors' "power of negotiation" with the creditor countries; 2) create, on an emergency basis, an "intraregional market" for Ibero-American financing and payments, as well as trade; and 3) relinquish any "illusion" that some kind of recovery was "around the corner" in the advanced sector.

The speech paralleled major postulates of the strategic study "Operation Juárez" by U.S. economist Lyndon LaRouche, which was circulated widely at the summit, and exemplified how under terrifying conditions of economic collapse, certain Ibero-American leaders are converging on a "debt bomb" strategy as a necessity for survival.

On Feb. 23, in the middle of the proceedings, Alzamora and Enrique Iglesias of the U.N. Economic Commission on Latin America (ECLA) abruptly flew to Quito for a two-hour meeting with Ecuadoran President Osvaldo Hurtado. The week before, Hurtado had released the contents of a letter in which he called upon SELA and ECLA to formulate a strategy for a "joint regional response to the world economic crisis." After meeting with Hurtado in Quito, Iglesias told the press that the foreign debt of the continent surpassed any ability to pay, and required joint action for renegotiation. He and Alzamora then flew back to Cartagena to rejoin the discussions here.

There was indeed talk at the summit of designating SELA the pre-eminent institution for emergency economic coordination on the continent—"a Latin American OECD," in the words of one delegate. This is precisely what Alzamora himself urged in a second speech Feb 25, this time to the full plenary session. Alzamora stressed that SELA was fully prepared to accept the role proposed by the Hurtado letter. Colombian President Betancur, in his keynote address immediately after, added his endorsement of the Hurtado initiative.

Ecuadoran Foreign Minister Valencia called a special press conference to release the contents of the letter. During the press conference, he singled out for the thanks the telegram of support for the Ecuadoran initiative sent from the Paris meeting of the Club of Life on Feb. 18. He made special mention of the role of *EIR* founder Lyndon LaRouche in sponsoring the Club of Life's support.

There appears to be a plan in these circles to convert the Ibero-American heads of state meeting in Caracas on July 24 into a major policy forum, and use SELA as the primary instrument to draw up an emergency economic program for consideration at that summit—a good idea with an unrealistically long timetable.

At the same time the Cartagena summit served to advance some political initiatives. Most notable was the unexpected three-hour private luncheon meeting convened by the foreign ministers of Mexico, Venezuela, Colombia, and Panama the afternoon of Feb. 24. Their purpose: to keep the Mexico-Venezuela initiatives for negotiated settlements in Central America alive, and rein in the U.S. State Department's counter-efforts (see article, page 51).

Creditors' cartel moves into Phase II of global Big MAC

by Kathy Burdman

Since December, the leading international banks of the Ditchley Group creditors' cartel, Morgan Guaranty, Chase Manhattan, and others, had stubbornly refused to complete the \$5 billion jumbo loans due from the banks to Mexico and Brazil as part of each country's current agreements with the International Monetary Fund. Both countries were pushed to the razor's edge of default (see article, page 7).

Asked why the banks were playing so close to the brink, one Brown Brothers Harriman partner said it really had nothing to do with press accounts that smaller U.S. regional banks were reluctant to kick in their share of the loans. "We'll give them the money when we have to" he said. The creditors want to break the countries further and be "quite sure that the IMF austerity conditionalities are actually being carried out."

"Look at Mexico, for example," he said. "They've promised the IMF to cut their government spending, to let the peso devalue, to cut exports. But my information is that they are not doing nearly as much of this as we would like. In particular, their government spending still seems to be pretty much out of control." The IMF staff itself meanwhile has produced a secret study stating that Brazil's wage controls must be toughened before any renegotiations of its debt can proceed.

The Rockefeller commission

To force the issue, a Commission on Latin American Debt was established in New York on Feb. 24. Society President Russell Marks told a journalist on Feb. 23 that the banks are now going to cut back, and that Latin America will have to implement drastic austerity programs. Public-sector industries will have to be shut, cities are "overpopulated" and will have to send half their populations back to the countryside, budgets will have to be slashed, and currencies will have to be put under controls, he said (see interview below).

The "Commission on Latin American Debt and Governmental Politics," sponsored by the Americas Society, will be under the de facto chairmanship of David Rockefeller, a Society source said, "but we wouldn't want it known as the 'Rockefeller Debt Commission.'" The "initiative" for the

Commission "came from the Ditchley Group" banks of the creditors' cartel, she confirmed. Prominent U.S. members of Ditchley will run the commission, including Chase vice-chairman William Ogden, the head of the Ditchley Group in the U.S., and Robert Lindsay, vice-chairman of Morgan Guaranty. The commission will be a bankers' political action committee, a Rockefeller aide said Feb. 18, to force "both the Democratic and Republican Party platforms for the 1984 presidential election campaigns" to endorse plans for "a uniform policy on dealing with the Latin American debt."

On Feb. 25, the first part of the chicken game came to an end. At New York's Plaza Hotel, 600 international bankers and Brazilian officials signed the \$5 billion jumbo credit. From Mexico City, Mexican Finance Minister Jesus Silva Herzog announced the same day that the Mexican loan had finally been completed.

Bretton Woods is dead. . .

This particular event was only Act I in a drama planned to demonstrate that the old Bretton Woods monetary system is indeed bankrupt. Spokesmen from Venice to New York have called for serious discussion to begin on the need for a "new Bretton Woods" agreement, as Lazard Frères banker Felix Rohatyn advocated in a Feb. 28 *Business Week* article.

Some Ditchley bankers, especially the more stupid among U.S. commercial banks, still uphold the fiction that the current system is not bankrupt. "There is a liquidity problem with the debts of Latin America, but not a permanent solvency problem," William Ogden told the founding meeting of Rockefeller's new debt commission Feb. 24.

But the real controllers of Ditchley are now openly calling the bankrupt system what it is. In a Feb. 25 interview, an aide to Carlo DeBenedetti, leading Venetian-controlled financier, chairman of the Olivetti Corporation, and international director of Morgan Guaranty in New York, commented on Mr. DeBenedetti's repeated statements in the European press that over \$1 trillion in international debt is about to collapse.

"Mr. DeBenedetti puts strengthening the IMF as number-

one priority. The point is, you have these silly U.S. banks talking happily about a \$7 drop in oil prices," the aide said. "Then Mexico will lose income, and come running to the banks for more. At that point, there will be the proof that a private system cannot handle the debt. "There are many proposals, many plans and mechanisms. But they do not matter, so much as that this point be made."

The Commission on Latin American Debt has been set up to make just this point. Public statements by Chase's Mr. Oden aside, the aim of the commission, said Americas' Society President Russell Marks, is to demonstrate that the current system is not working, because "excessive foreign borrowing" by Ibero-American and other Third World nations has led to economic collapse in these countries. "We want to bring everybody into a new system," an aide to the commis

. . . Long live the new Bretton Woods

The Bretton Woods system *is* quite definitely bankrupt. Negative-growth economic policies have made it impossible for the Third World and other nations to pay more than \$700 billion in foreign debt.

As a matter of fact, the system has collapsed so far already that world trade is no longer even being financed through the private banking system. Phibro/Solomon and other trading houses are already in business to discount the Third World debt held by U.S. multinationals. This "frozen sovereign risk paper at big discounts" has become a major business, one trader told *EIR*. "Take Brazil: there are many multinationals who have subsidiaries in Brazil. But they don't want to invest more dollars directly. They sell their current obligations to a trading company for cash; the trading company sells the paper to European or Middle East investors with a guaranteed return; and the swap is unwound years later."

The new system the Ditchley Group creditors' cartel has in mind, however, would attempt to effect the exchange of debt to head off a debtors' cartel without a system for new development credits. It is doomed to fail, but would destroy dozens of nation states in the process.

The centerpiece of this new system is to be some form of "global MAC," as Felix Rohatyn wrote in *Business Week*, a corporation to take the world under receivership just as Rohatyn's Big MAC took New York City under receivership."

"The reality of the situation is that a significant part of the approximately \$700 billion now lent to the Third World and Eastern bloc will come back, if ever, only over a long period," Mr. Rohatyn told readers bluntly. "Instead of maintaining the fiction that these are short-term, high-interest loans, it might be better . . . to *stretch out* existing loans to 25 to 30 years at much lower interest rates." Under Big MAC in New York City, the debts which the city could not pay were swapped by the banks to MAC. MAC then functioned as a creditors' collection agency, appropriating a line of revenue "which the city could not touch," as Rohatyn put it, to back

up the debt. The city's economy was destroyed.

Rohatyn now proposes that the IMF set up a "Global MAC fund" from which it will issue the banks \$300 billion worth of long-term bonds. The banks will then place with the IMF \$300 billion of their short- and medium-term loans. The banks will be rid of the loans, although they'll earn less on the bonds, and the "debt bomb" threat by any debtors' cartel against the banks will be greatly reduced. The global MAC would "establish a revenue stream," Rohatyn writes, by stealing Third World countries' revenues from "sales of their commodities or other kinds of income in a way that would service their long-term bonds in an orderly manner."

The IMF will then be in the position of "enforcer," and governments who back it will have to send in the troops to collect on the new IMF bonds if countries don't pay. Or, as one lawyer recently suggested, multinational banks who finance Third World countries' exports could simply "sequester" portions of the countries' earnings before the cash ever reached home, on behalf of the IMF.

There is already a fight about the Rohatyn plan inside the Reagan administration. Treasury Secretary Donald Regan, holding to the line that the current Bretton Woods system is fine, denounced the Rohatyn plan at a Washington meeting Feb. 25. "I don't usually use nasty language, but I must say I think it's abominable," he stated. "I do not think that we should be loaning money to debtor nations at 6 percent. You don't get loans at 6 percent. We should instead use the mechanisms of the IMF."

However, White House Council of Economic Advisers Chairman Martin Feldstein reportedly favors the plan, and has brought collaborators of Rohatyn onto his staff. At the Rockefeller Debt Commission's founding meeting Feb. 24, he took issue with Regan's ideas on interest rates for Third World loans, stating that in fact "these countries cannot pay market interest rates" and should be given cheaper credits.

'Labor and public sectors have to bite the bullet'

From an interview with Russell Marks, president of the Americas Society, provided to EIR:

Q: You believe the very system of foreign borrowing itself is the cause of the problem in Latin America?

A: Yes. These nations have borrowed too much. . . . The borrowing itself created the problem. The countries tried to develop too rapidly beyond their means. And now the danger is that when they are forced to cut back to meet the new realities, there will be political disorder.

Q: So you will be studying the kinds of conditions which will make countries creditworthy?

A: Yes. . . . The banks will want to be sure that each of the debtor nations have a strategy for dealing with these problems before extending them any further credits.

Q: What are the problems?

A: They are numerous and immense, and they will involve extensive sacrifice in a troubled world.

First of all, as a result of excess foreign borrowing, the public sectors of Latin American nations have grown rapidly at the expense of the private sectors. The public sectors have been getting preferential treatment. . . .

Second, excess foreign borrowing has caused a general collapse of Western Hemisphere trade. Each country, to meet the debt payments, is being forced to cut its imports and expand exports. . . .

Third, excess debt is causing more antagonism between Latin American countries. . . . Argentina and Chile could easily go to war, more because of their domestic economic troubles caused by the debt crisis than for any real foreign policy reason. Venezuela and Colombia have a similar dispute which could flare up.

Q: What about labor and wages?

A: Yes, we have the problem of labor unions and wages. . . . The days of high income, due to large foreign borrowings, are now over. So wage structures may have to become more flexible. . . . There will be a more antagonistic relation between labor unions and governments. . . .

Many of these countries have borrowed to import food and not spent money on domestic agriculture. The agricultural labor force as a result migrated in major part to the cities . . . a mass army of unemployed. They will have to move back to the countryside, and this is very destabilizing.

The cities have first of all become too big. . . . Now these workers will have to move back out of the city into the countryside, where there is nothing for them to do.

Then you have the even worse problem of inter-country flow. There have been very large flows of Colombians into Venezuela . . . and now it's over. These people could soon be under pressure to return home, especially the illegal immigrants. . . . There was also a large flow during the heyday into Mexico from Guatemala and El Salvador. Now that may have to be reversed.

Q: What about the countries' domestic budgets?

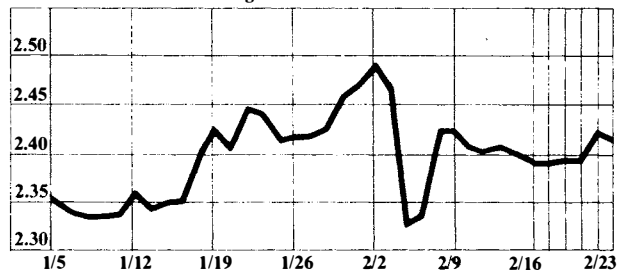
A: This is the worst problem. They must be cut, and cut drastically, they can no longer spend beyond their means. But the question is, is this domestically manageable by these countries? Or will it give rise to totalitarian regimes?

The worst subsidy of all, which must be cut first, as I said, is these public-sector companies. . . . Now if you shut parts of this down, and some of this will have to be done, they are going to have mass layoffs and production shutdowns. . . .

Currency Rates

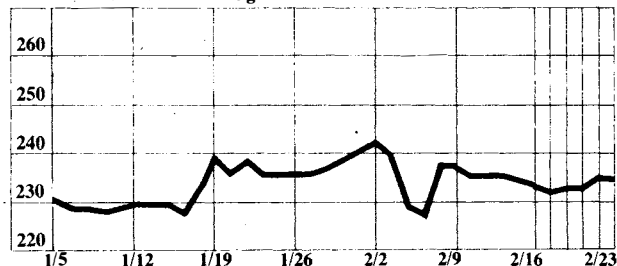
The dollar in deutschemarks

New York late afternoon fixing



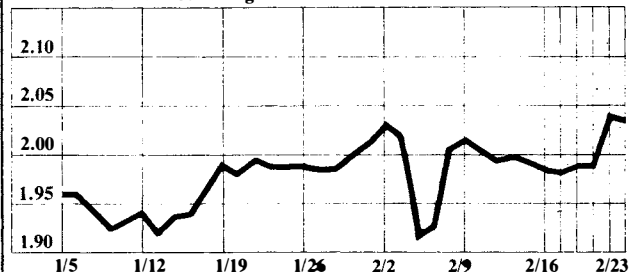
The dollar in yen

New York late afternoon fixing



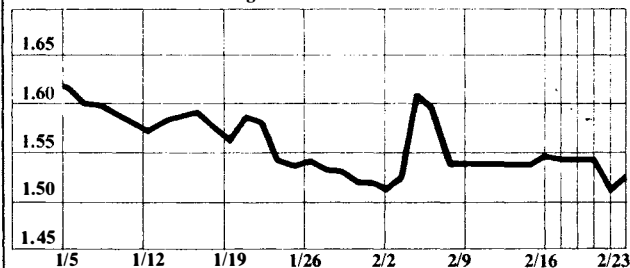
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



U.S. congressmen collude with Ditchley on IMF banking controls

by Kathy Burdman

Congressional allies of the Swiss-based Bank for International Settlements have produced legislation this month which if enacted would grant the Federal Reserve and the International Monetary Fund unprecedented powers over U.S. banking.

As one House Democrat's aide said, "All we are really doing is giving tremendous new power to the IMF." Bills have been or are now being drafted by John Heinz (R-Pa.), William Proxmire (D-Wis.), Fernand St. Germain (D-R.I.), Charles Schumer (D-N.Y.), Bill Bradley (D-N.J.), and Jack Kemp (R-N.Y.).

The legislation is shaped to blunt anger in the U.S. population against the IMF. Voters are irate at a bill submitted to the Senate by President Reagan to expand U.S. quota contributions to the IMF by \$8.6 billion. All the new bank regulation legislation will "amend" the IMF quota bill. The Proxmire bill has the best chance of being attached to the IMF quota legislation, *EIR*'s sources report.

Publicly, much of the legislation is being sold as "anti-bank" and even "anti-IMF," so that Congress may be seen "penalizing the banks" as a condition for giving the IMF money. Representatives of the Ditchley Group creditors' cartel have denounced the legislation, claiming it would limit bank lending.

Fed Chairman Paul Volcker and other BIS representatives have also publicly attacked some of the bills. "There is danger of over-reaction" against the banks, Volcker told the Senate Banking Committee on Feb. 21.

So much for public relations. The truth is that the Swiss gnomes' "Cooke Committee on Bank Regulation," under instructions from the Bank for International Settlements, has been calling for increased control over U.S. banks' foreign lending for the last year.

Furthermore, every last piece of this legislation has been written by the aides to the congressmen in question in collaboration with the Cooke Committee, the Fed, and/or IMF Managing Director Jacques de Larosière himself.

The Ditchley bank's opposition is a sham. In fact, the Ditchley banks have set up the entire debate. Their endgame

is the plan of Britain's Sir Harold Lever and New York banker Felix Rohatyn for what Rohatyn calls a "global Big MAC"—supranational cartelization of bank lending (see article, page 10).

The Brer Rabbit tactic

Ultimately, the banks want the IMF or some other global Big MAC institution to be created to take over their \$700 billion in bad Third World debt, as Rohatyn's Big MAC took over New York City's bad debt. The banks want the U.S. government to guarantee the process, so they have overseen bills which would "force" banks to perform what Rohatyn calls "a stretch-out." "Please don't throw me in the briar patch," the bankers say.

The idea is to transform the banks' bad short- and medium-term debt into 25- to 30-year paper. That in itself is in fact a necessary move to avert world financial collapse, as *EIR* founder Lyndon H. LaRouche, Jr. has stressed for the past five years. The diametrically opposite nature of LaRouche's "Operation Juárez" proposal for debt reorganization and the "global Big MAC" approach becomes clear when the question of new credit is raised. Whereas "Operation Juárez" prescribes vast new issuance of gold-backed financing for production and trade in tangible goods, the proposals from the Ditchley Group et al. foresee brutal austerity and deindustrialization of "North" and "South" alike.

The banks are actually playing upon the fact that their loans to the Third World are bankrupt. "This is not a mere liquidity crisis," said an aide to Rep. Charles Schumer, who is working closely with the banks. "That's ridiculous. Every one of the 500 members of Congress knows perfectly well that this is a solvency crisis of the entire debt system. So there is going to be a big fight over exactly what will be done to the IMF quota bill. We need a new system entirely, a new Bretton Woods. I'm proposing to write an article entitled: 'Don't Roll Over—Stretch Out!'"

An aide to House Banking Committee Chairman Fernand St. Germain is even briefing Congress on the danger of a

debtors' cartel arising in the Third World to try to motivate the Rohatyn plan. "There is a grave threat of a debtors' OPEC," he told *EIR*. "What if they say, 'We don't pay unless you stretch the debt out over 25 to 30 years? That's the possibility we face. We have to have legislation ready.'"

Legislative roundup

The list of bank regulation bills proposed for amendment to the IMF quota act now includes:

1) "The International Lending Reform Act of 1983 (S.502)," introduced into the Senate on Feb. 16 by Banking International Subcommittee Chairman John Heinz and William Proxmire. This gives the Fed and the IMF total control to classify Third World countries as to who should get credit and "set U.S. foreign policy," as Comptroller C. Todd Conover has charged.

Under the first of the bill's three provisions, the Fed would set true "country limits" beyond which a bank could not lend to a given country. Currently, while banks are limited to lending the equivalent of 15 percent of their capital to a given legal entity in Mexico, for example, many banks have over 100 percent of capital equivalent lent to the sum total of all their Mexican borrowers, public and private.

The Fed "will be given full discretionary authority to tell the banks what to do and set separate limits for each borrowing country," a Proxmire aide said. "Canada will be more creditworthy than Brazil, and banks will be given a much

higher country loan limit for Canada than for loans to Brazil," he said. "The Fed will determine all of this based on information it gets from the BIS and the IMF."

The second component of the Heinz-Proxmire bill is "penalty reserves," a plan put forward in March 1982 by Federal Reserve Governor Henry Wallich on behalf of the BIS Cooke Committee. Banks would have to set aside reserves to guard against defaults by debtors. Under the provision, a bank would lose the equivalent of \$10 million in revenue for every \$1 billion in loans which the Fed classified as substandard and reserveable—not a huge loss. If however, the IMF is involved in a loan consortium, as in Mexico and Brazil now, then the Fed will act as guarantor, Fed Chairman Paul Volcker told Proxmire in a private letter Jan. 7. So not too many loans will suffer this penalty.

2) Representative Schumer is writing a bill which goes far beyond Heinz-Proxmire, to mandate the Ditchley creditor's proposal for a "stretch-out" of the debt. "Proxmire's bill assumes this is a short-term liquidity crisis," said an aide to Congressman Schumer. "That's ridiculous."

Schumer is proposing what he calls "an IMF stretch-out," where the IMF and the country sit down with the banks, and the banks stretch out the short-term debt paper themselves into 25- to 30-year paper. Schumer endorses the idea of National Security Council economist Norman Bailey that to compensate the banks, the countries give them "exchange participation notes," mortgaging all the income of the country to those banks for the term of the newly stretched debt.

Schumer would like to have the IMF set up a Global Big MAC entity to intermediate, but is afraid it will be "too difficult to appropriate new funds for the IMF," aides say. "So the banks are to do it themselves."

"We'll tell the banks that they face strict, severe country limits, strict penalty loan loss reserves—or else," the aide said. "If that doesn't work, we'll propose to give the IMF only \$1 billion now, and make the rest of the quota increase contingent upon the IMF sitting down with the finance ministers and the banks and coordinating long-term stretch-outs."

"Of course, we're going to work all this out in advance with the IMF," he confided. "Schumer is going to be meeting with de Larosière this week, we'll go right to the top. We'll only go ahead with this if the IMF agrees."

"I'm not so happy about it, but of course what we are doing will give the IMF a tremendous amount of more power," he concluded. "We need someone to coordinate this on the international level, and the IMF is the only game in town."

3) House Banking Committee Chairman St. Germain and Sen. Bill Bradley would like to go all the way for the entire Rohatyn plan, aides say. St. Germain is writing a bill which will coopt most of the Heinz-Proxmire bill with country limits and penalties for the banks, though they favor "disclosure" more than financial penalties. Bradley is writing companion legislation.



Stuart Lewis/NSIPS

Morgan Guaranty's New York headquarters: a command center for "cracking down on the banks."

The auto inventory hoax shows why there is no U.S. recovery

by Leif Johnson

The press, economists, analysts, and certain government officials are setting up America's business managers for a fall. Buoyed by the euphoria of a "recovery," many of these businessmen are rebuilding inventory that they will not be able to sell.

By financing unsaleable inventory, or selling it off at heavy loss (making the wholesale price index decline), these managers may find themselves worse off in three to six months than if they had not expanded their current purchases. In some cases, their misjudgment will cost them a Chapter 11 bankruptcy.

There is no recovery under way in the United States; instead, the economy remains fixed on the course forecast by the December 1982 LaRouche-Riemann econometric report of a 3 to 15 percent decline in real output over the span of 1983. This can be seen in the strong downward trend in capital spending, the rising rate of unemployment, and the collapsing prospects for U.S. exports as both advanced- and developing-sector nations follow the U.S. lead into the Second Great Depression.

The recent economic "good news," including the rise in durable goods orders, housing starts, and auto production, with a hint of upturn in steel, largely represents purchase of business managers among themselves. Thus the present "upturn" rests on manufacturers' swapping of short-term credits.

Capital goods decline

Capital spending for plant and equipment in non-farm business (measured in 1975 dollars) fell from \$197.7 billion in 1982 to only \$180.5 billion in the fourth quarter of 1982. The corresponding trend in durable goods manufacturers capital spending, a good indicator of the present and future state of American manufacturing, was a decline of more than 15 percent, from \$38 billion in 1981 to \$32.1 billion in the fourth quarter of 1982.

This decline may steepen. The domestic steel industry, whose six largest producers reported a cumulative \$3 billion loss in 1982, and claim to lose from \$38 to \$109 with each

ton of steel shipped, expects major cutbacks in capital spending. According to industry spokesmen, the industry may allocate as little as \$1.5 billion to capital spending during 1983, less than half the average which has been spent over recent years.

The machine-tool industry, whose parlous state was described in *EIR*'s Nov. 2, 1982 quarterly report on the U.S. economy, continues to suffer severe depression. While machine-tool producers describe a great deal of price quoting (shopping around), they indicate that without a 50 percent jump in new orders this year, many companies will not survive through 1983.

Even the characteristically optimistic corporate forecasts of capital spending shows a major downward revision between November 1982 and February 1983. The November survey of business economists by the National Association of Business Economists predicted a 2.3 percent increase in capital spending in 1983; by February, they were predicting only a 0.2 percent increase and among manufacturing firms, a decrease of 1.5 percent over the very low figures for fourth quarter 1982.

The employment picture

In that forecast, the business economists moved up their prediction of fourth-quarter 1983 unemployment from 9.2 percent in November to 9.9 percent in February. (Yet these economists claim that the economy will be growing at a 4.3 percent rate by that same last quarter in 1983.)

Meanwhile, the January unemployment decline reported Feb. 4 by the Bureau of Labor Statistics (BLS) made front-page headlines nationally, but that report was a falsehood. For the first time, the men and women in the armed forces stationed in the United States were included among the employed; that added 135,000 "employed." Then the BLS dropped 736,000 from the labor force between December 1982 and January 1983, claiming that, although this was a highly unusual increase in the number of people not in the labor force, it was the result of their customary sampling

procedures, and thus it was justified.

Weather and the economy further assisted the BLS. With unusually mild weather, and interest rates tending downward, January saw an unexpected increase in construction employment, while a by-product of low Christmas season hiring was lower seasonal-worker unemployment in January.

A somewhat shamefaced BLS commissioner, Karen Norwood, told the Joint Economic Committee of Congress on Feb. 4 that "The data show real improvement, but the improvement may be exaggerated. The developments are clearly positive, but their magnitude is hard to determine with precision." The *EIR*'s estimate of U.S. unemployment is currently 25 million—an "imprecision" by the BLS of about 15 million Americans. Note that over the past four months, joblessness rose sharply among white-collar workers previously sheltered from the Volcker downturn.

With such a burden of unemployment, how is it expected that consumers will create an economic recovery with their purchases? Consumer credit outstanding fell 3 percent between 1981 and 1982; government transfer payments, including Social Security, will fall this year; savings and loan association lending fell to about \$50 billion in 1982, half the level of 1979, not counting inflation.

As an executive of a home appliance and electronics association explained, "Some of our members are happy that there is an uptick in sales, but then they realize that they are probably selling at loss or breakeven. We are using very heavy promotion to get the sales."

The optimism reported at the recent Las Vegas convention of the National Automobile Dealers Association does not appear to have its basis in an increase in sales. According to the Motor Vehicle Manufacturers Association, after 558,146 domestically produced cars were sold in November, the figure dropped to 448,048 in December 1982 and fell to 412,893 in January. Even imports declined slightly. Then came the sales plunge in February. Based on the first two-thirds of the month, sales are expected to dip to slightly under 400,000. The problem is that the manufacturers are adhering to their planned first-quarter production increases, producing an extraordinary rise in unsold inventory, producing in February alone between 80,000 and 85,000 more cars than will be sold.

By the end of December, inventory had dropped to 1,126,000, but because sales weakened, the inventory backlog rose to 65 days, already above the 60-day level considered normal and acceptable by the industry. The month-end backlog is calculated by dividing the inventory by the daily sales rate for that month. In January the inventory increased to 1,180,000 for a backlog of 71 days. February's inventory backlog is expected to reach 1,263,000, or a supply of 81 days' worth of unsold autos. The question now is how much longer the manufacturers can unload unsaleable autos on the dealers, and how many dealers will be bankrupted as a result.

Other figures show an indifferent pattern of economic

activity, as would be expected from a mere inventory buildup. Electrical output increased from a weekly average of 42,974 millions of kilowatt-hours in December to a January average of 44,428, while rail traffic declined from December's weekly average of 14.2 billion ton miles to 14.0 in January. Steel utilization improved from as low as 30 percent in December to 43.4 percent in January—a figure still at depression levels.

Two figures showing an increase were new housing starts and the industrial production index compiled by the Federal Reserve Board. Housing starts jumped to an 1.7 million units at an annualized rate, the largest figure since the Volcker recession began. How many in the growing ranks of the unemployed will buy homes sometime during the spring and summer?

The rise in the industrial production index largely reflects an increase in home appliances and military production. According to Mickey Walker of the National Appliance and Radio-TV Dealers Association, "Dealers weren't buying for the last six months, but now they are replenishing their stock."

Military production, which has had such strong impact on durable goods orders statistics, is expected to continue to increase, although this will have a small effect on the overall economy.

The statistic that has shown the most impressive rise in the first weeks of 1983 has been the number of commercial and business failures. In the first six weeks of the year, there were 3,606 failures, a 41 percent increase over the 2,560 failures in the comparable period of the previous year. And 1981's total of 16,794 failures was more than twice that of 1979, at the onset of the Depression. At the current rate, 1983 would see 36,000 failures, with liabilities of \$10 billion.

Trade contraction

If the domestic economy shows poor promise of an internally generated recovery, the prospects for an export-led recovery are even worse. The wreckage of the importing capacities of the developing nations and the disruption of the advanced-sector economies point to further declines in U.S. exports.

The case of Mexico is extreme but may become paradigmatic, particularly if world oil prices become unhinged. In 1981, Mexico imported \$17.4 billion worth of goods from the United States. With the financial crisis of August 1982, imports froze abruptly, with the year showing only \$13.0 billion worth of U.S. imports. The Mexican government recently projected, before the oil price decline, that total imports for 1983 will fall to \$11 billion. The United States share would be about \$8.0 billion.

The *EIR*'s November 1982 projection of a 20 percent decline in the physical volume of U.S. exports in 1983 now appears to be materializing. In 1982, U.S. merchandise exports fell by 12.8 percent—a steady rate of about 1 percent a month, which, assuming no generalized financial collapse occurs, should fall at a slightly higher rate through 1983.

Brazil devalues its sovereignty

Central banker propitiates IMF, while issuing 'cries of help' around debt crisis.

Carlos Langoni, the University of Chicago-educated president of Brazil's central bank, sat in Banco do Brasil's New York branch office on Fifth Avenue on Feb. 17, just as he had done during much of the month of February. As it approached 5 p.m., Langoni knew that the Banco do Brasil would not be able to pay \$170 million in debt obligations, despite the usual frantic calls to big New York correspondent banks asking for overnight cover. Langoni later told Brazilian business daily *Gazeta Mercantil* that he went through the debts saying, "Pay this one; don't pay that one."

Thus Brazil went into arrears in the middle of February by amounts rumored to be around \$900 million. The big New York and Chicago banks had been "taking in the laundry" of smaller banks and European banks which were closing out their credit lines to Brazil. Their overnight advances had grown into several billion dollars, which they were rolling over every night to keep their debts to Brazil out of default, while the debt negotiation game continued. While refusing to put up more cash, the major banks raised the interest charges on Brazil's trade financing by 3 percent.

Brazilian planning minister Delfim Netto had ordered Langoni not to set foot in Brazil until the four-part debt renegotiation package they had presented to the foreign bankers on Dec. 20 was signed. But the bankers' cartel had repeatedly postponed signing any parts of the package until Brazil had demonstrated its submission.

The next afternoon, most Brazilians were shocked when the central bank announced a 30 percent "maxi-devaluation" of the cruzeiro.

The only official explanation was an unsigned release issued by the central bank, which argued that "this measure was the result of the adverse situation of international markets and the liquidity crisis which persists in the great financial centers." Brazil achieved a \$155 million trade surplus despite a 5 percent drop in exports only by cutting imports 15 percent. But Brazil has pledged the IMF that it would run average monthly surpluses of \$500 million, no matter what.

Asked how the devaluation would benefit Brazil, Delfim Netto's chief economic adviser, Akihiro Ikeda, replied, "I don't have the slightest idea."

Would it help exports? The Brazilian Exporters Association was practically unanimous in thinking that it would *decrease* Brazilian export income by further undercutting world commodity prices.

Insanity is the evaluation of former central bank president Angelo Calmon de Sa, who now also runs a private bank. Calmon had called his former cabinet partner, Citibank board member Mario Simonsen, a "traitor" for having openly sought to provoke the maxi-devaluation.

Brazilians noted that at the same hour of the devaluation, Langoni had telexed Fritz Leutwiler, head of the Bank for International Settlements, to plea for extending the \$1.2 billion bridge loan granted by the central

banks making up the BIS in early January. "Brazil Cries for Help from Eleven Countries" read the banner headline in the Feb. 20 *Folha de Sao Paulo*, in reference to messages sent at the moment of the maxi-devaluation asking Western governments to force their banks to come up with the funds to complete the debt renegotiations.

At the peak of the crisis, the monetarist *O Estado de São Paulo* published a report echoed around the world by UPI that Brazil's presidency and foreign ministry were preparing the option of "the debt bomb." Referencing Henry Kissinger's warning that the debtors could unite, *O Estado* analyst Carlos Chagas wrote, "Acting politically, in a bloc, they will be able to impose different conditions [from those imposed by the IMF] in case the bilaterally negotiated economic formulas fall through."

Subsequent editorials ripping apart the "debt bomb" concept showed that *O Estado* was warning Kissinger and the banks to sign quickly, while seeking a military muzzle on Foreign Minister Ramiro Saraiva Guerrero's ability to act in concert with other nations at the Feb. 24-25 Cartagena summit.

As Saraiva flew to Cartagena, Delfim Netto and Finance Minister Ernane Galvêas flew to New York to join Langoni for the long-delayed signing of Brazil's debt renegotiations. They are haunted by the reality voiced to the press by Sen. Roberto Saturnino: "Brazil will have to declare a moratorium in months, or even in weeks. Moratoria are either submissive or sovereign acts. A sovereign moratorium requires that we stop all debt service payments until the creditors agree to the terms we propose for rates and dates of payment."

Does the real power in Brazil, the Army High Command, take sovereignty seriously?

U.S. agriculture: the new Third World?

Proposals to treat independent American producers as the IMF treats developing-sector debtors.

As the administration announces budget cuts in every important economic program for U.S. agriculture, Congress is proposing legislation with the sole purpose of reorganizing the farm sector's massive debt. Rather than coming up with a program that would provide even some portion of the \$25 to \$30 billion in new credit needed to maintain food production (see *EIR*, Feb. 1), members of both the House and Senate have introduced legislation that will provide, at best, merely for a two-year moratorium on foreclosures on FmHA loans, to be negotiated on a case-by-case basis. The FmHA is the farmers' "lender of last resort."

This moratorium proposal, in a bill introduced Jan. 26 by Sens. James Sasser (D-Tenn.) and Daniel Inouye (D-Hawaii), is little more than official recognition of the fact that farmers simply cannot repay their debt. Just as the International Monetary Fund is renegotiating, again on a case-by-case basis, the billions of dollars of unpayable developing-sector debt, the FmHA will be able to do little more than wangle for repayment of the \$25 billion farmers owe the federal government.

The administration has made quite clear that it is opposed to a debt moratorium policy. At hearings held Feb. 14 on H.R. 1190—an emergency credit bill before the House agriculture subcommittee on conservation, credit, and rural development—Undersecretary of Agriculture Frank Naylor stated that the administration

is "particularly concerned" with portions of the bill calling for "indiscriminate" moratoria on farm loans, and that the administration would oppose the bill on this basis. The bill, co-sponsored by Reps. Ed Jones (D-Tenn.) and Tom Coleman (R-Mo.), proposes additional FmHA operating loans, and a piddling additional \$200 million in credit for new borrowers in addition to the proposal for deferrals under prescribed conditions. Such provisions, even with administration support, would of course do little to allieviate what Jones called "the worst agricultural crisis in the last half-century."

But, given the certain effects of the new USDA budget released early in February, the administration may not be able to resist a debt-deferral policy for long.

The FmHA is budgeted for some \$350 million in operating loans to farmers, which could do little more than enable farmers to pay only the interest on the total agriculture sector debt of some \$200 billion. But the overall FmHA budget cut has suffered a \$3.6 billion cut, with slashes in rural development, water development, and other infrastructure programs, and disaster loans—essentially everything that would keep American agriculture producing over the next years. *EIR* will publish a full analysis of the budget in an upcoming issue.

Senator Bob Dole (R-Kan.) gave some idea of where all this is heading, when he introduced two bills into the 98th Congress in January. His pro-

posed legislation is designed to "find ways to make more efficient use of scarce financial resources. The era of ever-expanding entitlement programs is ending for every sector of the economy." Dole's Agriculture Export Expansion Act will dovetail with the administration's Payment in Kind program (PIK), by making surplus commodities available at no cost to foreign purchasers of U.S. grain and other agricultural products.

What this amounts to is lowering the price below which the commodity cannot be sold, cutting further into farm income, and forcing farmers to increasingly operate on a straight commodity-barter basis. The Payment in Kind program, which the administration is pushing as "the only game in town" for American agriculture, is aimed at forcing whatever number of farmers who want to stay in the business to strictly limit their production—just as cartelization plans have been forced on European and American industry. PIK will award farmers, who agree to cut production by certain amounts with certificates for some 75 to 80 percent of the crop they could have grown in stored surplus grain or other commodities—which they then have to market.

The next step, in imposing top-down control and limits on American agricultural production, is already being mooted. At a conference of agricultural journalists held on Feb. 12, Assistant Secretary of Agriculture William Leshner revealed that the next policy may well be a "supply management approach." Supply management will not mean just cutting overall production and turning farmers into commodity-salesmen. The next step, outlined by Leshner, will be to "restrict the amount of grain and cotton that can be marketed," i.e., cartelize the entire American—and much of the rest of the world's—food supply.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$90 mn.	Jamaica from U.K.	Air Jamaica is paying \$90 mn. for two of Freddy Laker's used Airbus A-300 jets, as part of a complex deal to reduce the debt of the bankrupt fly-by-night airlines. That is more than they cost new. Bankers claim that Air Jamaica is benefiting by \$71.4 mn. in "cheap" financing at 13% fixed rate for 10 yrs. from Britain's Export Credits Guarantee Department. Jamaica will pay \$6 mn. before delivery; the remaining \$12.6 mn. will be provided by 13 banks which lent Laker \$131 mn. to buy 3 such Airbuses several years ago.	Jamaica's new slogan: "We're not an island; we're a bailout for Laker creditors." No wonder Jamaica itself is floundering in a sea of red ink.
	U.S. from Japan	GM will re-open its Fremont, Calif. plant to assemble 200,000 cars per year in a joint venture with Toyota for next 12 years. Subcompact front-wheel drive car will be designed in Japan, engine made in Japan. Relatively low technology parts such as body, sets, and trim will be made in U.S.A., and equal 50% of value.	As has been much-publicized, deal is contingent on UAW yielding on labor standards.
	Egypt from Japan/U.S.A.	1,400 trucks and buses/yr. will be assembled in Egypt in 1984 by a consortium of General Motors and Egyptian, Saudi, and Kuwaiti investors. Parts will come from Isuzu Motors of Japan, 34.2% owned by GM. Production will go to 16,500 vehicles in 1987 and 18,000 in 1989, with 40% Egyptian-made parts.	
\$106 mn.	Ireland from U.S.A.	Schering-Plough is building the world's first plant to produce interferons for cancer treatment. It is re-equipping a closed plant in Cork to produce the interferons on a mass scale as soon as it is accepted as medically useful.	
	China/U.S.S.R.	Chinese-Soviet trade is expected to grow 45% this year, much of it on a barter basis between the border areas of Manchuria and Siberia. Siberia proposing to trade lumber, cement, glass and consumer goods for Chinese food oils, pork, alcohol, and textiles.	Formal barter agreement to be signed soon.
\$300 mn.	Zaire from South Korea	Zaire's Economic Planning Ministry has signed for Korea's Lucky-Goldstar Group to build 40,000 sheet/day plywood factory; 12 rural hospitals with 100 rooms each; and a 300-room first-class hotel.	
UPDATE			
\$590 mn.	Brazil from Europe	London's Midland Bank could cause the closing of Airbus Industries, the Anglo-French-German consortium, should they force the loss of deal to sell nine A-310 planes to Brazil's VASP airlines. Brazil made the Airbus victory over Boeing conditional on the countries involved helping finance a new São Paulo airport, with a \$280 mn. loan. Airbuses would not be very useful at São Paulo's old Congonhas airport, since structural limitations there would restrict them to take off with only 1/3 of load capacity. French banks favor the deal, since French companies have won the bulk of contracts for navigational equipment at the new airport.	Midland says parallel financing for the airport "is totally inappropriate and unrealistic in the present climate," since it is more concerned with rolling over existing debt than building new airports. Airbus had 17 new orders and 11 cancellations last year.

Business Briefs

U.S. Monetary Policy

Congressional maneuvers on IMF legislation

Congressional allies of Wall Street banker Felix Rohatyn hinted they may make trouble for the IMF quota bill, in order to demonstrate the bankruptcy of the current Bretton Woods system and call for a new Bretton Woods, which would turn the IMF into a world central bank.

Senator William Proxmire (D-Wis.) heavily criticized the IMF quota increase in a Feb. 23 speech. He said that the administration is trying to sell the quota increase as good for U.S. exports, but, "Mexico is already sharply reducing its imports. Mexican imports from the United States were slashed last year by \$6 billion, costing America 150,000 jobs. Apparently that was not enough. Now the IMF will tell Mexicans to tighten the screws even further. . . . If this IMF technique is applied in Argentina, Brazil, and other countries, the end result of our \$8 billion contribution to the IMF quota might be the loss of a half-million American jobs."

Public Policy

Shultz forms commission on foreign aid

Secretary of State George Shultz Feb. 22 announced the formation of a new "Commission on Foreign Security and Economic Assistance" which will review the goals and objectives of U.S. foreign aid and operate outside the official channels of the U.S. State Department.

The head of the 15-member commission, which will include six or eight members of Congress drawn equally from both parties, will be Frank Carlucci, former Deputy Secretary of Defense under Caspar Weinberger. Serving under Carlucci as co-chairmen will be Rockefeller Foundation director Clifton Wharton, who is also chairman of the Board for International Food and Agricultural Development; Lawrence Silverman, former ambassador to Yugoslavia and current executive vice-president of

Crocker National Bank; and AFL-CIO President Lane Kirkland.

According to an Agency for International Development spokesman, the commission was proposed by Shultz after discussions with Congress during the lame-duck session. AID head M. Peter McPherson will function as Shultz's liaison to the commission, which will be funded by both public and private sources.

The commission will give a preliminary report in July 1983 and a final report in the fall, examining the effectiveness of such U.S. bilateral and multilateral foreign aid expenditures as contributions to the World Bank, the Inter-America Development Bank, Asia Development Bank, and others. The International Monetary Fund will not be scrutinized by the commission.

Conference Report

Oxford colonialists see financial crash

Oxford University's Institute for Commonwealth Studies in Britain sponsored a conference in mid-February entitled, "The Crash of '83," featuring economists from Oxford, Cambridge, and the central bank of the People's Republic of China. The event was organized by Neville Maxwell, formerly a British intelligence stringer based on the Indian subcontinent, who was forced to leave India after expressing too exuberant pro-Chinese viewpoints at the height of the Indian-Chinese war.

According to Maxwell, the consensus reached at the event was that a global financial collapse is inevitable by early 1984 at the latest. Speakers also addressed the potential for a "debtors' cartel" to emerge among Third World nations.

Maxwell described the event as follows: "We are heading toward the catastrophe that is now needed. To survive, the system has to go through collapse. It has to clear the pathological mountain of debt that its own nature has created. The whole capitalist system is based on debt and credit expansion, and credit expansion has now become morbid. We need the surgery of collapse. It will probably happen this year. . . . The history of capitalism shows that it needs

collapses. . . ."

Attendees were treated to a presentation on the prospects of a debtors' cartel by the Bank of China representative. He and others considered the prospects of such a cartel likely, and perhaps salutary, if the collapse is not to get out of control. Central bankers are "scurrying around like frightened rabbits," the representative reflected in discussion on the event. "The financial situation is totally insoluble" with current blueprints.

World Trade

Japanese finds frank talk in Moscow

Japan "will sink in 20 minutes," if war breaks out, Soviet Foreign Trade Minister Nikolai Patolichev told Japanese business leader Shigeo Nagano at a Feb. 23 meeting in Moscow. Patolichev was referring to Japanese Prime Minister Yasuhiro Nakasone's comments in Washington in January that Japan would become an "unsinkable aircraft carrier" against the Soviet Union. Rather than sink Japan, Patolichev proposed that Japan and the Soviet Union cooperate in the economic development of Siberia and other Soviet areas.

Nagano, who is leading a 220-man delegation of Japanese business leaders, is under a restricted mandate. Just before his departure, Nagano was summoned by Premier Nakasone and told to limit discussion to improvement of general trade. Tokyo will not provide any additional credits for Soviet development projects, Nakasone told Nagano, until territorial disputes left over from World War II are solved.

OPEC

Iraq pulls \$425 million out of Japanese bank

Over the past year, the central bank of Iraq has withdrawn \$425 million, almost the entirety of its "free yen" and foreign currency deposits, from Japan's largest bank, Dai-ichi Kangyo, according to Jiji press. Bank-

Briefly

ing sources in Tokyo told Jiji that Iraq needed the money to pay for its continuing war with Iran, because of falling oil prices.

In February, Nigeria withdrew \$42 million in deposits from Japanese banks, and Kuwait sold off \$425 million in Japanese government securities.

Saudi Arabia has not yet withdrawn money from Japan, but its investments into Japan have shrunk drastically. Saudi Arabia accounts for 55 percent of oil-producers' investments in Japan. From \$400 to \$500 million per month investment level in 1981, the Saudi average dropped to \$200 million per month in 1982, and only \$100 million per month so far in 1983. *EIR* expects Saudi Arabia to run a deficit for the first time in 1983, leading to a possible net withdrawal of investments from Japan.

Technology

Soviets: 'Lasers revolutionize economy'

Laser technology "within our century . . . will come to occupy in science and the economy a place roughly equivalent in importance to the place electricity came to occupy at the beginning of the century," wrote a prominent Soviet scientist Feb. 5 in the armed forces daily *Krasnaya Zvezda* (*Red Star*). Academician B. Stepanov's review of laser applications in medicine, industrial processes, and soon in the achievement of controlled thermonuclear fusion power was one of several new published testimonies by the U.S.S.R. to this imported technology. As *EIR* has documented, lasers and other directed-energy beams have great potential for military as well as civilian use.

In the first 1983 issue of the Soviet party Central Committee's economic weekly *Ekonomicheskaya Gazeta*, State Committee for Science and Technology head G. A. Marchuk described a national program called "Laser Equipment and Technology," one of several high-priority projects that are "under the trusteeship of coordinating councils headed by top scientists and specialists." The laser program is run by Academy Vice President and fusion physicist Ye. P. Velikhov. Other programs cover nuclear power, including fast breeder

technology, under Academy President A. P. Aleksandrov, and gas pipeline technology, under the Minister for the Gas Industry, V. A. Dinkov.

Academician Aleksandrov turned 80 on Feb. 12, which was the occasion for the Soviet press to publish appreciations of his long career, spanning the wartime nuclear program, the first stages of fusion research alongside physicist V. Kurchatov, and his work in the Academy today. Marchuk wrote in *Pravda* that Aleksandrov "possesses the gift of being able to determine precisely the time when the results of fundamental research should be taken up in technology, and when a given new technology can make possible better experimental work." Here and in *Krasnaya Zvezda*, the articles stressed Aleksandrov's collaboration with industry.

Foreign Exchange

Venezuela enacts currency controls

The Venezuelan government enacted exchange controls on Feb. 23 in an effort to stop wild capital flight. However, dollar trading was suspended through Feb. 25 and, as of this writing, pressure from the international banks to devalue the bolivar is expected to continue. The government also announced the creation of a two-level exchange system that barely skirts the devaluation issue: the bolivar will continue to be pegged at 4.30 to the dollar for all essential exports, such as oil, iron, and steel. A free-floating bolivar will be used for "non-essential" transactions, and speculators in New York are saying the rate will be in the range of 6 to 9 to the dollar.

The action puts some pressure on speculators, but unless the Venezuelans are prepared to abandon what has so far been a very defensive position, the bankers will unquestionably continue to strip the country. The Feb. 24 *Journal of Commerce* published the bankers' line: Venezuela's problems are due to Venezuelan "mismanagement."

Caracas press reports that capital was flying out of the country at a rate of \$200 million per day the week of Feb. 21. Venezuelan reserves are down to \$8.7 billion from a high of \$16 billion last October.

● **THE U.S. TREASURY** is still conducting two studies on a new currency system ordered at the 1982 Versailles summit, Treasury Secretary Donald Regan told the Senate on Feb. 23. "There is a 'convergence study' to see if we can get inflation and interest rates down and more in sync with each other, so that we don't have flows of hot money around the world, which will stabilize currencies," he said. "There is also an 'intervention study.' It's obvious, and I remain skeptical on whether intervention can really stabilize currencies." Group of Five deputy finance ministers will be meeting in Washington soon, and then the finance ministers will meet in April on these two reports, he said.

● **A. W. CLAUSEN**, chairman of the World Bank, thinks the world financial system is "robust," or so he claimed Feb. 24 in a speech at Harvard University. In defense, Clausen cited the concentration of world debt among a handful of "dynamic" developing countries which, before 1980, had growth rates of over 7 percent. Clausen also reported that if bank lending to the Third World stays at 1982 levels, income in the Third World will decline by 10 percent.

● **"THE GREENS** and Social Democrats would accomplish . . . what Marx and Morgenthau were unable to do . . . the deindustrialization of Germany." This is an election campaign claim of the Christian Democratic Party in West Germany, according to a Feb. 23 *New York Journal of Commerce* editorial.

● **ATARI, INC.**, the ultimate "sunrise" company, announced Feb. 22 that it was moving its home computer and video games operations to Hong Kong and Taiwan from California. Atari is looking for "much cheaper" labor costs in Hong Kong or Taiwan, the model for the free-enterprise zones proposed for U.S. cities.

Club of Life urges Non-Aligned: adopt debtors' cartel

by Nancy Spannaus

Political weight was thrown behind the traditional Third World demand for a New World Economic Order on Feb. 18-20, when over 3,000 individuals met in North America and Western Europe to endorse a demand for dumping the International Monetary Fund and replacing it with a monetary system dedicated to technology transfer and industrialization everywhere. Gathered in 40 cities under the auspices of the Club of Life, the international pro-life organization formed by West German political figure Helga Zepp-LaRouche in October 1982, the majority of these participants endorsed a resolution to the Non-Aligned Bureau of Nations, whose heads of state will be meeting in New Delhi, India on March 7, and vowed to obtain support for that resolution throughout Western Europe and North America.

The resolution urges the leaders of the Non-Aligned movement "to use the only visible means to overcome the depression, namely, the effective formation of a debtors' cartel. The disadvantage of the huge indebtedness of the developing sector, for which it is not to blame in our view, can be turned into an advantage. You can impose an orderly renegotiation of the entire debt of the developing sector and be instrumental in bringing about a new world monetary system in which credit will be created for production, and not for refinancing paper."

What makes the Club of Life resolution more significant than a mere paper declaration is the potential political power represented in the assemblies. The Third World, whose political leaders were either killed or removed from office following the bold advocacy of a debt moratorium and a New World Economic Order in Colombo, Sri Lanka, in 1976, has hesitated to take the necessary steps to save its populations, for fear of a new wave of lethal retaliation from the United States and other governments under control of the International Monetary Fund. The sight of a broad array of political forces in the United States—in this case over 1,500 individuals—has provided the Third World with a demonstration that the advanced-sector countries can be brought into reasonable negotiations once the debt bomb shock is applied.

The forces which have rallied around noted economist and Democratic politician Lyndon LaRouche in the United States have already given the nations of



Stuart Lewis/NSIPS

Members of the Club of Life demonstrate near the White House on Feb. 18 against U.S. support for the murderous policies of the International Monetary Fund.

Ibero-America courage to put forward proposals for joint debt renegotiation and a new Latin American common market. Both these ideas were elaborated by *EIR* founder LaRouche in a private memorandum circulated to Ibero-American governments in summer 1982, "Operation Juárez."

Immediate broad coverage given to this round of Club of Life conferences in Ibero-America, by way of the Spanish news agency EFE, makes it likely that the international impact will once again be most strongly felt there.

But the report-back into other nations of the Non-Aligned, which number 96, was not restricted to Ibero-America. Over 55 nations had participants in the conferences in the United States and Europe, representing the majority of African nations, as well as significant representation from Asia. Most diplomats were astounded to see the depth and breadth of support within the United States, in particular, for reversing the depression by developing the Third World.

Over 650 people participated in the Paris Club of Life conference, the keynote event featuring Lyndon and Helga LaRouche. College and high school students, engineers and technicians, and the Pakistani exile community associated with the late Premier Zulfikar Ali Bhutto's Pakistani People's Party, formed the bulk of the audience. Besides the presentations from Mr. and Mrs. LaRouche and the Indian representatives (see below), one highlight of the two-day meeting was the presentation by Marie-Madeleine Fourcade, a former leader of the French Resistance, who gave an impassioned speech on the danger of the re-emergence of fascism engineered by the financial forces that brought Adolf Hitler to power in the 1930s.

About 500 participants came to the Washington, D.C. conference from 30 states of the United States. Farmers, businessmen, and minorities were well represented. Organized labor was not broadly in evidence, but one labor spokesman, Wayne Thomas of an International Brotherhood of Electrical Workers local in California, read a telegram signed by more than 30 other West Coast unionists in support of the Club of Life and its debtors' cartel program. This marks a break from the control over the labor movement of one of the international bankers' strongest U.S. allies, AFL-CIO president Lane Kirkland. Greetings were also read to the conference from the Department of Labor. Noteworthy too was a message to the meeting from Sen. John Melcher, Democrat of Montana, who became the first senator to pledge his vote against the upcoming proposal to bailout the International Monetary Fund (see Congressional Closeup.)

Support for the New World Economic Order proposals of the Club of Life was also rallied in more than 20 cities around the United States, several Ibero-American capitals, and a number of European and Canadian cities. Many of the meetings drew between 35 and 60 participants in areas notorious for local chauvinism, but now obviously being aroused to concern for the international causes of the depression.

The actual impact of the conferences will not be known until the heads of state of the Non-Aligned movement meet in New Delhi on March 7. The international press cartel in Europe and the United States, which succeeded in blacking out the existence of the meetings and the proposals in the interest of the IMF and London and Swiss bankers, may find out that there are limits to its power.



Helga Zepp-LaRouche

‘New economic order is in the interests of North and South’

The following is a transcript of Helga Zepp-LaRouche’s address to the Club of Life conference in Paris on Feb. 19. Subtitles have been added.

If we look at the world as a whole from the standpoint of reason, the New World Economic Order is so obviously in the interests of North and South that it seems incredible that political forces in the North and the South have not long since seen its realization as of the absolutely highest priority. The world has reached such a point of crisis today that it has become clear that we either realize the New World Economic Order in 1983, or destabilization processes will begin, which will in all likelihood lead to the destruction of the human race.

The international economic crisis is now threatening the lives of millions of people in the developing sector, and unless things are immediately turned around, as many as 2 or 3 billion people will die by the year 2000. We are facing the danger of the worst holocaust of all time.

This situation is not the fault of the developing sector nations, as evil Malthusians claim. It is the result of centuries of colonialism, sometimes disguised, but now quite open.

The new colonialism

You have to think about the brutality of British colonialism—imagine the ships laden down with precious goods which Britain literally stole from India during 300 years of savage looting, with the result that India was relatively poorer at the time of independence than 300 years previously—in order to be able to judge how severe the effects of colonialism were on the developing sector.

When many developing countries became independent, the Bretton Woods system put them at a disadvantage from the start, through unjustly calculated currency parities. The fact that the developing-sector nations are now almost bankrupt is the result of a development that has had increasing effects from the middle of the 1970s.

The developing-sector nations have been hit even worse with the results of the oil crisis by the way that the OECD

nations have covered up their own economic crisis by increasing the looting of the developing sector.

With manipulated exchange rates, organized capital flight, and an ever-increasing discrepancy between the higher and higher prices of imports, and the lower prices of exports, the developing-sector nations have been further squeezed since the middle of the 1970s. The high-interest-rate policy of Federal Reserve head Paul Volcker has drastically increased the debt service to be paid by the developing sector. When the affected countries, crushed by this usury, were forced to go to the IMF, to discuss a reorganization of their debt, the IMF added the infamous “conditionalities,” forcing the devaluation of the currency and other, similar measures, putting these countries in such a bad position that their exports could be bought with the most derisory amounts of currency of the OECD countries.

If the oligarchical circles behind the IMF, the World Bank, and the Bank for International Settlements were to succeed, and were able to link the refinancing of individual countries’ debts with contracts permitting the unlimited looting of those countries’ raw materials, through a newly created world central bank, then with one stroke, colonialism would simply be reintroduced, and even the illusion of national sovereignty would be removed.

This long chain of looting and disadvantages is the reason why the developing nations are so indebted, and the reason why they simply cannot pay their debts. It is not true, as some evil journalists in the Western press claim, that “over-ambitious development projects” are to blame.

Exactly the opposite is true. The monetarist credit policy of the IMF is the reason why many promising development projects have had to be stopped. The developing-sector nations understood, at the latest since the reaction to their demands for a New World Economic Order at the 1976 conference of Non-Aligned countries in Colombo, that the leading financial institutions of the North have not the slightest interest in the industrialization of the South, but that in fact the majority have long been “decoupled” and that the transfer of technology ended years ago.

If the developing countries continue to be subjected to the International Monetary Fund's demands for austerity, then hope for a recovery will disappear forever, and developing nations will be threatened with coups and regional wars. Mexico, for example, is threatened with destabilization just as Iran was, Central America could sink into a blood-bath, coups and civil wars are threatening Venezuela, Columbia, Brazil, Argentina, Peru, and Boliva, and the entire Ibero-American continent could go under in a "Second Pacific War," a scenario which Henry Kissinger has had on his desk for a very long time. India is threatened with civil war, organized by the British secret services. Africa has simply been sentenced to death by the International Monetary Fund.

All these countries are suffering from an enormous lack of development. Mexico needs nuclear power plants, transport systems, capital goods of all kinds. Ibero-America as a whole could become in a relatively short time an incredibly strong economic bloc.

If India, which already has a labor force similar to European levels, of 50 million people, could make the appropriate capital investments, it could soon become an exporter of advanced technology for the whole of Southeast Asia, and, as has been calculated in a study using the LaRouche-Riemann model, by the year 2020, could produce twice as much as the whole population of the world did in 1979.

Africa needs enormous quantities of investments in capital goods, cities, schools, railways, heavy industry, light industry, mechanization of agriculture, and so on.

The oligarchy in the North

The industrialized nations depend on imports of raw materials from the developing sector, and depend equally on exporting their products to them. The economy of the Federal Republic of Germany, for example, depends on exports for 40 percent of its activity. Japan, France, Italy, and other countries show a similar picture.

Unemployment in the OECD countries has officially reached over 30 million, and in fact there must be at least 40 or 50 million unemployed. The Federal Republic of Germany now has 3.5 million unemployed, and it is predicted that this figure will reach 6 million by the end of this year. If the international economic crisis continues to unfold, there could be as many as 100 million unemployed in the industrialized nations by the end of this year.

Mexico already has an unemployment rate of 40 percent, and in many developing countries, statistics showing unemployment just do not exist at all, only statistics showing how many young children die, or how long people live on the average, which is sometimes only half as long as in the North, or how many people die from starvation. It is clear for everyone that the developing countries are threatened with destruction due to the lack of precisely the kind of capital goods that the present 40 million or 100 million unemployed people in the North could produce!

Would it not be in the self-interest of the North to have productive full employment, and therefore political stability? Would it not also be in the interest of the North to have a tremendous transfer of technology and an export offensive towards the South?

Instead, so-called steel experts, thinking like oligarchs, recommend that European capacity should be cut by half, whole modern steel complexes being closed down, the kind of complex that any developing country would dream of having! Hundreds of thousands of highly skilled qualified workers are made unemployed in this way, losing their incomes and means of existence, just because the proponents of a post-industrial—or rather a pre-industrial feudal society—want to destroy all heavy industry.

Farmers in the industrialized countries are going bankrupt under the burden of the high-interest-rate policy, and receive premiums for cattle which are *not* raised, and for land, that is *not* cultivated, so that it can soon be predicted when these countries will face food shortages.

If some people can produce what others need, if the New World Economic Order is so obviously in the interests of all, why does the North appear not to recognize its own interests?

The problem is that not only has the South never fully thrown off the yoke of colonialism, but that the industrialized countries are not sovereign republics, but are more or less ruled by oligarchical dictatorships. Dictatorships—not in the military sense, but in the monetary sense. Although everybody knows that the OECD nations are going into the worst crisis of the century, and are not only experiencing mass unemployment but other consequences, such as the danger of new fascist movements, apparently not one single government in the industrialized countries is capable of defending its own interests.

The absolutely key question today, by far the most important question in international politics today, is: Who controls the creation of credit and debts—sovereign national governments, responsible to their populations, or private financial circles, which want to rule the world through the supranational dictates of a world central bank, accountable to no one? The control of credit and debts, this is the key question. The answer is decisive to whether the result is worldwide feudalism and probably a Third World War, or a New World Economic Order. With the exception of the Banque de France, all the central banks of the OECD countries are private concerns. *They* have the right to print money or to restrict monetary circulation—not the elected governments.

The governments of the North and the South have the same problem: these private financial circles are the main opponents of the realization of the New World Economic Order. These circles would rather see entire economies destroyed, whole populations massacred, whole continents wiped out, rather than agree to a reorganization of their bankrupt economic system, and risk a reduction of their powers!

The cynical cold-bloodedness with which Swiss or Lon-

don bankers murder whole developing countries with IMF "conditionalities" exceeds even the cold-bloodedness of Nazi killers, sitting at their desks and sending thousands to their deaths in concentration camps with just their signatures.

The necessity of the debtors' cartel

Now, with someone who prefers to sacrifice millions of human beings, rather than accept the reform of the international monetary system, with people like that, appealing to reason is a waste of time. Where there is nothing, there is nothing to appeal to. These oligarchs want to turn back the clock and recreate feudal structures—these oligarchs are the enemies of mankind.

The only criticism I would like to make of the representatives of the developing sector is that they have often been too naive.

The International Monetary Fund is the instrument which the oligarchical circles are using to plan and carry out genocide. As the example of the Ditchley Group shows, the financial institutions have built a creditors' cartel, under the control of the IMF, and with whose help they can subjugate the developing nations "case by case."

There is only one way the poor and the weak can force the world to reason, in the face of the overwhelming power of the oligarchical conspiracy: the developing countries should form a debtors' cartel, to force through a controlled reorganization of the world economic system, and the New World Economic Order.

Such common action by a group of developing nations is the only way to force governments of the industrial nations by a violent shock from the outside, to defend their own interests.

If the governments of the industrialized nations were so suddenly and painfully confronted with a debtors' cartel, an unmistakable message, all the illusions that the economic crisis could be overcome if only sufficient cuts in spending were made would cease, and then new options could be developed. It is extremely important that the members of the debtors' cartel address the population in the industrialized countries, where people have been hard hit by the international economic crisis, and that they show them where their common interests lie. Only if the population is mobilized will it be possible to reduce the power of private banking interests.

The developing countries by themselves are too weak to resist the IMF. Only if they can create an unbreakable unity among themselves, for example, linking the fight of Ibero-America to that of the Non-Aligned movement, and linking up with forces in the North to work together in their common interest—only then is the right combination of forces created.

The Club of Life, which has given itself the task, as it says in its founding principles, "to fight for a just New World Economic Order," is holding conferences here in Paris, in Washington, D.C., and in about 50 other cities in the North and Ibero-America, in Asia and Western Europe, to signal

international support for the upcoming conference of the Non-Aligned movement. A signal that the people in the North are not prepared to march like lemmings over the cliff, and to give up the fundamental ideas which have developed human civilization over the centuries, in exchange for the "post-industrial society." Rather, we want to show that there are people and political forces in the industrial sector who see the New World Economic Order as the only way out.

If the catastrophe of an international collapse imposed by an IMF-dictatorship is to be avoided, then in the next few weeks, at the summit of Non-Aligned nations, or shortly afterward, a group of developing nations must drop the debt bomb. That is, these countries must use the only means which is feared by the oligarchical financial interests, the only weapon that can stop their plans.

On a certain day, Day X, these countries must announce together their incapacity to pay their debts, and, appealing to the self-interest of the industrialized nations, propose a controlled, global, reorganization of debts, and the creation of a New World Economic Order, as Lyndon LaRouche has suggested in the document "Operation Juárez."

There is certainly no developing nation, not even those whose governments are described as reactionary, which has not asked itself the following question: What would be the consequences if we decided to resist the "conditionalities" imposed by the IMF? A total cut-off of all credit, meaning a cut-off of imports of spare parts, of food, and other essential goods, followed by coup attempts and murder—as in the case of Pakistani Prime Minister Ali Bhutto?

As India is being destabilized right now by ethnic movements controlled from outside the country, desperate attempts to paralyze India, as the most important leader of the Non-Aligned movement and host of the conference, must be expected. If some developing nations in New Delhi or around the time of the conference use the debt bomb, it must be expected that the threats and blackmail already used against these countries will escalate dramatically.

So, if the members of the debtors' cartel don't waver and stand by their positions, the banks and governments of the industrial nations will have no other choice but to agree to the proposed, orderly debt-reorganization and the negotiation of new credit, or else the entire monetary system, with titles worth between \$1 and \$2 trillion, collapses.

The ongoing financial crisis may now be so overwhelming that a staunch debtors' cartel were a far stronger power. This would at the same time be the *punctum saliens* in the centuries-long drama of the history of colonialism—the turning point, in which the heroic intervention of leading figures prevent the potential tragedy and instead give the drama a happy ending.

The mobilization of the Club of Life in the past four months has taken care that this alternative is known to every government of the world. It is conceivable that President Reagan, under the pressure of events, can be brought to agree

to the reorganization of the world monetary system, as the U.S. Congress can likewise be held back from ceding American sovereignty to a couple of private bankers.

In Europe, Spain, which as it is can be understood as the bridgehead to Ibero-America, and whose current Prime Minister González has already raised the demand for a debt-reorganization, and France are the two countries which provide some leverage in this situation.

Should the worst case occur, and the industrial nations react to the formation of a debtors' cartel with a total halt to credit and with trade sanctions, the developing nations would be forced to fall back on an exclusive South-South cooperation. Under such circumstances they would of course have the possibility of forming their own national banks, and creating their own credit for the financing of a multilateral, South-South cooperation.

They would, without doubt, in such a case be exposed to great hardships, but would find themselves on the path to hope, while any capitulation to an IMF central bank and thus to an explicit fascist economic system with the population reduction desired by the Malthusians, would, in a word, have genocide as its result.

It is, however, totally conceivable that the introduction of the debt bomb and the debt reorganization it would compel, would pave the way for a global overcoming of the world economic crisis.

Creating a new renaissance

If, following a global reorganization of the debt of not only the developing countries, but also the greater part of the public debts of the industrial nations, and if new credit with a low interest is created for a worldwide jobs program, for new investments in technological renewal, export capacities, technology transfer, and well-defined Great Projects, then the current depression could be overcome within weeks, and after several months the greatest economic boom in all history would be launched.

The massive development of nuclear energy in the industrial nations and the transfer of this technology to the developing sector would mean cheap energy (and a cleaner environment) for the North, and for the South, the opening up of what were till now useless areas for agriculture and settlement.

The population potential of the earth, solely through the overall utilization of nuclear energy, would increase tenfold. Human beings would no longer be viewed as "useless eaters," but rather each new individual would be viewed in terms of his creative potential as an additional enrichment of the human species as a whole. There is no reason why we can't in but one to two generations have created conditions worthy of human beings for all people on this earth, including those who today belong to the most poverty-stricken. In principle we could repeat all over the world the examples of the industrialization of Germany or Japan, as precisely these two countries are the proof that possession of raw materials does not

equal social wealth, which is created solely and uniquely through advancing technology increasing the productivity of labor.

The gigantic struggle which marks the battle for the New World Economic Order, is nothing less than the fight for the survival of the human race, and at the same time and in every aspect it is the fight for the principle of the inviolability of each human life and the inviolability of human dignity and the rights of all peoples on this planet.

And now it has been shown that a basic principle of the Non-Aligned movement as well as the republican tradition in the industrial nations, has become a matter of life or death—the principle of national sovereignty.

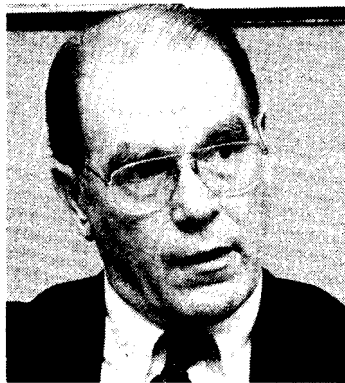
The establishment of the first nation-state in France in the 15th century under Louis XI was the precondition for the declaration of human rights embodied in the first successful republican revolution, the American Revolution of 1776, insofar as only the nation-state possessing the possibility for a republican representative system protects the rights of the individual, by making the government responsible for these rights, while on the other hand calling upon the individual to assume co-responsibility.

This safeguarding of the rights of individual human beings, mediated through sovereign nation-states, is in correspondence to the demand of absolute equality of rights for all sovereign states in this world. Any forms of supranational control and dictatorship, as for example the idea of a world central bank, violate not only national sovereignty but also at the same time the human rights of the individual. That would be overall understood wherever one can be proud of a republican tradition, whether in the France of the Fifth Republic or the American or Mexican Revolutions, or the Non-Aligned movement.

A just New World Economic Order therefore should be founded on absolute respect for the national sovereignty of all states, and the development of the worldwide division of labor to the mutual advantage of all. This would include, for example, the idea that while certain achievements ought to be rewarded, technology must not become the monopoly of some to the injury of others.

Even if humanity appears today to be far removed from such a course, only a world order such as has been put forward in the encyclical *Populorum Progressio* by Pope Paul VI, or in the Grand Designs of Nicholas of Cusa, Leibniz, or Nehru, can guarantee our survival.

Precisely on account of the depth of the crisis, is the Club of Life an institution for all those who believe in the potential for reason in all human beings, whether North or South—and only on this highest plane is agreement possible—and in the possibility of a world order based on reason. Let us pledge to multiply our interventions in the fight for a new just world economic order, so that we can bestow upon mankind new intellectual revolutions and the achievements of a new worldwide humanist renaissance.



Lyndon H. LaRouche, Jr.

'Facing the greatest economic depression in world history'

EIR founder Lyndon H. LaRouche, Jr. gave the following speech to the Club of Life conference in Paris on Feb. 18. Subtitles have been added.

Some years ago, during early 1976, I presented to a leading Swiss banking official my estimate of the consequences of a continuation of the international monetary policies adopted by the 1975 Rambouillet monetary conference. I outlined the reasons these policies must lead to mass deaths among the most vulnerable and other developing nations. At the conclusion of my presentation of the case, this banking official replied, that my analysis was probably correct. Then, he added: "It is regrettable, but that is the price which may have to be paid to save the system."

Since that time, I have heard words to the same effect from many leading financial circles, from representatives of governments. Often, the observation is added, that people must die anyway, because, according to the dogmas of the Club of Rome and others, the world is overpopulated. During the past six years, since I first heard such evil words from a leading banking official, many millions have died, who would not have died but for implementation of the existing "monetary restraint" and "austerity" policies.

Since Federal Reserve Chairman Paul A. Volcker introduced his policy of usurious interest rates in October 1979, the rate of mass deaths caused by economic and monetary policies has accelerated. In Africa, under present trends, entire nations now existing will have been wiped out by the end of the present decade. It is on the verge of becoming far worse.

What I am about to report to you is very frightening, but unfortunately completely true. Therefore, before reporting these things, I should report to you the authority for what I say in these matters.

Since November 1979, my associates and I have published a regular, quarterly forecast for the U.S. economy. Over this period, those forecasts have been entirely correct in predicting trends, and within a small margin of error in predicting the amount by which the U.S. economy would shrink or grow during the period ahead. For example, the

general forecast we published for the first nine months of 1982, in December 1981, was within three tenths of a percentage point of the actual result.

During this same period, from October 1979 to the present time, all other published forecasts for the U.S. economy, including the forecasts by the U.S. government, and forecasts by such agencies as Wharton Econometrics, have been consistently wrong, even to the point those forecasts have been usually absurd.

We find a similar general result when we compare our own forecasts for various sections of the world's economy outside the United States and the forecasts made for those economies by governments and private forecasting services.

This immense superiority of the results of our forecasting work to that of other groups of economists, is not accidental. Here at this time, I will not present you a full explanation of all the reasons for that superiority. One of these reasons is related directly to the purposes of the Club of Life, and therefore I shall refer to that briefly here, in the appropriate location within my brief report. It was necessary that I indicate to you the very special authority I enjoy in the subject of economic analysis and forecasting.

The anatomy of economic collapse

It is not only my own judgment, but that among many of my leading opponents, such as Signor Carlo De Benedetti of Venice, that the existing world monetary system will collapse during 1983, and that this collapse will occur most probably during the first half of 1983.

Any combination of defaults on debt, by both nations and significant private institutions, which strikes financial markets in the total of more than \$100 billion within any one-to-three-day period, would probably be sufficient to set off an unstoppable chain-reaction of general financial collapse. This would collapse not only Third World debt, of up to \$700 billion value. It would collapse the internal financial system of the United States, and of at least a number of nations of Europe. The total amount of financial values which would be wiped out by such a collapse would be between \$1 and \$2 trillion. A collapse of at least \$1 trillion is the figure given to

the press by Signor DeBenedetti. The actual range of potential collapse is between that figure and \$2 trillion.

Such a collapse would be worse than that which erupted in 1931. Comparatively speaking, the long drift toward a "post-industrial society" since the middle of the 1950s in the United States and since the middle of the 1960s in Western Europe as a whole, has savagely weakened both the social and economic structure of these nations, to a point that they lack the degree of inner reserve strength, either economically or in terms of social and political structures, which most nations exhausted to struggle through the 1930s into World War II.

In the United States, for example, before the Great Depression, we employed approximately 55 percent of our total labor force in production and transportation of tangible goods. In 1946, we employed 62 percent of our total labor force in these categories. Today, we employ a shrinking 28 percent in those same categories. The considerable store of wealth we had when we entered the last Great Depression, within our farms, capital investment in industries, and so forth, does not exist. During the recent 15 years we have already torn down and used up most of such stored-up wealth. This fact has been concealed from most people's day-to-day experience, by the apparent prosperity still existing in the form of employment in administration, services, and wasteful occupations. We have overlooked the fact, that administration, services, and waste, are the overhead expenses of a national economy. The economy's wealth, like that of a farm or manufacturing firm, lies in the production of those physical improvements on which the material sustenance of life depends. In 1946, the United States employed 62 percent of its labor force as a cost of useful production, and only 28 percent as overhead expense. Today, the United States employs 62 percent as overhead expense, and only 28 percent as productive cost. The conclusion should be obvious.

Unless we correct the existing policies of most OECD nations, and drastically reform international monetary policies, the new financial collapse will most probably plunge Western Europe into a condition like that it has not known since the middle of the 14th century. In that earlier depression, the prosperous nation of France was ruined. The region now known as Western Europe lost an estimated one-half its parishes over the hundred years beginning approximately 1268. Today is not the 13th or 14th century. Many conditions have been altered greatly during the recent six hundred years. Nonetheless, that 14th-century collapse is the best historical example to suggest an approximation of the threat facing us now.

In the developing sector, the effects of a financial collapse would be far worse.

The genocide machine

There is a plan by a gentleman known as William Paddock, to use economic and other measures to reduce the

population of Mexico by half, by approximately the close of this century. This policy is backed by numerous very influential circles in New York City, including a public endorsement of the Paddock Plan by George Ball. Luigi Einaudi, a close collaborator of former Secretary of State Henry Kissinger, produced some years ago the "Einaudi Plan," which maps out the depopulation of much of Ibero-America. Central America is at the brink of doom. In leading circles tied to certain powerful New York banking factions there is a worked-out design for the virtual wiping out of the nations and populations of black Africa, except for Nigeria, which is permitted to keep about half its present population levels.

Famine, aggravated by regional and local wars, followed by cannibalism and eruptions of old and new varieties of epidemic disease of people, animals, and plant-life, are the genocidal conditions now threatening nearly all of the Third World—the weakest parts more immediately, the relatively stronger economies a bit later.

There is in progress today, a policy which has already killed more people than did the Nazis, and yet you and I, and others, who oppose this genocide are vilified with campaigns of the wildest lies.

Already, in the United States and Europe, there are schemes with growing political backing, to introduce euthanasia as a policy of reducing the cost of supporting people in retirement. These are not isolated cases; they are growing movements, with widespread and powerful support from certain insurance firms and other financial interests. There was a case in Chicago recently, much publicized in the daily press, in which a baby was caused to die deliberately, over the parents' protest. The motive was a campaign run with backing of the major press in that city, saying that the baby was not worth the cost of keeping it alive. There is a trend of a similar nature, toward cutting off costly medical aid to persons over 55 years of age, on grounds that saving their lives cannot be justified by accounting standards.

The problem here is not that economic depressions murder people on a large scale. This depression could be stopped, with adoption of policies which are very practical. The death rate from austerity in developing nations could be stopped, with the right policies, policies which are very practical. The mass of bad debts, which threaten to trigger a \$1 to \$2 trillion financial collapse as early as March or April of this year, could be reorganized in such a way that that financial collapse

could be stopped. The problem is that governments refuse to adopt those policies. The reason for this refusal is that the time has come when the fact that a policy leads to mass murder, is no longer considered evidence that that policy must be abandoned.

This condition has become tolerated among us, chiefly because of the widespread support given to propaganda issued by a handful of Malthusian organizations in the world, of which the most typical and important are the Club of Rome, the Aspen Institute, the Ford Foundation, the World Wildlife Fund, and the little known but influential Cini Foundation of Venice. Since 1972, when a fraudulent book, called *Limits to Growth*, was published by the Club of Rome, we have come to the point that influential political parties and other institutions no longer defend human life as sacred. Although the Club of Rome is not exclusively to be blamed for the genocidal death of millions already in progress in Africa, it is to the degree that newspapers, radio, television, movies, politicians, and large sections of the churches, give an aura of respectability to the Club of Rome and World Wildlife Fund, that there has been produced the present condition, in which such rising genocide is tolerated by policy-shaping institutions of governments.

There is in progress today, a policy which has already killed more people than did the Nazis, and yet you and I, and others, who oppose this genocide are vilified with campaigns of the wildest lies, because we name the policies which cause this genocide, and because we name the names of those organizations, such as the Club of Rome, which have made those policies possible. In face of such lies and slanders from supporters of these genocidal policies, we find many hypocritical cowards, who present themselves as committed to the sacredness of life, slinking away from the fight, whispering rebuke to us, saying we have been impolite and unethical, because we attack openly an institution such as the Club of Rome. Where is the spirit of the Resistance against the Nazis, to rise to resist an evil today which is greater than that of Hitler?

'Post-industrial utopia'

The Club of Rome and World Wildlife Fund are not to take all the blame for the genocide spreading around the world today. There are two additional sources for the policies and practices we see in the living skeleton of an African mother whimpering dry tears over the bloated, malnourished body of the child which has just died.

There is a certain kind of utopia, which has invaded the policy-shaping of many nations today. This utopia is called by some a "post-industrial society." To provide this sect with the utopian conditions it demands, we must tear down that modern agriculture, that energy production, that industry, those institutions of medical science, on which the production of the material conditions of human life depends. If we accept this utopian demand, we would reduce the potential

level of the population of Europe to approximately that of the 18th century, and the population of the world as a whole to no more than something between 1 and 2 billion people. These utopians have a powerful foothold within many political parties, both left-wing and conservative, throughout the world. The "post-industrial utopia" is already well on the road to becoming a reality. Shall we not ask these utopians, which 2 billions people or more they propose to kill to make their utopia possible?

Is there no more authority for morality and reason in the conduct of our public affairs? Must we tolerate a policy simply because some significant number of people desire that policy passionately? Have the rest of us no moral responsibility for tolerating the evil consequences of such a policy?

The third major cause for the genocide is the economists. I will consider only the cases of two of them, the worst cases: Mr. Friedrich von Hayek of the British Fabian Society, and

***Let us at last fulfill the dream
of the American Revolution, the
dream of those who supported
and admired the creation of a new
model of constitutional republic
on my continent's shores.***

Professor Milton Friedman of Chicago University and Chile. These two cases are the obvious extreme cases, but they serve to expose the root of the corruption which causes most of the economists to demonstrate that incompetence in forecasting to which I referred earlier.

During the year 1763, just after Britain's defeat of France over the preceding seven years of war, two men were riding together in a carriage. The one was named William Pétty, the Second Earl of Shelburne. This Shelburne was the chief political representative for the British East India Company. Later, he was to organize the national bankruptcy of France over the period 1783 to 1789, and to place William Pitt the Younger in power in Britain. He was also the Shelburne who trained Danton and Marat in London, and sent them from London to decapitate France. This was the Shelburne who was David Hume's immediate superior, both during Hume's activities as a British spy in France, and Hume's tenure as chief of the Edinburgh office of the British Secret Intelligence Service. Shelburne's specialty as an officer of the British secret services, was the destruction of France, and, at a later point in his career, the destruction of the United States as well. Hume worked under Shelburne, and so did the second man riding with him on the long, historic carriage ride. That

man was Adam Smith, 11 years later the author of the *Wealth of Nations*.

The topic of conversation between Shelburne and Smith during that carriage ride of 1763, was Shelburne's new scheme for the destruction of France.

Franklin, Lafayette and Carnot

Lord Shelburne and Smith overlooked the fact of Dr. Benjamin Franklin, who began his international conspiracy against Britain during 1766, ten years before the Declaration of Independence. Wherever the spiderwebs created by Richelieu, Mazarin, Colbert, and Leibniz still existed, from Petrograd in Russia, and through the court of Spain, into the Spanish colonies of the New World, Franklin's conspiracy was there. This vast conspiracy not only gave my nation victory over Britain in 1783; it inspired Europe with the American cause. The Scottish financial interests behind the British East India Company and Shelburne, reorganized the British government in 1783, and prepared for what they intended would be the final destruction of France.

Again, they miscalculated. They feared Lafayette, the leader of the American Society of Cincinnati in Europe, and Pitt threw Lafayette into a dungeon, in Olmütz, where occurred the inspiring story of M. Lafayette's magnificent wife, celebrated by Beethoven in his opera *Fidelio*, where Pitt becomes Pizzaro. Shelburne did not anticipate Lazare Carnot, the hero of Ninth of Thermidor, the co-author of the great Ecole Polytechnique, and the man who revolutionized warfare around the pivot of a new model of mass-produced mobile field artillery. From 1794 to 1815, the greatest efflorescence in modern science and industry was unleashed by the Ecole Polytechnique not far from where we assemble today. This was the Carnot who threatened to continue war when Napoleon was defeated, and with that threat saved France from the dismemberment which the British had planned.

The British plotted on, directing their hatred against France and my own nation, and against everyone in Europe or the Western Hemisphere linked to the hated cause of Franklin, Lafayette, and Carnot. The British East India Company created the first chair in political economy for the Reverend Thomas Malthus, the collaborator of another East India Company employee, David Ricardo. Then, during the 19th century, the British East India Company's John Stuart Mill launched a new turn in British economics, called utilitarianism. This new British economics, of which Marshall, Keynes, Kaldor, Hayek, and Friedman are directly products, was based explicitly on an earlier design by Shelburne's most evil accomplice, Jeremy Bentham. This design was called the "hedonistic calculus," which asserted that there was no value in morality or economics except the experience of hedonistic pleasure and pain.

With the work of Mill, Jevons, and Marshall, it became asserted that the money-price of an object was nothing but a

measure of the combined pleasure and pain experienced by the buyer and seller. With the takeover of control of the dominant part of the world's monetary system by the British and Swiss bankers, during events of the 1870s, this immoral doctrine of the utilitarians, blended with the Marxist offshoot from Ricardo and Smith, has become today the basis for the economic doctrine taught in our universities and practiced in the councils of governments. Von Hayek and Friedman are the extreme form of this hedonistic doctrine, the most immoral, and in practice the most genocidal under present conditions.

For the sake of the perceived advantage of a rentier-financier interest, like that Shelburne represented, and armed with evil doctrines such as those of von Hayek and Friedman, it is the policy embedded in the practice of international monetary institutions to destroy as many lives as needed, merely to secure an advantage for that financier interest and that evil doctrine.

Restore the principle of life

Where today is taught the political economy which created modern European civilization? Who studies the works of Tommaso Campanella, of Colbert, of the founder of economic science, Leibniz? Who studies the great economists of the American System, Hamilton, Mathew and Henry Carey, Erasmus Peshine Smith, and Friedrich List? Where in France might a student become acquainted with the economists who made France a great power under the supervision of Lazare Carnot, names such as Ferrier, Chaptal, and Dupin? The spiritual grandchildren of the evil Shelburne rule opinion in that profession today.

So, such financier arrogance, and such evil economic doctrines, have brought us to the brink of the worst economic calamity since the 14th century, and to the accelerating practice of genocide in the Third World. They are destroying our children, our ill, and our retired citizens, all in the name of the economic dogmas typified by the names of Hayek and Friedman.

Let the principle of life be restored to the teaching and practice of political economy, as I in my limited way have attempted to further this. Let us end the tyranny of the feudal *fondi* behind institutions such as the Bank for International Settlements; let us return to what was known in former times as the American System of political economy. Let us at last fulfill the dream of the American Revolution, the dream of those who supported and admired the creation of a new model of constitutional republic on my continent's shores. Let us create now, at the brink of disaster, a New World Economic Order consistent with the *Populorum Progressio* of His Holiness Pope Paul VI. Let us create an order among nations premised upon the principle of life, premised upon a commitment of nations, to increase the productive powers of labor, such that nations may sustain the sacred lives of the individuals throughout the world.

Indian spokesmen say: 'fight for truth'

by Mary McCourt

Only by fighting for a global recovery can the holocaust that the world is facing be averted, two members of the government of India told the conference of the Club of Life in Paris Feb. 18.

The Club of Life, by bringing "new and fresh ideas to the leadership of the developing sector," is playing a crucial and growing role in that fight, in the words of Bali Ram Bhagat, a former foreign minister, now chairman of India's World Affairs Council, and a member of the Indian Parliament for 34 years. The ambassador to the United Nations in Geneva, Muchkand Dubey, pledged in his speech that the "message and spirit" of the Club of Life conference, particularly in emphasizing the interdependence of North and South, will be taken to the Non-Aligned summit in New Delhi March 7.

First extending to the Club of Life "the deepest respect of the people and Parliament of India," Mr. Bhagat emphasized that the creating of the New World Economic Order, which he called "a journey to the truth," was a war. Bhagat stated that he was deeply touched by the speech of French Resistance leader Marie-Madeleine Fourcade to the conference, because it brought back memories of India's fight against the biggest colonial power [Britain], which he called a freedom movement very similar to the French Resistance. Mme. Fourcade, who ran the largest intelligence network of the French Resistance, had told the Paris conference that the 50th anniversary of the coming to power of Adolf Hitler must be made "an opportunity to remember" and that we must never allow such destruction of nations and people again.

Bhagat continued: "Let me quote our great leader Mahatma Gandhi, who stressed that our fight was a fight against evil. We have to strive for the truth. I have also been deeply impressed by the speech of Mrs. Zepp-LaRouche [founder of the Club of Life and chairman of the European Labor Party] when she spoke about interdependence. . . . As a Sanskrit word says, 'the whole world is one family.' In a crisis like today's, people begin to realize that the whole of mankind is threatened by a holocaust. . . . In such a situation, we must realize that there is only one planet with one common interest.

"In its fight against colonialism, India realized that when you are weak you cannot get justice," Bhagat said. "The prime task was to build our economy and achieve self-reli-

ance. We built a steel industry. A great American President was keen on helping—John F. Kennedy—but powerful interests overruled even the President. We had to take loans from international organizations. . . .

"I am sure that those assembled by the Club of Life will accompany us on our journey" to the New World Economic Order, Bhagat said. This bridging of the gulf between North and South, the crucial role of the Club of Life, is so important because the conditions of the current economic crisis were created by the "international order built at the end of the 1940s—minus the South and minus the East. The Bretton Woods system was based on the IMF and the World Bank, which were mainly developed to manipulate the decolonized world. We are now facing a debt crisis which reflects the fragility of the international order. The debt crisis is not a crisis of developing countries which are in the debt trap, but a crisis of the international banking system.

"I want to stress two points: first, the fight for a New World Economic Order is a fight for total decolonization, for as Mr. LaRouche said this morning, colonialism is feudalism [see page 28]. Second, the New World Economic Order can only be realized through the mutual interdependence of North and South."

The conditionalities imposed by the International Monetary Fund must be changed drastically, because they impede the development of the developing sector economies, said Ambassador Dubey in his speech to the Paris conference.

The IMF conditionalities demand economic restrictions at a time when the LDC (Less Developed Country) economies have already virtually halted, and force an export orientation at a point when all trends point to total trade war and protectionism. The consequence is a deepening economic stagnation and recession for both North and South.

The Third World and advanced sector economies must be seen as an integrated whole, he said, pointing out a recent report concluding that if all lending to LDCs were stopped, the advanced sector rate of growth would drop immediately by 1 percent. This would mean disaster, because the world economy is at such a low level that the OECD is forecasting a 1983 growth rate of only 1.5 percent, and even this may not occur. Thirty percent of U.S. exports are to LDCs; 5 percent of all U.S. jobs and 16 percent of U.S. industrial jobs depend on exports to the Third World.

The basis for a real economic recovery, Ambassador Dubey emphasized, would be created by fulfilling the needs and potentials of the underdeveloped nations; economic growth could then become a self-sustaining process.

He sharply criticized the Brandt Commission report for its assumption that the common interest of the LDCs and advanced-sector nations is "self-evident" under current conditions, and he attacked a recent article in the London *Guardian* which reported the sentiment among international financial circles that only a few LDC nations can be saved in the economic crisis, and those few only on condition that they become hostages to the World Bank and IMF.

The Club of Life's battle for the New World Economic Order

by Lydia Schulman

"We are here today to re-dedicate ourselves to a New World Economic Order," Hulan Jack, the former borough president of Manhattan, told the flagship U.S. Club of Life conference in Washington, D.C.

Jack was one of numerous speakers—from the farm sector, industry, labor, the U.S. civil rights movements, and developing nations—addressing Club of Life meetings on three continents Feb. 18-19, who demonstrated that the development of the Third World is in the immediate interests of all humanity. Not only is world economic recovery impossible without a resolution of the debt crisis and the opening of exports markets in the Third World, but, on a political and philosophical level, the perpetuation of racist colonial policies by the Club of Rome, International Monetary Fund, and other present-day Malthusian institutions, is a blight against the dignity of all men.

"The United States is still largely controlled by Britain, a once formidable world empire," said Jack, who as a young boy immigrated to the United States from the West Indies. "Today, Britain is the base of a banking cartel that would take over the world once again by making the IMF into a world central bank, alone determining who will get loans and on what terms." We must take up the spirit of the U.S. Constitution again, he said.

Frederick Wills, the former foreign minister of Guyana, had explained earlier that in efforts to create a New World Economic Order, Third World leaders are only "borrowing from the ideas and promise of the American Revolution." "We accepted the promise of 1776," said the former executive board member of the Non-Aligned movement. "The position of man can be fundamentally altered for the better." Wills described the genesis of the Non-Aligned movement: "We determined we had to both change our own nations and change the habitat, the world environment. . . . We had to diversify agriculture, so that our peoples could feed themselves, and we had to industrialize, because through that we would learn to master the laws of the universe. And in this, like the American republic in its early years, we would not align with either superpower."

Civil rights leader Marion Hill, who accompanied A. Philip Randolph in a meeting with President Franklin Roosevelt 40 years ago, brought the audience to its feet when

he declared: "This conference is a funeral. We are here to bury a monetary system, the IMF and the rest, as we buried Hitler and Mussolini, and we shall bury every other fascist mass murderer we can capture." The philosophical basis of the New World Economic Order was put forth eloquently by Jaime Sanín Echeverri, director of the Colombian magazine *Arco*, in a speech in Washington that affirmed the fundamental right of all men to use their inventiveness to transform nature without limits. But, he noted, "the great men of our age. . . have renounced the pain of thinking." *Time* magazine's Man of the Year for 1982—the computer—"has been programmed with the fallacious algorithms of Parson Malthus. Humanity will not fit on the earth. It was a mistake to call 4.5 billion people to life. There should only be 2 billion."

Nuclear power

Many of the speakers from developing nations emphasized the importance of nuclear power both for developing their economies and ensuring their nations' political independence. "Development of nuclear energy is the only guarantee of demographic growth, national sovereignty, and economic justice for the Third World," said Luis Fernando Calviño, interim director of Argentina's *Energía* magazine. The speaker outlined the history of nuclear development in his nation, beginning with a 1953 cooperation accord with the United States, signed under the auspices of President Eisenhower's Atoms for Peace program. Calviño said the greatest obstacle to the nuclear program had not been environmentalists, inasmuch as "virtually every Argentine citizen supports the National Energy Commission created by Juan Perón in 1950," but the "monetarist policies imposed through former Finance Minister Martínez de Hoz."

Nicholas Uwazie, a Nigerian nuclear engineer who spoke in Paris, described nuclear power as the cheapest, safest source of energy for all of Africa, as it can be installed along coasts or rivers, creating new centers of development for the entire continent. Uwazie called on the African and all Third World nations to renounce the concept of "appropriate technology" and demand "equality of technology" as a basic tenet of the New World Economic Order.

To reverse the ignorance about questions of energy that afflicts even leaders who should know better, Prof. Francois-

George Dreyfus called for a broad educational effort. Professor Dreyfus, who is director of the European Institute for Advanced Studies, said many of the existing educational programs are tainted with pessimism and Malthusian ideas.

The centrality of nuclear energy to Third World development and sovereignty was brought home to audiences in Paris, Munich, and Washington by speakers from the exiled Pakistan People's Party. In those cities, Dr. Ghulam Husain, Ahmed Chouhry, and Javed Shah left no question that former Prime Minister Ali Bhutto had been toppled and later assassinated because of his dream of obtaining nuclear energy for Pakistan. Bhutto had just reached an agreement with France in 1977 to purchase nuclear fuel reprocessing facilities when then Secretary of State Henry Kissinger threatened, "I will make a terrible example of you."

North-South dialogue

During the reception at the Washington conference, farmers from Georgia and African diplomats intently discussed the application of American farming techniques to turn Africa into a breadbasket for the world. This was the kind of dialogue that went on at the many conferences, and it is indicative of the potential for North-South cooperation to bring into being the New World Economic Order.

One of the farmers was Tom Kersey, president of the Georgia chapter of the American Agricultural Movement and the organizer in 1978 of the world's largest tractorcade. Now he is trying to arrange for delegations of American farmers to go to countries such as Zaire, which have fertile unfarmed land, to set up experimentation stations on the model of the U.S. extension system.

In Denver, another farmer, Bud Meckleberg, described how center pivot irrigation, which has been perfected for use in sandy areas of the western United States, could be applied in Egypt, Syria, and areas of the Third World.

Representatives of industry talked about the readiness of advanced-sector companies to export to the Third World—given the right credit environment. In Munich, Hans Rindfleisch, director of a firm that produces a bulldozer capable of digging canals and tunnels, stressed that such machines can enormously upgrade the productivity of the labor force.

Italian labor leader Modesto Dematté of FISBA-CISL outlined to the Club of Life conference in Paris what labor's role must be in building the New World Economic Order: The millions of unemployed could be re-employed to produce Third World needs. Dematté insisted on the importance of the North's labor movement taking up the call for a New World Economic Order as a union contract demand.

In Washington, Wayne Thomas, business manager of the International Brotherhood of Electrical Workers Local 617, presented a petition, signed by some 30 West Coast labor leaders, endorsing the Club of Life's call for a North-South Labor Committee and expressing solidarity with "our brothers and sisters in the developing sector."

The present state of the global economy

The urgency of acting *now* to bring into being the New World Economic Order was brought home in the Club of Life panels on the state of the world economy. With every day of delay, the productive capacity needed to launch a recovery is being destroyed further—sacrificed to bankers' "conditions."

Uwe Parpart, a developer of the LaRouche-Riemann economic model, was one of many speakers to attack the sham of the "U.S. business recovery." He said, "The world economy is sitting on a time bomb on a very short fuse," hearkening back to Lyndon H. LaRouche, Jr.'s keynote address in Paris. "At any point, the gentlemen meeting in New York and Switzerland, who roll over Brazil's debt and Mexico's debt every 24 hours could decide they are not going to cover the negative balances any longer, and then all talk of recovery will go out the window."

The advanced countries that would be most severely hurt would be those relatively healthy export-oriented economies—West Germany and Japan, he said. "In black Africa, the collapse will be measured, not in points on a production scale, but in human lives lost."

Parpart also described what has already happened in countries where IMF conditionalities are being applied in return for the debt rollovers. "In Brazil, which in terms of resources and labor is one of the healthiest economies in the world, it was announced one month ago that the nuclear program would be shut down," referring to a 12,000-megawatt dam which is almost completed—its turbines may not be delivered and it may be gutted.

The gutting of agriculture

Perhaps no one is in a better position to understand the financial plight of the developing sector than the American farmer. Like the Third World generally, the U.S. farm sector is suffering under the combined impact of high interest rates, cancerously growing debt, rising costs, and below-parity prices for its commodities. As speaker after speaker emphasized, what is at stake is the potential to feed the world, including the millions who are slated to die in the Third World over the next decade because of "finite resources."

Billy Davis, a leader of the American Agriculture Movement and Democratic candidate for governor of Mississippi, outlined the evolution of the current farm crisis for the Washington, D.C. meeting: Until about 1952, the American farmer enjoyed a parity position—farm prices covered his costs and allowed him a margin of profit to reinvest to continually upgrade his productivity. But beginning in the mid-1950s, his markets began to drop ratchet-style, while his costs began to escalate. Then in response to a U.S. Agriculture Depart-

ment promotional effort for “fence row to fence row” planting, the farmer—who never had a lot of reserve capital—went to the credit markets to finance an agricultural expansion. Before long, the debt of the farm sector had grown from \$7-8 billion to \$26-30 billion. When markets collapsed in the mid-1970s—thanks to rigged commodity markets among others factors—the American farmer found himself saddled with unpayable debts and creditors who were telling him, cut back on your acreage, liquidate your capital equipment at 5 cents on the dollar, and “don’t get involved in anything controversial,” and then we might give you a little credit.

“Sound familiar? We’ve been living under IMF conditionalities for the past 10 years.”

The crisis of the cities

An equally stark picture of the destruction of productive potential emerged in talks by community leaders on the crisis of America’s cities. Barbara Simmons, senior elected official in the Washington, D.C. school system, lambasted the austerity policies of the Reagan administration. “The suggestion that we can cure inflation by raising interest rates is like proposing that a person cut off his legs to lose weight. The person may lose weight, but now he has some new problems.” Simmons honed in on the decimation of urban infrastructure, in particular education. “Teachers are no longer trained to be transmitter of culture and values.”

Later in the conference, the Rev. Cleveland Sparrow of Washington shocked his audience with a speech on genocide in the nation’s capital. He cited the fact that there are 30,000 abortions in Washington each year, and that 25,000 go to bed hungry each night. “People call this Hog-ville, because of the Washington Redskins, who won the Superbowl and call themselves ‘The Hogs.’ Well, I call it Hog-ville, too. A child starved to death across the street from the stadium the week of the Superbowl—and this is a fact.”

The moral prerequisites for economic development

In a speech to the major Paris event, Dr. Emmanuel Tremblay, professor of demography and president of the French right-to-life organization Pour le Respect de la Vie, addressed the moral prerequisites that have to be forced through in the advanced sector to save the lives of hundreds of millions in the Third World. Dr. Tremblay’s topic was the necessity of reversing the economic and demographic collapse in the West as the precondition for preventing genocide in the Third World.

He demonstrated that, contrary to the arguments of the limits-to-growth propagandists, such as Malthusian agronomist René Dumont, the reduction of population growth in the West is leading to “an irreversible threshold,” where

“Western societies cannot launch the major investment projects that are required in the Third World.”

The laws of demographics prescribe that a 50 percent collapse in birth rates—such as that undergone by West Germany in the last decade—does not reduce the population *linearly* over long periods of time, but *exponentially*. The euphoric feeling produced by the reduction in the birth rate soon gives way to “shrinking markets and the aging of the population, and the increasing burdens fall on a reduced active adult population, causing underinvestment, a squeeze in production, decay, and death.”

He summed up: “This is not the idyllic picture painted by the Malthusians of permanent enjoyment and individual well-being. It is rather the march into terminal agony.”

Other panelists from the medical profession drew on their own experience to portray the calculated genocide that is being carried out in the advanced sector, under the banner of the “right to die” movement and with the sanction of a portion of the medical community. The marking “DNR”—do not resuscitate—is now being put on the carts of over-65-year-old patients in U.S. hospitals, Dr. Roche of Chicago reported. “It is a polite way of saying, ‘let the patient die.’” Melinda Collins, a registered nurse in Los Angeles, and Janet Sare, of New Jersey, described the shift occurring in the medical field from dealing with illness as something that can be cured, to an attitude of nurturing illness.

The policy of euthanasia is being carried out on a mass scale in the developing sector, through the policy of deliberately blocking exports of life-saving, life-prolonging advanced technology. Rick Main, a toxicologist and former adviser to the American Farm Bureau, assailed the current media-fueled “EPA scandal” as a ploy by the environmentalists to shut down all exports of pesticides, antibiotics, and chemical fertilizers to the Third World. The Reagan administration had been moving to lift the Carter administration’s ban on such exports, Main said, but the genocidal consequences of the ban are integral to the IMF and *Global 2000* report’s plans for population reduction in the Third World.

The noted entomologist J. Gordon Edwards, in a speech sent to the Washington, D.C. conference and delivered in San Francisco, detailed the effects of the 1972 ban on the pesticide DDT: He calculates there are an estimated 100 million deaths a year as a result, chiefly from malaria—a disease that had been virtually wiped out before the ban.

In a telegram to the Washington meeting, Dr. Glenn D. Moore, an entomologist and agronomist, recalled his experience in trying to fight this genocide: “I actually voiced the opinion about accusing the anti-pesticide, anti-modern-agriculture movement elements of being bent on reducing world food and feed supplies so as to deliberately annihilate great numbers of the earth’s peoples—within the ASTA [American Seed Trade Association] committee I was serving upon, and I was almost removed from that committee as a ‘wild radical.’”

Cultural collapse

Many speakers pointed to the conspiratorial forces behind the moral undermining of populations—the prerequisite to imposing the oligarchy's austerity and genocide programs. The public must be made aware of the conspiratorial nature of the "four horsemen of the Apocalypse"—"the politicians, the press, the police, and the prosecutors," Roy Innis told the Club of Life conference in New York. Innis, the chairman of the Congress on Racial Equality, was drawing the lesson from his and CORE's independent investigation of the Atlanta, Georgia killings of two dozen black boys two years ago.

After the authorities continued to come up with a flat zero month after month, Innis uncovered evidence that a satanic murder cult was responsible for the murders and that many of the victims had been used as pornographic models and drug pushers before their killing. This evidence was quashed by the "official" investigation, while Innis was personally hounded by New York District Attorney Morgenthau and his son was shot and killed, with no investigation carried out.

Innis's presentation followed that of child psychiatrist Dr. Judianne Densen-Gerber, who had given a vivid and frightening portrayal of the growing phenomenon of pedophilia and the political movements and people in high places who have come to the fore to give it legitimacy. Innis commented that the fate of CORE's investigation of the Atlanta murders could be much more clearly understood in light of the presentation by Densen-Gerber, whom New York Attorney General Robert Abrams has tried to silence.

Dr. Densen-Gerber, director of Odyssey in Connecticut, was one of several speakers addressing the Club of Life conferences on the politicalization of child sexual abuse. She located responsibility for this bestiality with groups like the North American Man/Boy Love Association, the American attitude of "minding my own business," and the pernicious influence of the media. She cited a recent *New York Times* story, "Is Childhood Necessary," which concluded, "No, childhood is a product of the industrial revolution."

Showing a slide of an abused child in Michigan, Densen-Gerber stated that there is a direct correlation between the rate of unemployment and child abuse.

Jacques Delivré, a member of the International Scientific Committee on Occupational Medicine, expanded at the Paris meeting on the relationship between unemployment and severe psychological disorders of all types. "Like plague, unemployment is now affecting millions of people," Delivré said, producing neurotic depressive reactions as well as physiological disfunctions—digestive disease, back ailments, eczema, and heart disease.

In Paris, a representative of Le Patriarche, a European-wide drug therapy community, attacked writers like Claude Olievenstein in France, who claims that nothing can be done to reverse the "sociological phenomenon" of drug addiction, and the British drug company that has just developed a new product which is supposed to be an alternative to heroin but is also addictive.

Great projects to secure world industrial recovery

How do we reverse the crisis, economic and moral? This question was addressed by panels on "great enterprises"—the global infrastructural projects for world development.

Daniel Sneider, Asia editor of the *EIR*, explained the strategy in his slide-show presentation to the Washington conference: "Transportation networks, water management systems, energy projects, and communications are the basis for what follows. Infrastructure produces not goods and services, but productivity. Their importance is due not only to their great economic effects, but also to their impact on the vision and morale of the populations where they are implemented." Sneider cited Jawaharlal Nehru's characterization of the hydroelectric project in the Punjab as "one of the temples of the modern age."

Yoshio Osada, director of the Washington liaison office of Mitsubishi Research Institute, outlined the institute's program for a Global Infrastructure Fund (GIF) and the philosophy behind it. To make the \$500-billion GIF work, he said, it is essential that the funds not be dispersed among too many small projects; rather by emphasizing "super-projects," such as a Second Panama Canal, the maximum "multiplier effect" is achieved through the rapid development of all types of feeder industries and training of skilled labor.

The scope and potential of such projects were elaborated by numerous panelists. Ellis Armstrong, chairman of the National Energy Policy Committee of the American Society of Civil Engineers, focused on the importance of water and transportation projects. "Fourteen to 20 million children under the age of five die each year from water-borne diseases," he said. Conversely, a massive water project such as the Aswan Dam—for which Armstrong was a consultant—produces immeasurable benefit in terms of irrigation and hydroelectric power.

In Paris, Dr. Graciela Piton-Cimetti, president of the France-Argentina Association, stressed the importance of Latin American coordination for realizing one of the Mitsubishi great projects—a plan to dam up several of the continent's major rivers to create a lake twice as vast as Lake Superior for irrigation and climate modification.

Hall Christmon, vice-president of the Technology Development Corporation, described how satellite imaging is being used to identify once-fertile areas in the Sahara as the basis for land reclamation projects. Developing nations could use data gathered by NASA's Landsat satellite system to compile surveys of their water resources, soil conditions, and mineral resources for future exploration. In the case of water resource surveys, the Landsat can identify areas of high turbulence in inland waterways, which might be suitable for hydroelectric development.

However, because of cuts in the space budget, the program may be completely commercialized—which would make the data prohibitively expensive—or Landsat-D, which was just launched in January, may simply be shut off.

Reviving medical and space science

The prolongation of human life through advanced medical technology—to lengthen the productive life span of the individual—is itself a “great enterprise.” In Washington, Dr. Ned Rosinsky, medical adviser to the Club of Life, discussed the promise of the artificial heart for saving 50,000 to 60,000 lives a year in the United States alone. And, in one of the high points of the meeting, he held up and demonstrated the functioning of an actual artificial heart, which had been provided by the researchers at the National Institute of Health.

Dr. R. Freelick of the National Cancer Institute addressed the meeting on the necessity of expanding research protocols for cancer, so that the knowledge gained in treating one cancer patient can be rapidly applied to all others. In Paris, the French cancerologist Prof. George Mathé called for a more rigorous theoretical approach to conquer the disease.

In the developing sector, improved nutrition and health conditions are key to lowering infant mortality and lengthening life expectancy. In Chicago, Dr. Robert Walton, who is president of the American Breeders Service, gave a talk on the potential, through genetic engineering, to greatly expand world protein production. He reported on the techniques of using artificial semination to “twin” cattle, which have been successfully applied in the United States for the past 20 years.

Speaking in Paris on the danger of worldwide epidemics, Dr. André Dodin, director of the world-famous Pasteur Institute, discussed the role of poor hygiene, low living stand-

ards, and war in the spread of killer disease like cholera. He called for the widespread use of antibiotics and improved living standards through increased energy production to protect Africa and the rest of the developing sector.

Dr. Eugenie Bergogne, director of the microbiology laboratory at Bichat University Hospital in Paris, emphasized the importance of antibiotics in fighting disease in the developing sector. Dr. Bergogne cited the fact that tuberculosis has been entirely wiped out in the advanced sector, and attacked opponents of the wonder drugs, like the French writer Jacques Attali, who are claiming that the drugs have pernicious secondary effects.

Space colonization goes hand in hand with the great enterprises of earth. The medical spinoffs of the space program were noted by, among other speakers, Dr. Rosinsky, who described the artificial heart as “a monumental example of what we mean by technological spinoffs”—every major component of the heart and the personnel who developed it came out of NASA’s Apollo project.

Pete Carlson, a space engineer at the Jet Propulsion Laboratory in California, explained that Moon colonization is necessary to make the colonization of Mars feasible and cost-effective, and that the material makeup of the surface of Mars would make it far cheaper to produce energy and process materials there than on earth.

“Man is created in the image of God,” Carlson said. “He exists to continue creation as an unending process of perfection and development.” And the development potential of the earth has barely been tapped.

Dr. Robert Moon, a pioneer in nuclear energy development, told the Chicago meeting that “the resources of this planet alone can support 150 billion people.”

The Club of Life’s meetings

Dates and locations of the February-March Club of Life conferences internationally:

United States

Feb. 15	Jackson, Mississippi
Feb. 13	Tuskegee, Alabama
Feb. 16	Newark, New Jersey
Feb. 17	Boston, Massachusetts
Feb. 17	Portland, Oregon
Feb. 18-19	Washington, D.C.
Feb. 18	New York, New York
Feb. 18-19	Los Angeles, California
Feb. 18	Buffalo, New York
Feb. 19	Chicago, Illinois
Feb. 19	Philadelphia, Pennsylvania
Feb. 19	Seattle, Washington

Feb. 19	Princeton, New Jersey
Feb. 19	Denver, Colorado
Feb. 19	New Haven, Connecticut
Feb. 20	San Francisco, California
Feb. 20	Flint, Michigan
Feb. 20	Houston, Texas
Feb. 20	Anchorage, Alaska
Feb. 20	San Diego, California

Canada

Feb. 18	Edmonton, Alberta
Feb. 19	Montreal, Canada
Feb. 19	Toronto, Ontario
Feb. 20	Calgary, Alberta

Ibero-America

Feb. 11	Guadalajara, Mexico
Feb. 18	Bogotá, Colombia
Feb. 19	Mexico City, Mexico
Feb. 23	Caracas, Venezuela
Feb. 24	Lima, Peru
March 6	Sonora, Mexico
March 26	Torreon, Mexico

Europe

Feb. 18-19	Paris, France
Feb. 18	Stockholm, Sweden
Feb. 18	Copenhagen, Denmark
Feb. 19	Hamburg, West Germany
Feb. 19	Munich, West Germany
Feb. 23	Rome, Italy
Feb. 24	Milan, Italy

Asia

Feb. 13	New Delhi, India
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What's at stake in the Assam upheavals

by Uma Zykofsky in New Delhi

Less than two weeks before India hosts the heads of state summit of the Non-Aligned nations, the government and the people of India have been assaulted by the outbreak of violence in the northeastern state of Assam. In the span of one week, from Feb. 11 to Feb. 20, while state elections were under way, hill tribes in that state carried out massacres which have left more than one thousand dead and thousands homeless.

The government of Prime Minister Indira Gandhi has dispatched Indian army troops into the region. On Feb. 20, Mrs. Gandhi went to the stricken areas and warned the perpetrators of the bloodbath that strong action would be taken. "We know who is encouraging the agitation," the Prime Minister said, pointing to "those forces who spread communalism [religious conflict] and caste-ism in every part of the country."

Upon her return from Assam, Mrs. Gandhi told Parliament that the government will not allow anyone "to hold the country to ransom." "The country is superior to any group, party, movement, or individual," the prime minister said. "No party or group can be permitted to block the constitutional process or thwart the development of the country. . . . Who is to benefit if the country is broken into bits?" she asked rhetorically.

Operation Balkanization

The question of "who benefits" from the breakup of India is completely appropriate. In the past months, separatist ac-

tivity has accelerated, from the movement for Sikh autonomy in the Punjab to the emergence of regionalist political movements in southern India, which dealt Mrs. Gandhi's Congress Party defeats in two recent state elections.

Forces outside India, including operations based in London, Switzerland, and the United States, have been found actively encouraging the "Balkanization" of India. British press accounts have consistently linked the Assam events to the growth of separatist movements in the country, speculating on the possible "breakup" of India (see box).

The separatist movements, all of them based outside the country and most of them in London, are designed to undermine the Gandhi government and India's role in world affairs. Well-placed sources in New Delhi see the latest upheavals as aimed at the upcoming Non-Aligned summit, where India is expected to assume leadership of the largest political movement of developing countries.

Mrs. Gandhi warned Parliament that "The country's unity should not be allowed to be disrupted at any cost. The dangers facing it should bind us together. The freedom movement [the movement for independence] had united the country. Let not this unity be disrupted."

The situation in Assam itself is extremely complex, a combination of long-standing economic and social problems with "external" forces that have intervened to transform those problems into a serious crisis. The entire northeastern region of India, a relatively backward area almost cut off from the rest of the country geographically by Bangladesh, has histor-

ically been a cockpit of intrigue by foreign forces. These have included the Chinese, who have trained and armed guerrilla forces of various hill tribes demanding "independence" from India, and Anglo-American intelligence, whose operations have included the deployment of Anglican and Baptist missionaries working with the largely animist hill tribes. It is such tribesmen who carried out these latest massacres.

The Assam tangle

These outside operations have fed upon the tangle of problems in Assam. The latest violence comes after three years of virtual economic shutdown in this oil-producing state by Assamese agitators who have proclaimed that "foreigners"—mostly Bengalis from neighboring Bangladesh as well as people from other parts of India—have migrated illegally into the state, reducing the native population to a minority. The anti-foreigner agitation, spearheaded by the All-Assam Student Union (AASU), has within its fold numerous tribal, ethnic, and outright separatist elements, as well as anti-Moslem Hindu extremists.

Assam is a state of 23 million, small by Indian standards, but very diverse in racial, ethnic, and linguistic characteristics. The 1961 census revealed that about a third of the population was Assamese, 38 percent of Bengali origin, and 13 percent from other parts of India. The rest includes numerous hill tribes, who see both the Assamese of the river valleys and plains and the migrants as economic threats. There is also great religious diversity, with a largely Hindu Assamese population and both Hindu and Muslim Bengalis.

Since 1977 the state has been under siege, with agitators demanding that the government set 1961 as the cutoff date for identification of "foreigners" in the state and their removal from the electoral roles. The government of Mrs. Gandhi, after it came to power in January of 1980, acknowledged that there was a problem of heavy immigration influx into the state, though the numbers are disputed—the agitators claim that several million people are "foreigners." The government has tried to establish a more recent cutoff date for identifying "foreigners."

The government has also maintained that an Indian can settle in any part of the country, and that part of the problem of the Northeast is one of economic development of the entire area to provide more opportunities for all. The problem of Bangladeshi immigrants is a politically sensitive question. Since Assam is relatively thinly populated, covers a relatively large area, is rich in natural resources, and borders states with large populations and meager resources, the migration has reflected the destitution and economic imbalances of the rest of the region.

While negotiations have been ongoing between the central government and the state agitators, the Hindu chauvinist Bharatiya Janata Party (BJP) has involved itself in the state, inciting "Hindu" sentiments against immigrant Bangladeshi

Anglo-American media push to 'Iranize' India

The British Broadcasting Corporation (BBC) fired the opening shots in a press campaign to undermine India's national integrity when, ignoring previously reported facts on the Assam tragedy, the agency proclaimed it a "Hindu versus Muslim communal conflict." BBC set the pace for the rest of the Western editorial gristmills in thus invoking the horror of the 1947 partition and building an atmosphere of inevitability around its alleged repetition today. (It was the BBC, of course, which did so much to bring the ayatollahs to power in Iran.)

The London *Observer* picked up this theme on Feb. 20 with a vicious piece, "Fifty Battalions Fail to Halt Assam Riots," which declared, "If Prime Minister Mrs. Indira Gandhi fails in Assam, she may have only the Army to fall back on as the last force able to prevent Sikhs, Nagas, Mizos, Manipuris, Kashmiris, and other Indian nationalities from breaking away and asserting independence."

Lest the point be unclear, the article is accompanied by a caricature of Mahatma Gandhi, head bowed and uttering his famous, "Oh God, no," upon learning of the outbreak of Hindu-Muslim riots in 1947. For all those Westerners with the impression of Sir Richard Attenborough's film *Gandhi* fresh in their mind, this acts to confirm the monstrous lie that movie tells, namely that the carnage of the 1947 Hindu-Muslim riots was the product of some innate Indian tendency toward fratricide, rather than the consciously planned product of Britain's imposition of partition.

The *New York Times* in turn echoed this line in a Feb. 23 editorial: "The Prime Minister is no more directly to blame for the Assam riots than was the great Mahatma for the dreadful bloodletting that attended the nation's birth," the *Times* intones, adding that the Assam problem is insoluble.

Muslims. Muslim fundamentalist elements have also been active. The fear that the BJP has fed since 1979 is that Muslims are out to "overrun" the Northeast if measures to stop the ethnic shift are not undertaken.

Government action

The government found itself in a bind this year. According to the constitution, elections could no longer be postponed unless the government amended the constitution in

Parliament or declared a state of emergency in the state, naming national security as the consideration. The government chose to hold elections, even if the electoral rolls were not completely revised, and to try to bring about a political solution through voter participation. While large parts of the state were reportedly disgusted by the agitation and resulting economic slowdown, the government appears to have underestimated how much trouble the agitators could stir up.

What has occurred is that while the Congress Party is reported, as of this writing, to be winning a majority in the election in areas where the electoral boycott by the agitators was ineffective, the bloody tribal rampage has undermined the effort to resolve the situation. Details of how the mass murders broke out have still not been revealed, but it is known that the violence started in the first stage of election campaigning in late January with acts of terrorism against police officials and candidates and culminated with the carnage perpetrated by the tribalists, first against Assamese villagers and then against Bengali immigrants.

Outside factors

There is no doubt that in the present crisis the government will have to sift out genuine grievances in Assam from those being promoted by foreign interests. Looking at the area, one can say with assurance that two "impact studies" have played a significant part in setting up the Assam problem. The first, made in the 1940s, became known as the infamous "Coupland Plan" to balkanize India. Its author, colonial officer Sir Reginald Coupland, maintained that Assam did not belong in the Indian Union, and provided Viceroy Lord Louis Mountbatten with the regional profiles to inflict partition on the Indian subcontinent as a costly condition for independence.

Coupland's intention was baldly stated: India, Coupland wrote, would be thrown "back to the condition it was in after the breakup of the Moghul Empire, to make it another Balkans. This would negate the development of democracy in India. Partition would also prevent a free India from taking her due place in the world as a great Asiatic power; for it would probably mean disruption into several states, branching from Egypt to Siam."

Tavistock angle

The appearance in Assam recently of a volume by Prof. Myron Weiner of the Massachusetts Institute Technology, which serves as a "little red book" for agitators' demands, leaves little doubt that the Assam problem has been cultivated and fueled from abroad. Weiner spent four years profiling the Assam problem as one of the major case studies in his book *Sons of the Soil*, which assembled the argument against the foreigners for the so-called student movement. The study was published in 1976, and a year later the Assam Pandora's box was opened up. The disruptions have led to virtual shut-down of the state's economy, at an economic cost alone of more than \$1 billion per year to the country.

Behind the attempt to Swiss Nazis' networks,

by Mark Burdman in Wiesbaden
and Susan Brady in New York

A trail of evidence in connection with the violent eruptions in India's strategic Northeast reveals the outlines of a plot by the Swiss banking interests who control the Nazi International and the British Secret Intelligence Service (SIS).

The operation against the Indian subcontinent and, in particular, the government of Prime Minister Indira Gandhi, has two levels: the first involves active coordination among the various fundamentalist-separatist movements inside and outside of India itself, to transform the crisis in Assam into a catalyst for the dismembering of India and plunging the subcontinent into flames. On the second level, links between this apparatus and the directors and financiers of the organized fascist movement have been established.

An interview by a European journalist with the London-based Sikh secessionist, Dr. Jagjit Singh Chauhan, provides insight into the destabilization effort. "Assam is only a communal riot between Hindus and Muslims," Chauhan said. "The Hindu fundamentalists, the RSS [Rashtriya Swayamsevak Sangh], are supporting this unrest. It will spread to not only Bangladesh and Bengal, but to the state of Bihar. The communal riots of 1947 started in this region. Then there was a chain reaction which led to all the rest. The chain reaction can start again now. . . ."

Chauhan, titular head of the "Khalistan" secessionist movement to separate the state of Punjab from India, emphasized the direct threat to Mrs. Gandhi in particular. "If Mrs. Gandhi is shot tomorrow, the chain reaction can take place any time. She can have an accident, somebody could shoot her. I am talking about hypothetical possibilities, but could one have imagined that President Reagan and the Pope would have been shot by a lone madman? Things happen, the same may happen to Mrs. Gandhi. . . ."

In the same interview, copies of the transcript of which were provided to *EIR*, Chauhan revealed that he is working with a group in Lausanne, Switzerland, centered around the de Maurex banking family, which made its wealth in investments in coffee plantations in Ethiopia in the era of Emperor Haile Selassie, and one Madeleine Chevallaz, sister of the

undermine India: British intelligence

Swiss defense minister. Mme. Chevallaz, employed as a reporter for the Lausanne-based *24 Hours* news daily, is a friend and associate of banker François Genoud, who is the infamous head of the Neo-Nazi International. She is also deeply involved in "autonomy-separatist" movement throughout the developing sector, particularly in northeastern Africa.

Chauhan also revealed that he is coordinating his operations against Mrs. Gandhi with extremists funded by the Muslim Brotherhood International who operate out of the London Indian Muslim Federation and the International Islamic Center in London. Both institutions receive financial support from the Saudi Arabia-based World Muslim League, headed by former Syrian fascist leader Maarouf Dawalibi. Dawalibi was also a co-founder of the Geneva-based neo-Nazi organization, Islam and the West, whose board of directors includes Club of Rome International President Aurelio Peccei, the Swiss gun-running banker Nicholas Krul, and British "Arab handler" Lord Caradon. According to the head of the Indian Muslim Federation, Dr. Khan, the financial relations between Dawalibi's group and his own are handled through the Islamic Council of Europe, headed by Muslim Brotherhood leader Salam Azzam.

Azzam coordinates the recently-formed Islamic League of Human Rights with Ahmed Ben Bella, the former Algerian president now in exile in Switzerland. Neo-Nazi leader Genoud describes Ben Bella as "my good friend" and finances his activities, including a recent project to translate and then mass-produce Adolf Hitler's writings into Arabic. Azzam and Ben Bella have co-authored a "protest" against the "mass slaughter of Muslims" in Assam, and are spreading the accusation that "the Indian government is without a doubt responsible."

Chauhan also reported that he is coordinating activities with Naga Phizo, head of the "Nagaland" tribal separatist movement against India. The British Raj established the Northeast of India as its "cockpit" for strategic intrigue throughout the region (the area is at a crossroads for Asia as

a whole, bordering on both China and Burma), and for this purpose deliberately kept the numerous mountain tribes from Nepal, Sikkim and Bhutan, not only in a state of primitive backwardness, but also sharply separated from each other. The various tribes like the Nagas and Mizos were never integrated into the Raj, but were rather kept independent. These tribes are heavily involved in trafficking drugs and guns. Britain has shared the Northeast tribes with the Chinese, for the purpose of running subversive deployments against India, such as the infamous "Naxalite" movement of the 1960s and 1970s.

In this connection, investigators are now examining the role of former CIA Deputy Director Vernon Walters, an asset of the Propaganda-2 Freemasonic lodge. In early 1982, Walters set up a base of operations in Kathmandu, Nepal. Also under investigation is the Rothko Chapel in Houston, Texas, a center of Muslim Brotherhood operations run by Dominique de Menil, a member of the Geneva-based Schlumberger family.

Anglican missionaries, the most active force in the social scheme of the Northeast for several generations, have been found instigating tribal action against "heathen" Hindus and Muslims. It is recalled that in the 1970s a Reverend Michael Scott, an Anglican priest, smuggled separatist leader Phizo out of India on a Salvadoran passport via Pakistan and Switzerland.

Scott was later involved in setting up gun-running connections with Israeli intelligence for some of these Northeastern separatists. At that time, Phizo was taken to London with hospitalities arranged by the Bertrand Russell Foundation.

Also involved is the Ford Foundation-funded Gandhi Peace Foundation, which since 1977 has backed the "Sons of the Soil" demands and "advised" the agitators on their negotiation stands with the government.

Urgent recommendations

To counter the operations against her and her government, *EIR* founder Lyndon H. LaRouche, Jr. has advised Mrs. Gandhi that she must denounce the "Khalistan" and other separatist movements "as British operations financed by London and encouraged by Anglican missionaries and linked to the Nazis." LaRouche further recommended that Prime Minister Gandhi withdraw from the Commonwealth, ban flights of British Airways into India, and "take other spectacular actions" against Britain.

In addition, LaRouche advised that Mrs. Gandhi must call in the Swiss and British ambassadors and threaten their expulsion from India if their nations do not stop meddling in Indian internal affairs. The U.S. representation to India, Mr. LaRouche said, should be informed that the destabilizations against India, run by Schlumberger-linked interests in Houston and by RSS-backer Sen. Daniel Patrick Moynihan, must be stopped summarily.

The Reagan administration starts to get tough on Mideast policy

by Nancy Coker

The Middle East has been the undoing of many U.S. presidents in recent years, and President Reagan is no exception. For the past several decades, British intelligence, working at times with allied factions in Moscow and at times through agents of influence (such as the ignoble Henry Kissinger) in the U.S. State Department, has run circles around the United States in the Middle East. Britain's purpose is to undermine U.S. influence in the region, and the possibilities for a U.S.-mediated peace settlement there. It is all part of a British design for a "New Yalta" agreement with Moscow.

How much President Reagan is aware of this larger strategic gameplan is not clear. What is clear is that he has become aware of the stakes. "Reagan has suddenly become very, very suspicious about what the British are up to in the Middle East," said one U.S.-based Arab intelligence source. "Compounding his suspicions is his perception that the British may be playing along with the Russians to cross the United States in the region. This is a no-no in Reagan's book, and he is hopping mad."

Hence, Reagan's recent moves to bloc with Saudi Arabia against Britain in the oil price war. Hence, America's stepped-up moves to resolve the Arab-Israeli conflict.

Evidence of Reagan's state of mind appeared on Feb. 22, when, in a broad foreign policy statement delivered to the American Legion, he pledged to guarantee security on Israel's northern border in exchange for a total Israeli withdrawal from Lebanon. The offer undercuts Israel's insistence that it must maintain a military presence in Lebanon for "security reasons." The following day, Reagan told the press that Israel must also drop its insistence on working out a total peace treaty with Lebanon prior to withdrawal, and that withdrawal must be achieved now.

The White House has reportedly been studying prospects for increasing the multinational force in Lebanon, which is comprised of U.S., French, and Italian troops, from the current 4,000-man level to 30,000. In his visits to Israel and Lebanon earlier this month, presidential envoy Philip Habib

carried a proposal for increasing the number of U.S. Marines in Lebanon.

Reagan knows full well that unless he achieves a breakthrough in his mediating efforts in the next few months, American influence and the chances for a peace settlement will all but evaporate, as he becomes constrained by the exigencies of the upcoming presidential race.

'Five minutes to midnight'

The Egyptians and the Palestine Liberation Organization are also well aware of the consequences of a failure to assert U.S. influence in the Middle East.

On Feb. 22, the Palestine National Council, the parliamentary body of the PLO, ended a week-long meeting in Algiers by granting Yasser Arafat a mandate flexible enough for him to pursue diplomacy along the lines of Reagan's Middle East peace plan.

Despite opposition from George Habash, Ahmed Jibril, and other radicals, Arafat manipulated the meeting to come up with the statement he wanted—one that would leave the door open to the Reagan plan. Extremist demands that the Reagan plan be rejected were quickly swept aside by Arafat.

Even more interesting than the final communiqué was an interview given by Salah Khalaf, a.k.a. Abu Iyad, to the foreign press. Khalaf, the PLO's second-in-command, made it clear that the PLO is prepared to accommodate the Reagan plan. "If the Reagan plan is improved . . . by adding just one word . . . things could change completely," Khalaf said. "If the U.S. government was in good faith toward the Palestinian people—and I do not say toward the PLO, just to the Palestinian people—and accepting the fact that in the eyes of the United States government we are the bad Palestinians, let your government recognize the right of self-determination not to us, but to the Palestinian people, including the right to the creation of a state and excluding the PLO representatives. I assure you: Arafat and I would agree to being excluded [from direct negotiations]. Give us a reply, an amended Rea-

gan plan, and then we will discuss it. We are prepared to take the consequences of the Reagan plan and its repercussions.”

Earlier, Khaled Fahoum, head of the Palestine National Council, made the unprecedented move of publicly recognizing Israel's right to exist, and expressed the willingness of the Palestinians to live in a state next to Israel. “We do not want to destroy any state in the region” nor to “throw anybody in the sea,” said Fahoum.

Arafat appears to have paid attention to recommendations of Egyptian President Hosni Mubarak. On Feb. 15, Mubarak told a conference of journalists from the Non-Aligned nations that “time was running out for the Arabs” and that urgent diplomatic moves must be made in the next days and weeks to prevent a catastrophe in the region.

Calling on the Palestinians to reach an agreement with Jordan to negotiate jointly with the Israelis over the West Bank and Gaza, Mubarak stated: “In effect, the Israeli settlements multiply in the occupied territories, and the more one waits, the more difficult it will be to destroy them. If we wait a year or even six months, the United States will no longer be able to do anything.”

Mubarak added: “We had said at the beginning of the war in Lebanon that there existed a tacit accord or connivance between Israel and Syria, so that Israel could take the South and Syria the North, in order to chase the Palestinians out and to oblige them to settle in Jordan. We must rapidly restore sovereignty to Lebanon. Time is working against the Arabs.”

Mubarak then called on the Arabs to “renounce chimeras” and to recognize Israel. “Let us stop making fools of ourselves by denying Israel. Israel exists *'belle et bien.'* It occupies the Arab territories and its existence is guaranteed by the superpowers. It is time to admit reality and to negotiate to defend our rights.”

Mubarak was echoed by Bethlehem Mayor Elias Freij, who recently spent two weeks in Cairo. “We are at five minutes to midnight,” Freij told journalists in the West Bank. “The Israelis have unleashed their bulldozers into the West Bank. By the year's end, the situation will have become irreversible.”

Targeting Mubarak

Given Egypt's role, it is not surprising that Mubarak has become a political target. Libya's recent provocations against Sudan, a country of vital strategic interest for Egypt, were begun to coincide with a planned series of U.S.-Egyptian joint military maneuvers in the region, to force Washington and Cairo into an overreaction that could have triggered an international crisis on the eve of the New Delhi Non-Aligned conference.

According to an Egyptian source, “Qaddafi started the whole provocation to focus world attention on American-Egyptian military cooperation, so he can try to discredit Egypt and prevent its re-integration into the Non-Aligned movement.

The British are eagerly using the Libya-Sudan crisis as a weapon against Mubarak. The London *Times* editorialized Feb. 23 that the Egyptians were “mightily embarrassed” by U.S. handling of the recent deployment of AWACS reconnaissance planes to Egypt, “which could spoil their entry into next month's Non-Aligned summit.”

At the moment, Mubarak is outflanking these attacks, keeping firm his relations with Washington but at the same time emphasizing his commitment to the Non-Aligned. In a recent interview with the Kuwaiti daily *Al-Watan*, Mubarak defended Egypt's “unique relationship” with the United States by comparing it to that between India and the Soviet Union. Such a relationship does not mean that either country is “aligned” with its superpower ally, said Mubarak, noting that non-alignment and friendship with Washington are not necessarily incompatible.

Israeli wild card

With Ariel Sharon still in the Israeli government, Israel's potential for cooperating with the United States in the Middle East continues to be sharply reduced. According to one London source, Sharon has more power than ever. Though he is no longer defense minister, Sharon, as minister without portfolio, sits on the cabinet committee overseeing Lebanon negotiations and belongs to a ministerial defense committee.

Both Prime Minister Begin and Foreign Minister Shamir have categorically rejected Reagan's offer of security guarantees for northern Israel. “We don't want guarantees,” Begin stated. “There is no guarantee that can guarantee the guarantee.”

Sharon's replacement as defense minister, Moshe Arens, is not expected to be as reckless as his predecessor, even though some consider him to be even more hard-line than Sharon. Arens, writes military correspondent Hirsh Goodman in the Feb. 15 issue of the *Jerusalem Post*, “differs sharply from Sharon when it comes to independence from the United States. Unlike the outgoing defense minister, Arens, especially since he has been in Washington [as Israeli ambassador], has come to believe that strong ties are important, even if that involves Israel moderating its policies. . . . Arens knows that American support is vital to Israel's defense in more ways than one, and in order to secure that support the nation must compromise on issues that do not threaten its physical survival or compromise its political conscience.”

Sharon's game was to play along with the British and the Soviets to challenge the United States in the Middle East every step of the way. Now, however, Reagan seems to be putting his foot down—not only vis-à-vis the Israelis but Britain as well. In addition, indications persist that the Soviets might acquiesce to the Reagan plan in exchange for an arms-limitation deal.

The Middle East is at a unique historical juncture; Mr. Reagan's resolve is at this point the key determinant.

London talks about its plans to wreck Sudan's development

The threat posed by Libya against the nation of Sudan is, to a significant degree, aimed at undermining Sudan's economic and military integration with Egypt. According to Egyptian diplomatic sources, the development of modern agriculture in Sudan will solve Egypt's critical food problem. Hence, any efforts to undermine Sudan, the source maintained, is a threat to Egypt's security.

Plans for Sudan's rapid economic development are much opposed in IMF and international banking circles, as revealed in the following interview with Anthony Sykes, the Sudan desk assistant to Rupert Carrington at Morgan Grenfell in London. Rupert Carrington is the son of former British Foreign Secretary Lord Peter Carrington.

Q: How do you view the prospects for Sudan?

A: The point that has always been clear, and is now in clearer focus, is that getting Sudan in shape is a very long-term process. The recovery will take 10 years. Given that we're going to be faced with continual overall deficits for 10 years, what is important is that we now have the right global approach.

All the various categories of creditors are joining together. Resources are being more effectively directed to creditors. This is helped by the appointment of M. André de Lattre to oversee the process. He will be the External Finance Coordinator for Sudan, to oversee all the various restructurings that are needed. Prior to this, he was head of the *Crédit Nationale de France*, and before that, first deputy governor of the Bank of France. Right now, he is the special adviser to the World Bank. The Finance Coordination Group will be composed of the World Bank, the IMF, the Sudanese government, and the creditors of all categories.

Q: This sounds to me an awful lot like the "*caisse de la dette*" formed for Egypt a hundred years ago.

A: I guess so, yes, I guess so, that is right. Sudan requires a comprehensive view. This has at last been adopted.

Q: When was this group formed?

A: The announcement was made on Dec. 10, 1982. It's the only one of its kind. There have, of course, been bank steering groups on the debt problem before, but not for all categories of creditors. Sudan is a fairly exceptional case, and in special cases, this is necessary.

Q: Why is Sudan so exceptional?

A: Its position is so desperately serious. Its domestic resources are inadequate to meet [debt] servicing obligations.

Q: What is the situation involving [Sudanese President] Numeiry's stability?

A: Instability is always rumored, but more than that I don't know.

Q: What is the foreign debt and debt-service ratio situation?

A: The debt is \$7.5 billion. I don't know the exact ratio, but it is quite high. Until now, the major element has been remittances from the Sudanese workers in the Gulf. But now the World Bank wants to stimulate the production side.

Q: What conditions must Sudan now meet?

A: It must restrict its import bill. It must minimize debt servicing obligations. It must adopt a stringent economy.

Q: What about the large-scale projects that once seemed so promising to develop Sudan?

A: There is one large-scale project, the White Nile petroleum project is going ahead. But the emphasis in the Sudan has shifted away from large-scale prestige projects. Like the trend throughout the developing world over the next years, the concentration will be on rehabilitation and on small-scale projects.

Q: How about population? Is that being brought into the Group's considerations?

A: I'm sure it's right to do so. It must be a problem.

Q: Again, back to Malthus?

A: Yes. Unless industry or employment increases, how can you use the population you have? Otherwise, you get social discord.

Q: Do you foresee, from a banker's point of view, more episodes like the one which occurred in Nigeria?

A: Not quite as dramatic, but the Rwanda-Uganda border has similar problems of refugees. The refugee problem is acute in many parts of the continent because of the migrant populations. This is not a new development. Maybe now, though, some of the problems will abate: commodity prices are rising again, oil prices are lowering, and there is a lessening in the high cost of money.

Uncovering the East-West web of international smuggling

by Philip Golub and Paolo Vitali in Mulhouse, France

Investigative Judge Germain Sengelin, a robust and open-minded 46-year-old Alsatian, speaks to you in an intense and lecturer-like fashion. While he talks in his room on the first floor of the Mulhouse, France court building, next to his safe full of documents accumulated in an investigation which has been going on now for five years, a fantastic spy story starts to unravel before your eyes.

But it is not a question of fiction. The reality of a gigantic international smuggling conspiracy, from cigarettes to weapons to heroin, with the implication of several secret services, both East and West, terrorist groups and old and new Nazi organizations, political complicity and multinational financial control centers—all of this and more is included in Judge Sengelin's inquiry. One begins to get scared.

But let us begin with the judge's own words in order to see the intricate unraveling of the international spy intrigue.

"The thing started almost as a banal affair, or what seemed at that time—we are at the end of 1977—a banal affair. There has been a tradition of international cigarette smuggling going through the Alsace region and the Jura. Part of this smuggling, coming from East Berlin, through the international nexus of Basel, was going to Spain, passing through the border points of Mulhouse, Saint-Louis, Belfort, and other places. Then, we started to see behind the traffic an international organization with incredible ramifications. According to what we picked up in the network itself, this smuggling structure was led by a certain 'Simon,' a.k.a. 'Hans Simon' or 'Jean Simon,' allegedly a French citizen. From indications coming from the German Customs Office in Karlsruhe, and the national anti-smuggling law enforcement agency, the Direction Nationale des Enquêtes Douanières (DNED), under the jurisdiction of the French budget ministry, and other places, this 'Simon' was identified with the well-known smuggler Claude Cabot. We cracked down on Cabot's network. In November 1978, the DNED customs official in Bordeaux, Henri Touton, was arrested, as the controller who had organized and protected the smugglers,

by providing them with customs facilities."

This was Act One, Scene One of Sengelin's story. It must be explained here that cigarette smuggling represents a huge international traffic which has provided, once it was established, the international logistics structure and smuggling network for the successive smuggling of weapons, drugs, and capital. The same things discovered by Judge Sengelin in Alsace are quite well known, for example, to Italian investigators, particularly to Judge Carlo Palermo from Trento, who recently dismantled the international arms-for-drugs ring that became known as the "Bulgarian Connection." Also in Trento, in northern Italy, the operation had begun with cigarette smuggling alone.

The cigarette operations

The significance of the mountainous Alsace-Jura area, a border area which connects West Germany, Switzerland, and France, comes from the intersection there of several smuggling routes. Mainly the cigarettes are legally produced in the United States, although they also come from France, Switzerland, or East Germany, produced on a Western license. From the United States, the cigarettes are shipped to the northern ports of Rotterdam, Hamburg, Antwerp, or one of the Baltic ports. The middle destination is the "free port" (*Freilager*) of Basel, where the "commodity" is re-loaded on other means of transportation or simply sent further to other destinations under the benevolent eye of the Swiss authorities, who do not tend to consider this activity real smuggling. The cigarettes reach Basel, either by double trucks, the infamous TIR, or by river, and from Basel they go south, following the Alsace-Bordeaux-Spain route to South America or Africa. Italy, and from there again to Africa, the Middle East or South America, is the other major itinerary. Furthermore, as also revealed by Judge Palermo's investigations, several Eastern European countries and routes are involved, too.

"Not the Russians, at least not directly," continued Judge

Sengelin, "but mainly through the Bulgarians, the Romanians and the East Germans. In Bulgaria, for example, trucks full of cigarettes were escorted to and from the border by military personnel. The drivers were then lodged for some time in luxury hotels, like the Vitosha Hotel in Sofia. There is no way that the Eastern authorities are not aware of and involved in this traffic. And on the way back, most of the time unknown to the drivers themselves, the trucks transport heroin, from 2.5 to 5 kilos each time, and this heroin will be picked up in Munich, at the huge West Bahnhof market. Both the Bulgarians and the Romanians keep a control over these mafia smuggling networks, and these networks have their corresponding structures and men in the West. The DDR [East Germany] uses a lot of its secret service agents in this operation, and lets the people go freely from East Berlin. In the West, one finds also several secret services involved, and political organizations. Most of the traffic passing through Mulhouse in the direction of Spain was controlled in the southern France-Spain area by the ETA terror organization. They are very strong in the smuggling. As well, one finds old Nazi and neo-Nazi groups involved in this contraband of weapons and drugs, in particular in the Munich area of Bavaria. And nobody seems to do anything."

But now, let us go back to our story as it unfolded. We stopped at the late 1978-early 1979 arrests ordered by Sengelin. "Only later on," continues the Mulhouse judge, "I

started to realize that there was something which did not fit. First of all, while I was proceeding in the investigations, the elements of so-to-speak regional smuggling were superseded by new developments. Around 1980 I started to see that behind this structure was a brain, an international staff. It was no regional thing; but a multinational of fraud, with multi-level implications."

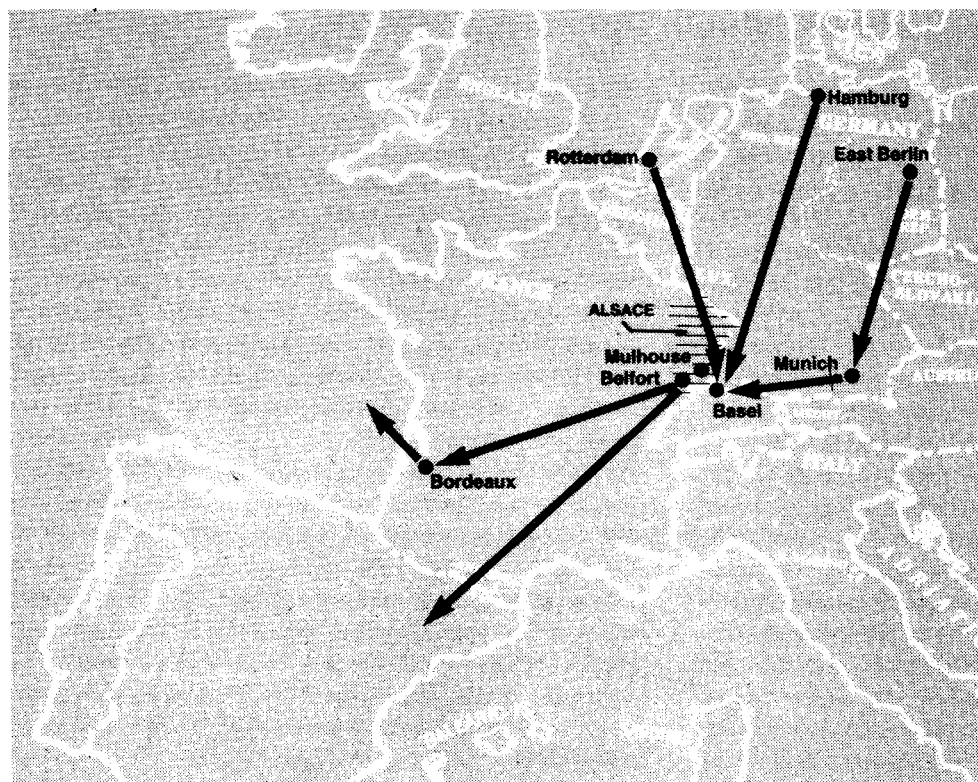
"Can you be more specific about how you arrived at this result?" we asked.

False tracks

"Surely. First, the Claude Cabot I arrested as the 'Simon' on top of the smuggling declared to me that he and his companion Jacques Berthelot were working for French intelligence, under the direct supervision of the Elysée [presidential palace of France], in order to infiltrate the smuggling ring. It was a penetration operation. He said that he had not smuggled from East Berlin. At the time in question in one case, he said he had been in Africa, and I was able to confirm that this was true. Cabot was particularly concerned with the ETA angle of the smuggling, while Berthelot was concerned with the East bloc implications."

"So, you were fed a false track by someone in Germany and in the French administration?"

"Yes, and this someone is very high in the French administration, the number two man, the adjunct director of the



Contraband routes on the European continent

The Basel-Alsace region is at the intersection of several traditional smuggling routes. U.S. cigarettes are shipped through the northern ports of Hamburg, and Rotterdam. The destination is the "free port" of Basel, where the commodity is shipped south to Spain or to Bordeaux in France and then to Africa or the Middle East. Some of the cigarettes, produced in East Berlin, are shipped through Basel and the border towns of Alsace to Spain and further points.

DNED, Mr. Roger Saint-Jean, whom later on I accused of complicity in the fraud.”

Obviously, Saint-Jean must be very powerful and well protected, because despite the charges, he is still in his position. The collaborators of Judge Sengelin, instead—police-men, customs officials, and so forth—have been “massacred” administratively, that is removed from their positions or geographic areas. To clarify a bit better the question of Saint-Jean: a source high up in French intelligence, when it used to be called SDECE, noted that the name Saint-Jean is the French equivalent of St. John, and you know that St. John is the patron saint of British intelligence, SIS! The source did not say any more, but the indication could not be clearer, also because it comes from very extensive experience in the field.

“The problem,” Judge Sengelin continued, “is that most of the important secret services are involved in the smuggling. And this for several and sometimes contrasting reasons. As a rule, they try to keep a control and foreknowledge of these networks by infiltration and penetration operations. At the same time, they exploit these networks for self-financing; this is done both in the East and West. We know for example, from a French intelligence report written in 1982, that the British secret services are mostly involved in cigarette smuggling as self-financing and to finance special operations. The East bloc countries deposit these sums in foreign currency in Swiss banking accounts. And this explains why the Swiss are so reluctant to go after the smuggling operations. Behind some of the smugglers I identified one can see the tracks of Swiss intelligence and counterintelligence. And in 1981, the Swiss general prosecutor ordered a halt to the investigations in Switzerland, because some of the East bloc connections were emerging.”

“Can you give us some names or more specific references?”

“Look at my investigation. I could reconstruct that the network, with the protection of Saint-Jean in the head office of DNED in Paris, was led by an Austrian, Reinhold Kurz, by the Dutchman Johannes Ploe, and by the East German defector Guenther Asbeck, working through the firm Kuhn and Nagel in Hamburg. The key person, ‘Simon,’ was identified by a May 1982 DST (French equivalent of the U.S. Federal Bureau of Investigation) dossier as being Simon Goldenberger, currently living in Rosenheim, near Munich.”

The Goldenberger case

According to the DST dossier we obtained through a Parisian source, Simon Goldenberger, a Jew of Turkish origins, went to France in 1921, getting French citizenship in 1948. Because of financial fraud, Goldenberger escaped from France in 1951, finding refuge in East Berlin, where he acquired East German nationality. After having accumulated a fortune in all kinds of trafficking, Goldenberger returned to the West in 1975, first to Vienna, then Rosenheim near Munich, where

he maintained his profitable “business” activities.

As the DST report states, “different sources have indicated in the past that Goldenberger is known as a trafficker and a collaborator of the East German secret services, after having given his help as well to the Polish and Soviet secret services.”

According to an interview given on Jan. 18, 1983 to the *L’Alsace* journalist Jean-Marie Stoerkel, who has been following the Alsace Connection for years, Simon Goldenberger states “I am a businessman, I paid 4 to 5 million marks of taxes to the DDR. Why do you think I was an agent of the East? I never worked for any secret service whatsoever, be it the KGB, the CIA, the Mossad, the [French] SDECE or the [West German] BND. I did not even know that the BND existed before people spoke about me.”

If Goldenberger does not know the BND, obviously the BND does not know Goldenberger. In the same *L’Alsace* article it is reported that Judge Sengelin had asked the BND about Goldenberger. In answer, the BND sent back as its only item in the file, an article in the West German magazine *Stern* of June 16, 1982, entitled, “Is Simon G. an East Bloc Agent?” Nothing more!

The same treatment the Mulhouse judge received from his colleagues in the Munich prosecutor’s and police offices. “Goldenberger does not exist.”

“Oh, that’s very interesting,” we interjected to Judge Sengelin, “and very similar to the Italian experience vis-à-vis certain German authorities. Do you have something in your investigation which resembles the P-2 plot? Because many of the ‘Bulgarian Connection’ tracks lead directly to the P-2 network,” the network of the Freemasonic Propaganda-2 lodge headed by former Mussolini secret police agent Licio Gelli and set up under the patronage of the Duke of Kent, the cousin of Queen Elizabeth II of England.

“There is something in that respect,” answered Sengelin, “at least, something which goes in that direction. What I can say at this moment is that many of the operations which have been launched against me over all these years of investigating the smuggling ring can be traced back to a certain Scottish Rite lodge in the 15th arrondissement in Paris. But the investigations are still continuing. . . .”

What are also continuing are the various attempts to mine the ground under Judge Sengelin’s investigation. At the time of this writing the “not above suspicion” French Justice Minister, Robert Badinter, who has shown so much consideration and understanding for Italian terrorists who escape to France, is trying to take away part of the full investigation being pursued by the Mulhouse judge—a measure not only suspicious, but of major international import, trying to kill in France what could become an extremely significant French counterpart to the various Italian investigations. If Badinter is really afraid of the “full steam ahead” investigation by Judge Germain Sengelin, whom and what is he trying to protect?

Why is Genscher out to help Khomeini?

by our Wiesbaden bureau

Former Iranian Deputy Prime Minister Sadegh Tabatabai, son-in-law and confidant of Ayatollah Khomeini, was arrested on Jan. 8 at the Düsseldorf airport in the Federal Republic of Germany, with 1.7 kilograms of raw opium in his suitcase. Phones began to ring off the hooks in Bonn, and particularly in the Foreign Ministry and the headquarters of the Free Democratic Party (FDP), for Tabatabai, as everyone knew, was the friend of the FDP chairman, Foreign Minister Hans-Dietrich Genscher.

During the 1979-80 Iranian hostage crisis, Genscher's house was the scene of negotiations between Tabatabai, Genscher, and Carter administration official Warren Christopher. Bonn rumor-networks report more: cocaine parties involving these illustrious diplomats. And the current issue of an Iranian exile newspaper published in Paris, *Nehzat*, reports that Tabatabai had "sexual relations with a German minister."

On Feb. 23, a court in Düsseldorf granted Tabatabai *diplomatic immunity*—even though he was not a diplomat—and he was released, charges dropped. The European Labor Party (EAP) in West Germany has called for a full investigation into the affair, the resignation of Genscher, and the expulsion of Tabatabai as *persona non grata*.

How did such an abuse of justice occur?

The day of Tabatabai's arrest, the Bonn Foreign Ministry immediately declared that he was "not a diplomat." Five days later, Jan. 13, the Iranian embassy in Bonn confirmed that he had no official mission in the Federal Republic. But then the real tug-of-war began. On Jan. 31, the Iranian foreign ministry sent a letter to Bonn stating that Tabatabai had been a "special emissary" since Jan. 18. Tabatabai himself claimed in an interview with the German Press Agency (DPA) that the Bonn foreign ministry had recognized his diplomatic status and his immunity since the summer of 1982. However, the situation was dramatically changed by a decision which nobody had hoped would occur, after the days of most intensive political coercion "from forces above." The Judges of the 12th Chamber of the Düsseldorf regional court ruled on Feb. 24, that the so-called "status of diplomatic immunity" Tabatabai had claimed cannot be applied to the Iranian "because of new facts coming to the attention of the court." An expert on international law testified to the conclusion that

Tabatabai's diplomatic status was not safe: because the so-called "status as special envoy" was provided for only in an international convention at the United Nations which, however, has not yet been signed and ratified. "Therefore, since there was not any documented treaty arrangement between Bonn and Teheran, Tabatabai's claimed status as diplomat could not be recognized."

Immediately after the court made public its decision, Tabatabai was arrested and imprisoned "because of justified concern about his eventual escaping of prosecution." While the court case is still not concluded, this partial victory does open a chance for a real trial investigation of the whole affair.

A weapons ring

Evidence suggests that Tabatabai's "secret mission" in Europe this time involved the purchase of 100 million marks' worth of tanks. During his detention in Germany, he still seemed to be involved in this deal. One visitor from Switzerland, reportedly an exporter of war materiel, was detained for a time after a visit with Tabatabai in the Düsseldorf prison.

Once before, in June 1981, Genscher had prevented Tabatabai's arrest. Court proceedings are continuing to this day in Kassel against four Germans and one Iranian who were said to be involved in an arms deal of Tabatabai's. The contract, which involved the purchase of 50 American M-48 battle tanks, had been signed in Düsseldorf. Tabatabai violated the law governing the sale of German weapons to war zones, since no license from the federal government existed. Tabatabai, although not accredited as a diplomat, went scot free in the summer of 1982 through Genscher's intervention.

In August 1982 another arms deal was concluded: 500 Soviet T-72 tanks, captured by the Israelis from the PLO and Syrian forces in Lebanon, were delivered to Iran. Iran paid through supplies of cheap oil to Israel. To erase the traces of this amazing trade-off, a Swiss firm was engaged, Draycott Trading and Finance Ltd., operating out of Fribourg, Switzerland. The president of the board of Draycott, Lovat McDonald, attended the first contact meeting in April 1981 at the Hotel Président in Geneva. Others present were: Sadegh Tabatabai, the Italian terrorist and arms dealer Stefano delle Chiaie, and the Zürich entrepreneur Hans Albert Kunz.

Kunz was the last host of Italian banker Robert Calvi, the head of Banco Ambrosiano and a member of the Propaganda-2 Freemasonic lodge, on Calvi's flight to London before the banker was found hanging from Blackfriar's Bridge. Delle Chiaie is charged with being the principal string-puller for the murderous bomb attack on the Bologna train station. It was through the intervention of Tabatabai that Della Chiaie was able to set up an arms-trading company in Teheran.

Despite the plotters' efforts at secrecy, the Israeli-Iranian weapons deal became known when one of the Argentine transport planes mysteriously crashed in July 1981 over Soviet territory. The planes had been chartered in Switzerland by Tabatabai.

Thousands of miles away, in the state of Texas, a portly

British millionaire arms-trader, Ian Smalley, went to trial in February for his role in the biggest arms conspiracy case in American history. Smalley allegedly was the middleman who sold Tabatabai howitzers and recoilless rifles from Israel, and who is charged with planning to pay massive bribes to U.S. government officials to complete an illegal \$560 million arms deal for Ayatollah Khomeini.

This gives an initial glimpse into Tabatabai's involvement in the international arms-smuggling trade. As Italian investigations have shown, weapons are usually paid for by funds from the drug traffic. Fascist delle Chiaie is one of the top dealers in the Latin American cocaine market. *EIR* is preparing a comprehensive dossier on Tabatabai's international arms and drug network.

Neither Genscher nor Tabatabai has yet explained what that opium was doing in the "secret diplomat's" suitcase.

Drug Traffic

Italians catch the 'men above suspicion'

by Marco Fanini in Milan

Inaugurating the judicial year of 1983, the attorney general of Milan, Antonio Corrias, gave advance notice of explosive initiatives against the so-called *finanza della droga*—the "holding company" of the drug cartel. In fact, Operation Saint Valentine's of Feb. 14 has shown itself to be the most spectacular anti-drug action ever to take place in Italy, and perhaps in the world.

The data are impressive, not so much for the quantity of arrests, but for the fact that what was hit were those financiers of the mafia in charge of recycling dirty money from illegal-drug trafficking, kidnappings, and so forth.

One hundred sixty-four arrest warrants, 40 real-estate companies indicted in Milan alone, 600 businesses linked to the mafia placed under investigation, 200 searches in Rome, and wall-to-wall investigations among the financing companies and the export-import firms with a mafia smell to them. Arrested in Milan, Antonio Virginio, owner of four big hotels in the center of the city; shut down, the best known hangouts in Portofino and Santa Margherita on the Italian Riviera; arrested in Milan, Luigi Monti, president of Italian Sanyo and Panasonic as well as owner of the holding company "Mo Fi Na" which in turn headed up 40 companies, all involved in the recycling of dirty money.

Other stunning arrests: the brothers Alfredo and Giuseppe Bono, trustees of the Bonanno family, sent from New Jersey

to put the Italian Cosa Nostra back into shape; Gian Pasquale Grappone, who functioned in Naples as the financier of that city's underworld, the Camorra, through the bank Credito Campano and Lloyd Centauro; and Nicola Capuano, owner of a well-known jewelry store at the Spanish Steps in Rome.

But how was this important result achieved? Dr. Antonio Fiori, of the Criminal Police in Milan, had turned a voluminous report over to the attorneys general of Milan and Rome in April 1981. From that report the judges had drawn up a document of 500 pages which led to Operation St. Valentine's. In an interview with the press an officer of the tax police (an arm of Italy's Ministry of Finance) said: "About two years ago Criminalpol started to sketch the outlines of the big mafia groups, establishing the links and contacts. [What ensued was] a long labor of checking and wiretaps, undertaken together with the Americans, to identify the connections with the groups in the U.S.A. . . . The new anti-mafia law was the decisive card; it was that law that permitted us to go into the banks, all the banks of Italy. With some of the small-change banks, little banks, there were some problems in getting cooperation. The explanation is simple: certain institutions were kept in business strictly with mafia money."

But if the new anti-mafia law approved after the assassinations of parliamentary deputy Pio La Torre and Carabinieri General Dalla Chiesa in Sicily last year was indubitably an important factor, as the investigators report, even more decisive was collaboration with the U.S. Drug Enforcement Administration. In fact, the battle against the mafia is a predominantly political problem and the work of the Italian prosecutors has been able to proceed in virtue of the existence of a determination on the American side to conduct the war for which a cabinet-level coordination center has been set up in the Reagan administration, known by the name of "war on drugs."

Dr. Fiori of Criminalpol stated in this connection to *Il Giornale Nuovo* of Feb. 17: "In our report there are references to the ties between the mafia now in jail and politicians. The subject is very hot."

A blow against Cosa Nostra

In confirmation of what has been said, let us analyze the most decisive arrests of Operation St. Valentine's: the brothers Alfredo and Giuseppe Bono.

It is necessary to know that the big European criminal machine which is in the business of drugs, arms, and kidnappings was set up for Cosa Nostra by Joe Adonis in 1956. The role of liaison between Cosa Nostra and the Sicilian Mafia, initially covered by Luciano Liggio and Frank Coppola after the death of Adonis, ended up in the hands of the Sicilian bosses Gerlando Alberti, Tomaso Buscetta, and Gaetano Badalamenti. For about two years the Sicilian Mafia has been torn by internecine battles which Cosa Nostra would like to end at all costs: this was the reason Giuseppe Bono was sent at the beginning of 1982 by the Bonanno family from New

Jersey to Milan to act as a "mafia judge," an assignment of the highest priority. (It is also said that Tano Badalamenti is in the United States to attempt to mediate and reestablish the Pax Mafiosa.)

In addition, Bono had made an alliance with the families of the New Camorra, Zaza and the Nuvoletta, who are challenging the gang of Raffaele Cutolo for dominion over Naples—Cutolo being a boss best known for his operational ties to the terrorist Red Brigades. Despite the fact that the wars between the *cosche* or local gangs have continued (and in truth these internal struggles are typical of the mafias), the Bono brothers had succeeded in making sure that the flows of dirty money from the various gangs, even if they were bitter rivals, were recycled into a single financial circuit which leads via holding companies and banks to Switzerland and the City of London, and returns to hundreds of construction companies, nightclubs and corporations, all charged with laundering the large sums of money. Hence one can see the importance of the arrest of the Bono brothers who acted as the lieutenants of Gerlando Alberti, recently accused by Judge Carlo Palermo of Trento of being the boss of the heroin market.

During the trial going on now in Trento, proof of the enormous trading between Middle Eastern heroin and the

weapons traffic emerged into the public domain. The Turk Mehmet Cantas confessed that weapons were unloaded under covers provided by the most diverse secret services.

Mafia and Masonry

Other investigations which the Italian judges are carrying forward (like the ones around the death of banker Roberto Calvi of the P-2 Masonic Lodge, and the assassination of Italian Christian Democratic leader Aldo Moro) have confirmed the thesis of Lyndon H. LaRouche, Jr., co-founder of the United States and European Anti-Drug Coalitions, that the drug and arms traffic, run by the mafia at the operational level and by the British Freemasonry at the financial level, is politically directed by those "Anglo-KGB" sectors typified by the link between KGB General Kim Philby, Soviet party chief Yuri Andropov, and Henry Kissinger.

According to some observers the Italian judges, who will shortly be holding a national summit to evaluate the results of Operation St. Valentine's, will pose the problem of how to hit the "political level" of the drug mafia. Considering that many of them regard *Dope, Inc.*, the book commissioned by LaRouche, as a kind of manual of the anti-drug fight, it is possible that LaRouche's hypothesis may be pursued all the way.

EXECUTIVE INTELLIGENCE REVIEW

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State pulls out stops in Central America

by Cynthia Rush

When Undersecretary of State Thomas Enders spoke before the American Legion convention in Washington on Feb. 21, he dispelled any rumors that the State Department may have been considering a "softer" approach toward Central America. He told his audience that unless the United States continued to give military aid to El Salvador, "in four or five years we'll be fighting along the banks of the Panama Canal and along the Mexican border. . . . It should be made clear to the Soviet Union and Cuba and Nicaragua that the United States may take a direct action if they try to destabilize nations in the hemisphere. . . ."

Coming when it did, two weeks before Pope John Paul II is scheduled to begin his tour of Central America, and the nations of the Non-Aligned movement meet in New Delhi, Enders's remarks were an undisguised threat to those governments and political factions in Central and South America that continue to resist the State Department's policy of regional war and depopulation. The State Department hasn't limited itself to merely issuing threats, as recent events in Panama demonstrate.

On Feb. 20, the commander of Panama's National Guard, Gen. Ruben Dario Paredes, issued a public manifesto charging that U.S. Ambassador Everett "Ted" Briggs, an Enders associate, was conspiring against Paredes's personal command and the nation's institutions by holding "unauthorized meetings" with military officers. Briggs reportedly visited a National Guard post for a meeting with officers without first asking permission. The National Guard commander noted that Briggs's activities were typical of agents of foreign "intelligence services." If Briggs continued to engage in such activities, Paredes warned him that, "this command and its chief of staff will ask the government for your withdrawal from the country."

The State Department has reason to conspire against Paredes and his associates. The National Guard commander belongs to a faction of the Guard identified with former President Omar Torrijos, which has tended to resist State Department pressures and has joined instead with Mexico, Colombia, and Venezuela in backing a negotiated settlement to the

El Salvadoran crisis. These nationalist elements, represented by Foreign Minister Jorge Illueca, also favor a prominent role for Panama within the Non-Aligned movement and have supported proposals for coordinated Ibero-American action to resolve the debt issue. To the degree that this faction works with similar groupings in Mexico, Venezuela, and Colombia, it provides needed backup for the Pope's efforts to stabilize the region. For this reason, it is intolerable to the State Department.

Kirkpatrick aids destabilization

Before the Briggs incident, U.S. Ambassador to the United Nations Jeane Kirkpatrick had toured Central America, including Panama, to try to undermine and disorganize this opposition. In her early February stop-off in Panama, Kirkpatrick handed the government a letter demanding that it leave the Mexico-Colombia-Venezuela alliance and join the "San José Pact" instead. The latter is the alliance of Central American "democracies" which the State Department intends to use as the basis for assembling a regional army against Nicaragua and Cuba, provided it can drag in countries like Mexico, Venezuela, and Panama to back it politically and militarily. Kirkpatrick dedicated much time during her Central American tour to this purpose, relying on allies in Venezuela and Costa Rica for help.

In Panama, Kirkpatrick held meetings with members of the political opposition, reportedly ordering them to "get organized" and decide how they wanted her to intervene into Panamanian politics. When one politician asked her to comment on flaws in the Panamanian constitution, Kirkpatrick offered to use her expertise in political science to help write a new one.

The political uproar generated inside Panama over the Paredes accusations seems not to have fazed Ted Briggs or his supervisors. Asked to answer the charges made by the National Guard commander, Briggs claimed not to have seen the document, but commented that it was customary and not at all unusual for a foreign ambassador to meet with military representatives and members of the opposition. A spokesman for Briggs charged that Paredes's manifesto had "errors and distortions," but never denied that the ambassador held the meetings.

The self-assurance with which the State Department is pursuing its activities in Panama may be explained by the fact that it expects little opposition from the White House. The Panama Canal is an issue of great ideological significance to the White House, as President Reagan emphasized in his own speech before the American Legion convention. He tends to be highly manipulable by the State Department and the architects of the Caribbean Basin Initiative grouped around David Rockefeller and the Council of the Americas, who consistently portray the nationalists as being anti-U.S. in their effort to secure the ascendancy of their friends in the opposition.

Indochinese hold their first summit

by Daniel Sneider

For the first time ever the leaders of the three Indochinese nations—Laos, Cambodia, and Vietnam—met in a summit conference on Feb. 22-23 in Vientiane, Laos. The summit, which had been expected for some months, issued two statements—one on the coordination of policies of the three countries and a second on the presence of Vietnamese forces in Cambodia.

The latter statement announces a second withdrawal of Vietnamese forces from Cambodia, following the withdrawal carried out last year. According to the Vietnamese ambassador to the U.N., Hoang Bich Son, there will be partial withdrawals of troops on an annual basis, provided those moves do not threaten the “peace and security” of Cambodia.

The ambassador told newsmen at the U.N. that Vietnamese forces would “totally withdraw” “when and if” the threat from the Chinese has ceased and when Thai territory is no longer used to provide sanctuary for the military bands of the deposed Pol Pot regime and its allies.

The Indochinese announcement was clearly timed to precede the upcoming Non-Aligned summit in New Delhi, where the issue of Cambodia is expected to come up. The ASEAN countries of Southeast Asia have been pushing for the presence at the summit of the “coalition” of the Pol Potists, former Prince Sihanouk, and former Premier Son Sann, as “representatives” of Cambodia. The Vietnamese and others have called for Cambodia to be represented by the government of President Heng Samrin in Phnom Penh.

Diplomatic sources in New Delhi report that it is almost certain that the summit will reaffirm the decision taken at the previous Non-Aligned summit in Havana to leave the Cambodia seat empty. The Indian government, despite the fact it maintains diplomatic relations with the Heng Samrin government, will push for this position, and has already made it officially clear that they will not allow Sihanouk to come to the summit to speak. While the Vietnamese government intends to publicly call for the seating of Heng Samrin, Vietnamese diplomatic sources privately say they are satisfied for now with the maintenance of the status quo.

ASEAN, which is represented in the Non-Aligned movement by Malaysia, Singapore, and Indonesia, is expected to make a large noise in New Delhi on behalf of the Cambodian “coalition,” backed by some countries like Yugoslavia, a

leader of the so-called “moderates,” and North Korea, where Prince Sihanouk lives in exile. Yugoslav diplomatic sources, however, admit that the issue is essentially closed, and the Indonesian government is not eager to press the issue.

The joint statement of the three Indochinese governments contains some indications of their approach to foreign policy. On the question of relations with the United States, the statement says: “The three countries of Indochina, with respect for their friendship with the American people, express their desire to have normal relations with the United States on the basis of equality, respect and non-interference in each country’s internal affairs.”

A private delegation of four former U.S. State Department officials, including Emory Swank, the former U.S. ambassador to Cambodia, completed a trip in late February to both Vietnam and Cambodia; according to a report from Bangkok in the *Christian Science Monitor*, members concluded that the “U.S. policy of diplomatic isolation and economic pressure on Vietnam was . . . not working.”

The Indochinese statement takes a tough line toward China, although one carefully phrased so as not to rule out the possibility of improved relations, and progress in the Sino-Soviet dialogue now going on. The document refers to the Pol Pot “clique” as “henchmen of reactionary forces in Beijing ruling circles” and declares that: “At present, Chinese expansionists and hegemonists have not yet abandoned their aggression and annexation schemes against the three countries. Neither have they given up their multifaceted sabotaging activities against Laos, Vietnamese, and Kampuchean revolutions. . . .”

At the same time, the statement refers to “an age-old tradition of friendship with the Chinese people” and the assistance of the Chinese during the struggle for independence. It refers to “the present abnormal situation in relations,” responsibility for which is laid at Peking’s doorstep, and concludes: “The three countries, persistent in their policy, will spare no efforts to restore normal relations with the Peoples’ Republic of China on the basis of co-existence in peace. . . .”

Economic cooperation

The other main message of the summit is a commitment to further coordinate the policies of the three countries, which contains an implicit firm commitment to the continued existence of the Heng Samrin government. The statement says that the foreign ministers of the three countries will meet twice a year, and regular summits of the heads of state will be held. “A committee for economic cooperation . . . will be established in each country to promote economic cooperation and coordination of national plans for economic development.” The document also envisages cooperation in the sphere of science and technology. In the long run, economic and scientific collaboration may have the greatest implications for closer Indochinese integration.

No man is an island

An expropriation in Sonora has set back the insurrection plans of the neo-fascist PAN party.

The possibility of a total political takeover of the northern tier of states by the opposition National Action Party (PAN) ran into a setback on Feb. 12, when Governor Samuel Ocaña of the state of Sonora expropriated the privately-owned island of the PAN's financial angel in the state, Javier Castelo Parada.

Castelo had built a private road to the island, called Huivulai, situated some 30 miles south of Ciudad Obrégon. The road cut off a series of marshes from ocean current necessary to keep the local shrimp fishing industry alive. According to Ocaña's expropriation order, some 7,000 fishermen stood to lose their livelihoods, if the area were not re-opened to fishing. The action and its happy reception among workers and peasants proved that the nationalist spirit of the last months of the López Portillo administration is far from forgotten.

The event was of national importance. Not only is Castelo the moneybags behind the PAN party's extraordinary strength in Sonora, but he is vice-president of the national Mexican Employers Confederation (Coparmex), and figured prominently in the series of proto-fascist rallies held throughout the country last autumn, dubbed "Mexico in Liberty." He represents a subgroup of business interests which wants to see advanced industry relegated to the dreams of past administrations, and confine the economy to assembly-plant operations, luxury tourism, and casino gambling. According to reliable reports, Castelo

intended to turn Huivulai into the base for a casino complex.

PRI deputy José Carreno Carlón, writing in the semi-official daily *El Nacional*, noted that Sonora had been the place where business forces of Castelo's type had first become entrenched, during the post-World War II presidency of Miguel Alemán. "Sonora is the tip of the iceberg," Carreno stated. "It brings to the fore of national discussion the fact that it, with other border states, is being used as a political laboratory, to incubate a show of force against the government. What goes on there can determine the institutional future of the country."

The PAN is known as a conservative, Catholic-oriented party, but it is something else altogether: an offshoot of the European solidarist circles who helped put Hitler in power. The party is working today with an overtly neo-Nazi network in the country in an attempt to combine backward rural forces with an economically threatened urban middle class. The result is to be a national movement that would smash the ruling PRI apparatus of the past 60 years.

Sonora is the state where the PAN has their best chance over the next several years of taking a governorship away from the PRI. In its many decades of rule, the PRI has never permitted an opposition governor to take power, although it has gradually opened up the Congress to substantial opposition representation. Wherever elections have gone against the PRI, as in Baja California in the early 1960s,

the balloting has simply been annulled, and new elections scheduled.

The PAN has a strong candidate in Adalberto Rosas, who was mayor of Ciudad Obrégon in 1979-82, who is married to a daughter of one of the most powerful local oligarchical families.

The state PAN director, Carlos Amaya Rivera, immediately termed the expropriation "simply an occasion for him [Governor Ocaña] to throw a smokescreen over his inability to govern and resolve the problems of the state with justice." The party also began to threaten that scandals would quickly erupt and "make Ocaña's head roll."

So far that has not been the outcome. Quite the contrary, Ocaña is getting backup from the highest levels. Five days after the expropriation, Ocaña had a long meeting with President Miguel de la Madrid in Mexico City, after which the President's press secretary called in the press and said "Gentlemen, the governor of Sonora has just had a very important interview with the President and has a very important report to give to you." Ocaña's statements describing the development plans of the state and defending the Huivulai takeover were given prominent coverage on the front pages of the papers the next day.

Well-informed sources report that de la Madrid was in on the expropriation move from the beginning. The sources recalled that during de la Madrid's election campaign last year, Castelo had stood up in a meeting and delivered an unrestrained attack on the state and its "despoiling of the private sector." De la Madrid struck the table with his fist, putting an end to Castelo's outburst. These are the kinds of interventions "that can destroy the country," he is said to have angrily declared.

International Intelligence

Military behind killing of journalists in Peru

The Peruvian weekly *Kausachum*, based in Lima, reveals in its Feb. 22 issue that the recent massacre of eight journalists, reportedly carried out by enraged Indian villagers in southern Peru, was in fact ordered by well-known politician Fortunato Gavilan of the Accion Popular Party (APRA), to prevent the journalists from revealing information about atrocities committed by the military.

According to *Kausachum*, the journalists had discovered the alleged Sendero Luminoso terrorists killed by Indians were really 12- and 13-year-old children murdered by the military in an "anti-subversive" sweep of the area.

Gavilan ordered the reporters killed to prevent the information from being published and then went into hiding. He is currently being protected by General Noel, the commander of the region around Ayachuco.

The backdrop to this exposé is a fierce battle taking place within both the government and the armed forces. Monetarist Prime Minister Federico Schwalb and Finance Minister Carlos Rodriguez Pastor are under heavy attack for their efforts to put Peru under an International Monetary Fund dictatorship. And nationalist factions within the military are charging that the army's deployment in an Argentine-style "war against subversion" is a means of discrediting the armed forces. When anti-IMF forces from the APRA party sought out nationalist elements within the armed forces in mid-February to form a popular front, they were immediately accused of conspiring to overthrow the government of President Belaunde.

Colombian President dealt policy setbacks

Colombian President Belisario Betancur will not attend the Non-Aligned summit March 7, because of a national crisis created by Defense Minister General Landazabal and the country's drug-running oligarchy. Betancur had been expected to play a positive role in focusing the summit on a new world economic order.

The Colombian Supreme Court on Feb. 23 defeated by a vote of 13-11 the major portion of the "economic emergency" program implemented by Betancur when he first took office. The program, which punishes the speculative financial sector for its wrecking activities, was the cornerstone of the Betancur economic strategy, and its defeat came as a shock.

Betancur is also under attack from the liberal daily *El Tiempo*, which called Feb. 24 for a "defense of the armed forces" against the Colombian attorney general's report naming 59 active-duty officers as members of the MAS death squad. *El Tiempo* demands a witchhunt against the attorney general. The attacks against Betancur occurred one day after he and Cardinal Alfonso López Trujillo of Medellin reaffirmed their commitment to Pope Paul VI's encyclical *Populorum Progressio* in a meeting at the government palace. López Trujillo told those at the meeting that "as long as Belisario Betancur occupies the presidential palace, there is hope for Colombia. . . ."

Sharon's JDL a new threat to Reagan?

According to U.S. intelligence sources, several American embassies have been put on alert as a result of an activation of Rabbi Meier Kahane and the Jewish Defense League (JDL). It is believed by some sources that Kahane's recent denunciations of Reagan and French President François Mitterrand may be used as a pretext for another assassination attempt on Reagan.

Kahane has appeared on Israeli TV ridiculing charges that the JDL was responsible for the fatal grenade attack on a Peace Now demonstration in Jerusalem in February, saying that the JDL does not kill Jews. In that broadcast, Kahane called for "revenge squads" to assassinate neo-Nazis and Arabs internationally. As of Feb. 22, Kahane has gone underground, hiding from Israeli police who are seeking to further interrogate him on the grenade killings.

Kahane, acting on behalf of ex-Defense Minister Ariel Sharon, has repeatedly denounced the Kahan Commission investigation into Sharon and its findings. Kahane has praised the Sept. 18 Lebanon massacre with

the Khomeini-like formulation that "Not even the Christians killed the Arabs. God's will killed the Arabs."

Shimon Peres, who has recently called for outlawing Kahane's Kach Movement, the Israeli JDL, is being denounced by Kahane as a traitor, leading some sources to believe that Peres himself might be a Sharon target.

Peccei in Salzburg hails peace movement

Early reports from the Club of Rome's late-February congress in Salzburg, Austria signal the Club's intentions to build a mass fundamentalist movement under the name of the "peace movement."

Club founder Aurelio Peccei used his keynote address to the Salzburg gathering for a diatribe against the U.S. policy of "atomic over-kill," which he termed a "policy of insanity." Peccei said that he could understand the peace movement, which he thinks consists of "people with serious concern." The director of the Rome research center of the International Association of Catholic Universities, Joseph Loblin, seconded Peccei in terming "the peace movement a movement as important as the historical emergence of the international labor movement." Loblin is a prominent former student of Italian separatist controller Eleonora Masini, a Club of Rome spokesman.

The Salzburg congress was co-sponsored by the Salzburg regional government, the Club of Rome, and the Konrad Adenauer Stiftung, the West German political foundation linked to the Christian Democratic Union of Chancellor Helmut Kohl.

West Germans announce foreign aid triage

West German Minister of Development Policy Jürgen Warnke presented a document to the press the third week in February revealing the "new approach to Third World relations" of his ministry. Warnke, a member of the Bavarian Christian Social Union, whose undersecretary of state in Bonn is Club of Rome member Dr. Volkmar Köhler, informed the press that in the future

German development aid would no longer be given to countries "hostile" to West German interests. Cuts in development and financial aid have already been decreed for India, Benin, Angola, Mozambique, Ethiopia, and Algeria. According to the Warnke ministry, these countries are "anti-West and pro-Soviet," and should therefore not get any German money—which is being defined as "Western money available only for purposes of the West."

A second category of Third World nations is already on the hit list: those countries which had a "disproportionate military budget." Warnke said that this applied to "Third World governments who waste a lot of money for unreasonable arms purchases while often having no money for development projects." Warnke parroted the line of the Palme Commission that the main cause of the Third World's poverty is not the International Monetary Fund, but the underdeveloped nations' "arms race" and "militarism." There are rumors that Turkey, Egypt, and several nations in Ibero-America will be listed in this new category.

Warnke did *not* mention Libya, Iran, Pakistan, Guatemala, Paraguay, South Africa, or China.

German politicians cry 'Save the forests!'

In the midst of the greatest economic and political crisis in West German history, politicians from Social Democratic chancellor candidate Hans-Jochen Vogel, to Free Democratic Party leader Hans-Dietrich Genscher, and Bavarian Christian Social Union leader Franz-Josef Strauss, feel "concerned, if not alarmed, at the speed of destruction of the German forests!"

Vogel convened a special meeting with his key advisers on Feb. 20 to examine the situation. Vogel termed the "threat to the German forests a very dramatic one, much more dramatic than imagined before." He called the problem "one of the main political tasks of the 1980s."

The chairman of the Bavarian Christian Social Union (CSU)—and possibly the next foreign minister in Bonn—Franz-Josef Strauss, wrote letters to the governments of the German Democratic Republic and

Czechoslovakia urging them to stop polluting German forests.

Soviets call on OPEC to halt price fall

Pravda on Feb. 22 issued a commentary urging OPEC to resolve its differences and halt the threat of an oil-price war. *Pravda* accused the "monopolists" of attempting to break up OPEC.

Pravda failed to mention that the U.S.S.R. was one of the first countries to initiate the oil-price drop immediately after the Jan. 24 collapse of the OPEC meeting. Over the course of 1982, the U.S.S.R. gained an unprecedented share of Western oil markets, exporting about 1.4 million barrels a day, roughly the same export volume as Britain. The Soviets gained that volume of sales to the West largely by underselling OPEC.

London sources claim that since Feb. 21 the U.S.S.R. has been unusually active on London's currency markets buying sterling, a move seen aimed at helping to firm the flagging pound.

Venetians sharpen knives for deeper austerity

The Italian government of Amintore Fanfani may not be long for this world, as Olivetti chief and Republican Party president Bruno Visentini issued a sharp denunciation Feb. 19 of the failure of Fanfani to administer enough austerity. (Under Fanfani the trade unions and the Communist Party (PCI) have for the first time ever agreed to weaken the provisions of the cost of living escalator in union contracts.)

Visentini is the advocate of a "technocratic" cross-party emergency government which would include cooperation with the Communists—a deal the PCI seems to have accepted.

The government's austerity measures have been too weak, said Visentini; what is needed is a brute force program to drastically cut public spending.

Fanfani's fall is intended to "begin the end" of Italian democracy.

● A DEBATE is being conducted in Romanian journals on economic policy. The journal *Era Socialistă* has blamed the international monetary system and high interest rates for Romania's economic difficulties, and those of other developing countries. The opposing faction, which is concentrated around the journal *Economic Review*, claims that it is Romania's rapid industrialization policy which is to blame. Development of industry as a priority compared to individual consumption leads to "inflation." The solution offered is to drop the present program of "total and absolute industrialization."

● OTTO VON Lambsdorff, West Germany's economics minister, has declared that there will be no government funds for "restructuring programs" for three major West German steel firms until they present a merger plan, along with firm commitments to cut capacity and manpower. Hoesch, Klöckner, and Salzgitter are now losing 100 deutschemarks on each ton of steel produced, or about 3 billion deutschemarks on an annual basis.

● RUDOLF BAHRO, the new head of the West German Green party, declared in a speech at the University of Essen Feb. 20 that "The Third World doesn't need development. Technology and science are too dangerous for the Third World. Africa for example has been damaged by technology," he said.

● EGIDIO ORTONA, the former Italian ambassador to the United States, Trilateral Commission member, and confidant of Fiat magnate Gianni Agnelli, had only one word to describe the U.S. Congress when questioned by *EIR* during a recent conference of leading banking representatives of the Italian "black" oligarchy and American officials in Milan. The word she said was *zoticones* (bumpkins).

Is Ronald Reagan falling into the EPAgate trap?

by Lonnie Wolfe

Sources in the intelligence community report that the scandal-mongering attacks by Congress and the media on the toxic waste clean-up program of the Environmental Protection Agency (EPA) mark the beginning of a dangerous new Watergate, run by the people who drafted and back the Carter administration's *Global 2000 Report*, the blueprint for global genocidal population reduction.

The ultimate targets of this new Watergate are the White House and President Reagan himself. Our sources warn that the "EPA-gate" is already diverting White House attention away from critical international and domestic problems. More importantly, within the White House inner circle, the continuous and apparently ever-widening scandal has produced a defensiveness and realpolitiking climate that is carrying over into all policy questions. As one source who had recent contact with the White House reported, "They're pulling in the wagons. They are panicked and are thinking about how to cut losses."

How 'EPA-gate' is organized

By putting the White House under such stress, the hope of the Global 2000 cabal is to shatter all policy channels, leaving what remains of the administration the helpless prey of such eastern establishment insiders as Secretary of State George Shultz and White House Chief of Staff James Baker III. This network will then be in a position to work out a deal with its Democratic Harrimanite counterparts on key domestic and foreign policy questions. At this point, the Reagan administration would be virtually indistinguishable in policy content from the Carter administration.

The new Watergate is organized on three levels.

- On the "outside" are the environmental groups such as the Sierra Club, the Friends of the Earth, and the Environmental Defense Fund. This network circulated stories of alleged EPA malfeasance and led the attacks on Interior Secretary James Watt. The attacks received massive coverage from such papers as Madame Katharine Graham's *Washington Post*, papers which in turn deployed their own stables of Institute for Policy Studies-linked investigative journalists to get to the bottom of the alleged scandal.

- Starting last year, the environmentalist lobby in Congress joined the fray. The ringleaders of the Congressional witchhunt against the EPA, which includes investigations by some five Congressional Committees and the possibility of the appointment of a special Watergate-like super-committee under the sponsorship of House Speaker Thomas "Tip" O'Neil (D-Mass.), are Reps. James Scheuer (D-N.Y.) and John Dingell (D-Mich.), both outspoken backers of the *Global 2000 Report*. They have recently been joined by another Global 2000 zealot, presidential aspirant Sen. Gary Hart (D-Colo.), who has demanded that the Senate conduct a criminal probe.

- The entire operation—the press attacks, the congressional probes, etc.—depends, however, on a network of moles inside the administration. Most of the charges, including mismanagement and political corruption in the handling of the multibillion-dollar fund created by the Carter administration, have a common inside source. According to reliable sources, the moles, located in the EPA itself, the White House Council on Environmental Quality, and the environmental staff of the Justice Department, trace their political lineage back to either the Carter administration or the era

when GOP Global 2000 backers Russell Train, who heads the American branch of Prince Philip's World Wildlife Fund, and former Attorneys General William Ruckelshaus and Elliot Richardson created the U.S. government's environmental apparatus under former Presidents Nixon and Ford.

Train, Ruckelshaus, and Richardson are all members of the elite "Year 2000 Committee," set up by Train at the behest of Prince Philip. The committee also includes Harrimanite former Secretary of State Cyrus Vance, who initiated the Global 2000 project. Last year, spokesmen for the committee bragged about their plans for increasing their influence within the Reagan administration. They "predicted" that the administration would soon find itself in a severe political crisis that would force it to turn for help toward the committee and its global environmentalist plans.

When President Reagan came into office, his supporters pledged that they would clean out the nasty infestation that produced the *Global 2000* document. Now, more than two years later, whole chunks of this network are still in place. Sources in the intelligence community attribute this to a deal between Reagan's backers and the Eastern Establishment. This same deal gave Reagan his Vice President, George Bush, a self-described closet environmentalist and a supporter of the Year 2000 Committee crowd.

The moles include:

- **Hugh Kaufman**, the EPA official who has spent much of the last year accusing the administration of illegal practices before congressional committees. Kaufman, a former Carter official, is said to be a close collaborator of the Year 2000 Committee.

- **EPA counsel Perry**, another "whistle-blower," the source of charges about alleged EPA sweetheart deals with polluters; Perry is a protégé of Ruckelshaus.

Our sources further report that the White House and EPA director Anne Gorsuch Burford are being deliberately misadvised on the handling of the ongoing Congressional investigations. They are being encouraged to seek deals with their accusers, with the White House being told that it can "limit the damage" to a few people inside the EPA. The intent of this disinformation is to politically disarm the White House until it is too late to launch a credible counteroffensive. As of this writing, the White House is falling for these lies. Wishful thinking has prompted the deals on the provision of EPA files to Congress, the firing of EPA staff, and the ridiculous buy-up with super-fund monies of a Missouri town allegedly threatened by toxic waste.

But there are no deals possible with the new Watergaters, as a series of interviews this week with relevant congressional committee staffers demonstrates.

"Our real target is the White House," confided an aide of Representative Scheuer. "We have drawn blood. We have forced the White House to act like they are guilty. . . ."

"Once we taste blood," raved another aide on a House

subcommittee, "we will go for more. We are going to pull down as many people as possible around this scandal. It is like Watergate—you won't know how many people are involved until it is all finished. . . ."

"Because of the way they are making deals left and right, now everybody believes that the White House is really covering something up," said another committee aide, gleeful over the latest EPA firings.

Does anybody care about facts?

The media barrage of allegations and half truths has, as usual, overwhelmed the facts. Most of the charges about the toxic waste program are either overblown or scientifically baseless. Contrary to daily media scare stories about the alleged dangers of dioxin and how the EPA has failed to clean problems up, there is absolutely no scientific proof that dioxin is harmful to humans. Or take the charges of sweetheart deals between the EPA and polluters that have delayed waste clean-ups. The so-called sweetheart deals, especially in the case of the much discussed Indiana site, have actually saved taxpayers hundreds of millions of dollars by avoiding costly legal cases.

The Watergaters admit that they have no concern for facts.

"It doesn't matter what the facts are of a particular case," said a staffer on the House Public Works Committee, describing the Watergate process. "We started with a small scandal. Then we enlarged the scandal with new charges. People are beginning to believe that something is very wrong, because they are reading about a new daily scandal in the papers or hearing about it on the television. People start asking themselves what's next, and they are ready for new suggestions of wrongdoing. Then you mention that the White House is involved and this triggers memories of Watergate. I'm not saying that we'll get to Reagan directly, but you are already disrupting his key people into running a defensive operation. They are already making the errors that will help us ensnare them."

So far the president's advisers are resisting advice from trusted "outsiders" to break up the wagons and come out fighting, going public to expose the new Watergate as politically motivated and debunking the hoax charges of widespread toxic waste pollution.

One excellent counter-offensive would be to launch a full-scale investigation of the banning of the pesticide DDT by then EPA director Ruckelshaus in 1972. Ruckelshaus, one of the controllers from the inside of the current Watergate, based his decision on a still-classified EPA memo which sources report is a gross scientific fraud. The banning of DDT has led to the death of tens of millions of people in the developing sector, according to noted biologist Dr. Gordon Edwards. In Congressional testimony, Ruckelshaus admitted that his decision was "political." If Congress wants a real scandal, this is it.

Scientists campaign for beam weapons

by Robert Gallagher

After five years of silence imposed by a ridiculously stringent classification system, U.S. science and intelligence experts have brought the fight to develop defensive beam weapons out of the laboratories and into the political arena.

Interviewed in the January 1983 issue of *Defense Science and Electronics*, Dr. Lowell Wood of Lawrence Livermore National Laboratory, a protégé of Dr. Edward Teller, stated in no uncertain terms that directed-energy beam weapons are not only feasible but could be rapidly perfected and deployed for an effective defense against nuclear-tipped missiles. Such a weapons system would give the United States the capability to knock out a hostile nuclear missile in the first five minutes of its launch, thus ending the 30-year threat of nuclear holocaust.

In the same issue of *Defense Science* magazine, another defense expert, Dr. John D. G. Rather, discusses in detail the immediate and long-term potential of beam weapons and calls for a "presidential-level policy decision" for an all-out program. "Procrastinating about this need for a well-coordinated national laser program," Rather writes, "has already cost the United States several years of potential leadership advantage."

A Soviet 'Manhattan Project'

Along with this new offensive for beam weapons has come a series of warnings from the military that while the United States twiddles its thumbs, the Soviets are gaining in beam-weapon capability. This was the message delivered to the House Appropriations Committee in mid-February by Air Force Secretary Verne Orr. It was also the point emphasized recently by General George F. Keegan (ret.), the former chief of Air Force Intelligence, who told the *Baltimore Sun* on Feb. 20 that the Soviet Union is developing high-energy laser and particle beam weapons under a program "much larger than the Manhattan Project."

Keegan, who resigned from the Air Force in 1979 because his warnings on Soviet beam weapon development were pooh-poohed by U.S. intelligence and the Air Force, told the *Baltimore Sun* that over the 33 years of his active service, U.S. intelligence "has been wrong in every single scientific prediction."

In 1977, Keegan, like Democratic Party leader Lyndon H. LaRouche and the Fusion Energy Foundation (FEF), made the scientific case that beam weapons were possible, and warned that the Soviets were marshaling their resources to develop such a weapon by the 1980s. The FEF published a pamphlet at the time called "Sputnik of the Seventies" that described in detail the science and technology required and stated how far behind the United States was in such research work.

It is the aggressive campaign for beam technology development led by the FEF, and the LaRouche organization that has driven the beam weapon fight out of the national laboratories and into the public purview. Such advocacy by those involved in beam-weapons research should squash the various anti-technology experts who have persistently argued that defensive beam weapons might be a nice idea but are scientifically unfeasible.

One such expert, Kosta Tsipis of the Massachusetts Institute of Technology, was thoroughly discredited by Lowell Wood, who took apart Tsipis's arguments one by one, as they had appeared in a December 1981 *Scientific American* article that has become the bible of the anti-beam weapon crowd.

Wood, who was awarded the Lawrence Prize in 1982 and is considered by many to be the leading defense scientist in the United States today, wrote that Tsipis's article "like a number of others that have appeared in *Scientific American* by the same group of people, was premised on political and not technical grounds. It was riddled with fundamental technical faults. . . ." The Large Space Telescope that will be used in the next Shuttle already exceeds the optical aperture that Tsipis "declared to be the limit that human technology could create," Wood says.

Furthermore, Wood added, "there are efforts underway elsewhere on our little planet in military laser R&D which are nearly an order of magnitude larger than the efforts that the United States has been making; these have been under way for a long time under the direction of extremely capable people, Nobel laureates. These efforts are not led by fools, they are not funded by fools, and they are not serving the military objectives of fools."

As for the go-slow faction, typified by presidential science adviser Dr. George Keyworth—who says that the United States will not even know until the 1990s whether beam weapon technologies are feasible—Wood notes that it will take us about 10 years to develop an effective ballistic missile defense system, "but not because it is physically impossible or even very technically challenging. It's just that this country presently can't do anything in three to five years, literally nothing of real significance. We certainly have been able to do so in the recent past, and I have every reason to believe that we could do so in the future if we got serious. . . . The United States is a rich country, but spends little on meeting crucial technological challenges. . . ."

Congress wants help to vote up IMF plan

by Susan Kokinda in Washington

In between the commemoration of Lincoln's birthday and the reading of Washington's farewell address on the Senate floor, more U.S. senators disgraced themselves before country and Constitution on a single issue than this correspondent has witnessed in many years in Washington, D.C.

When confronted with the spectacularly unpopular issue of increasing U.S. contributions to the International Monetary Fund (see article, page 13) so that its power to commit genocide in developing countries may be augmented, members of the upper body scrambled over each other to concoct arguments by which to "sell" their support of the IMF to their constituents. Every senator is looking for some kind of deal or concession to be wrung from the administration, so that they can go to their constituents and say, "I slapped down hard on the New York banks," or "I extracted a protectionist promise," or "The IMF will promote export recovery," therefore "I may now responsibly vote for the IMF." Democrat Joseph Biden of Delaware put it most bluntly in Senate Foreign Relations Committee hearings when he asked Secretary of State George Shultz, "I guess what I am asking you for is a speech so that I can go back and explain to my constituents the reasons for doing what I am about to do," namely, to vote for the IMF quota increase.

Over the course of several appearances before the Senate Banking and Foreign Relations Committee hearings, Secretary of State Shultz and Secretary of Treasury Regan openly bemoaned the difficulty of getting the quota increase through the institution of the U.S. Congress, as opposed to various foreign parliamentary structures. So, in the spirit of the American system of government which may yet manifest the will of an informed constituency, and in the true spirit of George Washington's farewell injunction to "beware of entangling alliances" (an injunction directed toward the British forebears of the IMF), *EIR* now reports what these erstwhile Senators assumed would never be reported to their constituents.

Larry Pressler (R-S.D.): "I had 25 'open-door' meetings in South Dakota over the past 10 days, and in every one, my constituents voluntarily brought up the issues of the big bankers being bailed out, of the foreign policy establishment working against us. We need a marriage between the Senate

Foreign Relations Committee, the Council on Foreign Relations, the Ditchley conferences, and others to explain to small farmers and small businessmen how this thing works and what must be done."

John Heinz (R-Pa.), chairman of the Senate Banking Subcommittee, which oversees international finance: "I agree that the quota increase is essential . . . but these additional funds must not finance a continuation of the overly expansionary economic activity of the developing sector."

William Proxmire (D-Wis.): "I just want to cite the comments of IMF Director Jacques de Larosière, that the U.S. budget deficit is the greatest danger to international economic security."

Mack Mattingly (R-Ga.) demanded even stricter terms for IMF loan conditionalities: "Can't we use conditionalities to reduce trade barriers and export subsidies in Third World countries? We ought to strengthen those conditionalities."

Paul Sarbanes (D-Md.): "What do you think about requiring that private bank loans to governments be submitted to the IMF for comment and review?" (Even Shultz, probably on a leash from the President, was forced to oppose this as a step in the direction of a world central bank.)

Chris Dodd (D-Conn.): Dodd, who just returned from an extended tour of Mexico and Brazil, asked Fed Chairman Volcker if it might not make sense to turn authority over banking, not to the Federal Reserve, as many are suggesting, but to the IMF itself.

Slade Gorton (R-Wash.): Gorton expressed relief that Secretary Regan had admitted that not all loans made by commercial banks to developing countries had been wise. Said Gorton, "That makes it more politically palatable for us. The question in passing this legislation is, can we argue that we will have better foresight next time?"

Alfonse D'Amato (D-N.Y.): "I hope that you [the administration] move in such a way as to not create additional problems for us. Congress has a difficult time in supporting this, unless we get assurances that the regulatory system, which allowed the crisis to occur, will be improved."

Richard Lugar (R-Ind.): "I have had the same experience that several other senators have cited—of constituents who oppose this quota increase. I tell them that two out of five acres planted in Indiana go for export, so they should support the IMF."

Rudy Boschwitz (R-Minn.): "Those of us who are more immediately facing our constituents [in 1984] are not interested in intellectualizing this issue. Can't we do something to force developing countries to lower their agricultural export subsidies and trade barriers?"

Nancy Kassebaum (R-Kan.): "Couldn't the private banks be urged to declare a moratorium on some of the loans . . . would not that dispel the belief that this is a mechanism to bail out the banks?" Kassebaum went on to describe the outlines of a creditors' cartel as a solution to current economic problems.

Adelman nomination held up in Senate

Committee Democrats, led by nuclear freeze advocate Sen. Alan Cranston (D-Cal.), and Eastern Establishment-controlled liberal Republican Sens. Larry Pressler (R-S.D.) and Charles Mathias (R-Md.), have blocked together to form a majority on the Senate Foreign Relations Committee to oppose the Reagan administration's nomination of Kenneth Adelman as head of the Arms Control and Disarmament Agency. The Adelman nomination is temporarily on hold. Pressler and Mathias are much less interested in the merits or demerits of Mr. Adelman than in the possibility of blackmailing the administration into capitulating to their anti-technology arms-control and conventional-build-up perspective.

Pressler has emerged as the point man for sabotaging the development of directed-energy beam weapons, which hold promise of ending the era of the Kissinger Mutually Assured Destruction doctrine. In the *Congressional Record* of Feb. 17, Pressler came out in the open, explicitly attacking "lasers and particle-beam weapons that could be based on Earth and aimed at satellites in orbit, or, alternatively, based in space and targeted at other space systems."

Pressler made his attacks while introducing S.R.43, which "calls on the President to prepare a proposal and to invite the Soviet Union to negotiate a verifiable ban on anti-satellite weapons as a first step toward prohibiting all space-based and space-directed weaponry." S.R.43 also urges such negotiations to "seek to restrict . . .

the deployment of hazardous objects and materials, such as nuclear materials in outer space," which will be essential for an effective space program. Pressler cites numerous conventional military spending areas which he would prefer including for "any potential lengthy conventional war in Europe," rather than the advanced technological areas.

Henry Reuss: gone but not forgotten

Henry Reuss, the recently retired Congressman from Wisconsin and former chairman of the Congressional Joint Economic Committee, is still actively directing some of the more dangerous activities of the JEC. Reuss has been appointed the chairman of a JEC-sponsored National Advisory Board on Infrastructure (NABI), which is currently preparing infrastructure inventories for 20 states. The NABI is receiving funding from the Ford Foundation, the Rockefeller Brothers Fund, and other bastions of Malthusian policy.

These inventories, which are being compiled by top think tank and academic specialists in each state, will be formulated to show that the nation's roads, bridges, waterways, and sanitary-systems are in such disrepair that new forms of financing will be needed to maintain them. The traditional form of project-by-project congressional appropriations will have to be superseded, according to a source close to the study.

At the same time Senate Budget Committee Chairman Pete Dominici

(R-N.M.), also a member of the Environment and Public Works Committee, introduced S.532 and S.533 on Feb. 17. Dominici's legislation would authorize the allocation of federal funds to states that establish a bank, or a comparable financial mechanism, to make loans to governmental units for public investment projects. A precondition of such financing would be an agreement by local communities and local users to pay user fees for the construction and use of new facilities.

Other bills, such as H.R.1244, sponsored by Rep. Norman Minetta (D-Cal.) and H.R.1144, by Rep. William Clinger, call for infrastructure inventories or capital budgets, with the effect of reversing the 200-year-old American System policy of funding such projects at the national level out of general revenues because they are in the nation's interest. Each recommends some form of "user fees."

One source commented that the aim of the national inventory was to establish a case that, even with user fees and state infrastructure banks, the need will far outstrip available resources, and that "what it boils down to is learning to manage scarcity in the 1980s and 1990s."

Congress limply supports science programs

In a series of hearings during the week of Feb. 21 in the House Science and Technology Committee to review administration requests for energy and space programs, congressional representatives gave only feeble support to

these vital national efforts.

The new lackluster chairman of the Space Science and Applications Subcommittee, Rep. Harold Volkmer (D-Mo.), questioned NASA witnesses about delays in the space telescope program and a glitch in the Landsat satellite, while scarcely questioning crucial cuts recommended in the technology utilization programs, the analysis of planetary data programs, and other vital areas. Bill Nelson (D-Fla.) took a stronger stand, pointing out that planetary budgets have been declining for the past four years, when adjusted for inflation, making NASA's request for \$88.9 million too small. Though berating the NASA witnesses, he pointed to the real culprit by stating that "The OMB should not intimidate NASA" in its research budget.

The advanced nuclear energy programs are in a very weak position after the 217-to-196 vote on Dec. 2, which almost succeeded in stopping work on the Clinch River Breeder Reactor (CRBR). Rep. Marilyn Bouquard (D-Tenn.), Chairman of the Energy Research and Production subcommittee, allowed S. Jacob Scheer, a lawyer for the anti-nuclear Natural Resources Defense Council, to testify, representing the taxpayers Coalition Against Clinch River. As Scheer pointed out, this is a coalition of anti-nuclear environmentalists and "fiscal conservatives," including the Heritage Foundation, the American Enterprise Institute, the Hoover Institute, as well as the Rand Corporation.

While Bouquard, a CRBR supporter, rallied against Scheer and his incompetent assumptions, it was clear that until pro-science congressmen have a positive program to restore

economic growth and advanced research and development to the country, they will continue to be impotent within the confines of the "budget game."

Simpson-Mazzoli bill is re-introduced

The Simpson-Mazzoli immigration restriction legislation was re-introduced in Congress Feb. 21, as the AFL-CIO and other backers prepared for a major lobbying effort to ram the legislation through this year.

The core of the proposal is a scheme for worker identification cards modeled on the Nazi system of the 1930s. It is supported by AFL-CIO President Lane Kirkland.

The bill, which also contains employer sanctions against firms that hire illegal aliens, died on the floor of the House in the lame-duck congressional session. It passed the Senate by an overwhelming margin. The National Democratic Policy Committee, several Hispanic organizations, and the Mexican Senate mobilized to stop the bill from passing the House.

The bill's sponsors, which include the openly racist Federation of American Immigration Reform (FAIR), say that since no one would want to touch the bill during the 1984 presidential election campaign, they must mobilize for passage now. Already groups associated with Richard Viguerie's New Right organizations have dispatched fundraising letters on Simpson-Mazzoli, demanding funds for a war chest to keep "the diseased trash" from Mexico and elsewhere out of the United States.

The Reagan administration backed the bill during the last session; the White House is expected to support it once again.

Senator opposed to IMF quota increase

In a letter responding to a request from the National Democratic Policy Committee, Sen. John Melcher (D-Mont.) announced that he intends to vote against the IMF quota increase. Melcher stated, "The time has come when we must bring back a little common sense and realism to our international financial activities and to our international trade policies. I think that the IMF is a good place to start. For years they have been following policies that have not been in our best interest, nor do I think the best interest of the developing nations. It is time to send them a message, and I hope that Congress will do just that in the upcoming session."

In particular, Melcher has voiced concern about the IMF's practice of lending to LDCs such as Zaire, specifically so that they can export raw materials below the cost of production, in order to garner foreign-exchange earnings to pay and service their debt.

At a Feb. 21 Senate Energy Committee hearing on the world petroleum picture, Melcher raised the possibility that the collapse in oil prices would further damage countries such as Mexico, and called into question the assertion that the U.S. quota increase to the IMF of \$8.4 billion would be sufficient.

National News

U.S. supports 'Bulgarian track' investigation

President Reagan committed the United States to support for the Italian government's investigations of the East-West terror networks behind the assassination attempt on Pope John Paul II, in a speech before the conservative Republican Group of Political Action Feb. 19.

The President characterized the attempt on the Pope as "an international crime that deserves the most careful investigation possible," and praised "the courage of the Italian government in bringing this problem to the attention of the world."

At the same meeting, Secretary of State George Shultz, who has been accused in Europe and the United States of working with Henry Kissinger to sabotage the Italian investigations of the Bulgarian connection, denied that the U.S. authorities had "discouraged" the Italian investigations, in response to questions.

Cuomo to close Shoreham nuclear plant

New York Gov. Mario Cuomo may have prevented the Shoreham nuclear plant from ever opening by arbitrarily issuing an order Feb. 18 directing the state not to approve any evacuation plan for the area around the plant in Suffolk County. "The action right now stops Shoreham," said Cuomo's secretary, Michael Del Guidice.

The Shoreham plant, which cost \$3 billion, is now complete. If not allowed to operate, it will continue to accumulate costs to the tune of \$20 billion over the next 20 years, costs which, according to Suffolk County legislature presiding officer Lou Howard, will undermine Long Island's economy and possibly bankrupt the Long Island Lighting Company [LILCO].

Cuomo made no attempt to justify his ban on the plant. His order not only stops

state approval of any evacuation plan drawn up by LILCO or the county, but he has said that he will not have the state draw up its own plan. "I will not be a party to any effort to impose an independently developed state plan upon Suffolk County," Cuomo said. "Nuclear is a threat."

A spokesman for the New York State Disaster Preparedness Commission told *EIR* Feb. 23 that the state has never even bothered to subject the evacuation plan designed by LILCO to a formal review.

Cuomo has been given strong support in his anti-nuclear crusade by Suffolk County Executive Peter Cohalan. "The unique local conditions of Long Island make it impossible to protect the public safety if there were an accident at the Shoreham plant," Cohalan said. "The result is that Shoreham should never operate."

Cohalan's deputy, Frank Jones, told *EIR* that the county had hired its own experts to study the evacuation problem, but that instead of using the Nuclear Regulatory Commission guideline of a 10-mile evacuation zone, the county officials had decided to consider the problem of evacuating all of Long Island, thus increasing the number requiring evacuation from 30,000 to several million. On this basis, the county maintains that evacuation is impossible, and has refused to draw up any plan.

Shultz creates 'policy planning council'

Secretary of State George Shultz announced on Feb. 23 that he had created a new "policy planning council" at the State Department. The council will concentrate on "the concern about the problems that many countries have been encountering in paying their international debt . . . economic issues with political implications," in the words of council head Stephen Bosworth. Every member of the council is a product of the Henry Kissinger State Department or the Kissinger National Security Council under the Nixon and Ford administrations.

Bosworth was a Deputy Assistant Secretary of State for International Resources

and Food Policy during the Ford administration, and deputy to Undersecretary for Inter-American Affairs Thomas Enders, with a history of service in Central America. Council member Paul Boeker was an Assistant Secretary of State for Economic and Business Affairs in the Ford administration, and in Shultz's words, "a European and Latin American specialist." Robert Osgood, a former dean at Johns Hopkins University's SAIS, was a senior NSC staffer during the Nixon administration. Peter Rodman, most recently a fellow at Georgetown University's CSIS, was an NSC staffer from 1969 to 1977. Shultz described Rodman to the press as "a close associate of Henry Kissinger's." Shultz summed up the credentials of the other council member, Jeremy R. Azrael, as a "former professor of political science at—you guessed it—the University of Chicago." Azrael's specialty is the East bloc.

The Secretary of State attempted to describe his motivation for setting up the council in sentences reminiscent of Alexander Haig. "I find myself searching around for ways to contend with the tendency to be preoccupied with what is right in front of you each day, on the one hand, and to be sure that things don't fall between the cracks and that we think broadly about our problems, on the other. One way is to take some time yourself to scratch your head. . . ."

American Legion calls for space ABM system

In a resolution passed at its national convention in Washington Feb. 24, the American Legion called for the development of a space-based anti-ballistic missile defense system.

Resolution #32, entitled "Space-Based Ballistic Missile Defense System," "urges the President and Congress to adopt a new military strategy which would take advantage of available and developing technology, assure that the U.S. maintains the lead in such technology, and would provide for developing a space-based ballistic missile defense system."

In another resolution, #148, entitled "Soviet Space Program," the Legion further

states that it "strongly recommends that the U.S. proceed forthwith to counteract the Soviet threat in space against our defensive satellites as well as the ICBM nuclear threat against our country."

Manatt and DOJ run Chicago vote fraud

A vote-fraud operation coordinated by Democratic National Committee chairman Charles "Banker" Manatt and the U.S. Department of Justice gave black politician Harold Washington a come-from-behind victory in Chicago's Democratic Party mayoral primary Feb. 22. Sheila Jones, the candidate endorsed by Lyndon H. LaRouche's National Democratic Policy Committee, was officially credited with only 1,278 votes.

The systematic funnelling of Chicago's black vote away from Jones, who is also black, was part of an attempt to block the growing power of the NDPC faction in the Democratic Party, which has won from 20 to 40 percent of the vote in primary elections over the past year. The defeat of the unpopular incumbent Jane Byrne, the lackluster Richard Daley, Jr., and Jones gave the nomination, and almost certainly the mayoral election, to Washington, whose campaign was sponsored by Jesse Jackson of PUSH and other operatives of the local-control poverty-program and youth-gang apparatus set up by Saul Alinsky out of the University of Chicago (see *EIR*, Feb. 15).

According to Jones's campaign manager Nicholas Benton, the fraud operation was set up by Jesse Jackson. Jackson met with Justice Department officials a week before the election, which resulted in a court order placing the city's polls under the jurisdiction of federal marshals. The FBI took custody of the votes after Jackson met with Dan Webb of the Chicago U.S. Attorney's office on election day. The FBI concentrated on Chicago's South Side, where Jones had out-campaigned all her opponents. The fraud was so severe that even primary candidate Frank Ranallo, who had announced a militant anti-black program on the city's media throughout the campaign, officially out-

polled Jones by 37 votes in the Third Ward, where Jones had been endorsed by a prominent community leader.

AFL-CIO demands make-work program

The AFL-CIO Executive Council, on the first day of its winter meeting in Bal Harbor, Florida on Feb. 22, issued a demand for a make-work jobs program modeled on the programs Adolf Hitler used to put Germans to work in the 1930s.

The proposal, announced by AFL-CIO President Lane Kirkland, would cost a whopping \$22.5 billion in fiscal year 1983 and \$46 billion in fiscal year 1984. The programs would put less than 2 million of the more than 11 million officially unemployed back to work in low-paying, labor-intensive public works construction, housing renovation, sanitation, and similar dead-end jobs. Several hundred thousand youth would also be employed in a new Civilian Conservation Corps.

Acknowledging that his plan would add tens of billions to the huge federal budget deficit, Kirkland proposed to alleviate some of this deficit by slashing defense spending by an additional \$5-\$10 billion this year. This marks the first time in recent memory that the AFL-CIO has backed major defense-spending cuts. Kirkland further announced some rehashed AFL-CIO proposals for raising tax rates in higher income brackets, though he admitted that this would bring in only small amounts of money.

A congressional source close to the Democratic Party leadership said Feb. 23 that there was no way that Kirkland could hope to pass anything near the \$70 billion program.

"Kirkland isn't serious," said one source. "He knows that Congress will only pass a few additional billion dollars. He is trying to build himself up as a spokesman for the oppressed minorities and others. That is who his program appeals to. He already knows that there is no power left in the labor movement. It doesn't exist any more. It has been broken by the depression."

Briefly

● **DONALD REGAN**, the Treasury Secretary, told the Senate Feb. 23 that a \$20 per barrel oil price would bankrupt Mexico. Louisiana Sen. Richard Lugar asked Regan if, "the IMF plan is going to be sufficient for Mexico if the oil price continues to plummet?" Regan answered, "There are a lot of 'ifs' involved, but if we assume oil drops to \$26-\$27 per barrel, you can then calculate the revenue loss to Mexico. But you want to calculate as well the probable drop in interest rates and savings for Mexico. I don't have numbers in my head, but at \$26-\$27, the IMF program should be sufficient. However, if it drops to \$20 per barrel . . . we'll have to study the whole thing."

● **GEORGE SHULTZ** told the Senate Budget Committee Feb. 22 that "it would be wrong . . . to characterize the legacy of the oil-shock years as a debt problem. Rather, in its broadest aspect, it is an income-earning problem." A Senate staffer was heard to comment, "I'd like to use that line on my bank."

● **REUBEN ASKEW** declared his candidacy for President Feb. 23. The former Florida governor is a born-again Christian who served as a special trade negotiator for Jimmy Carter and who is modeling his presidential bid after that of the former President. With Carter Democratic hatchetman Robert Strauss at his side, Askew told the press that his program would be to "bring labor and industry together" in order to "sacrifice."

● **REMEMBER PEARL** Harbor bumper stickers are cropping up in Michigan, and taking sledgehammers to Toyotas has become a popular sport. Unemployed auto workers have been riled up against Japan rather than against Paul Volcker by the United Auto Workers leadership. Since 1978 U.S. auto sales have fallen 3 million while imports rose only 300,000.

The U.S. dollar on gold: how soon?

Over the first six months of this year, possibly as early as this month or next, the world faces the danger of financial collapse. The question is not now how that collapse can be delayed or avoided—it cannot. The task we now face is how to reorganize a bankrupt world monetary system to ensure the survival of civilization.

Many such proposals have been put forward. Felix Rohatyn, who thinks he can deal with the world as he dealt with New York City, has come up with one package. The so-called Ditchley Group of bankers, the notorious Morgan and Rockefeller creditors' cartel, has come up with its proposals, which, among other things, violate the Sherman Anti-Trust Act. Senators Heinz and Proxmire have submitted pieces of legislation, along with other members of Congress, like Rhodes Scholar Bill Bradley from New Jersey.

These proposals have one thing in common: They don't work. They would reduce America and its banking system to a colonial appendage of the Swiss-based Bank for International Settlements and the International Monetary Fund, while these entities continue to use the depression they have created to commit genocide in the Third World 100 times worse than Adolf Hitler.

There is another plan, circulating widely throughout Washington, D.C. under which the United States would remonetize its 260 million ounces of gold at current market prices, yielding, at \$500 an ounce, a gold reserve of \$132 billion. The gold would be used for trade payments to other world governments, to expand U.S. foreign trade, and bolster the U.S. economy and the dollar.

This plan has won the approval of leading Democratic economist Lyndon H. LaRouche, Jr.—the mastermind of *EIR*'s LaRouche-Riemann economic forecasting service, which has consistently been correct on the Depression of the 1980s where all other forecasters have been dead wrong. According to LaRouche, putting the dollar back on gold is among the few options open to the United States to restore order to world monetary affairs.

Gold, LaRouche emphasizes, must be used for an "American System" reform of the international banking

order, which would sweep aside the IMF, BIS, and other supranational institutions and their austerity programs in favor of a U.S. program for world recovery. In this plan:

1) The United States would negotiate directly with the developing nations for a moratorium on their unpayable old debts, and then issue some \$100 billion to \$200 billion in new gold-backed U.S. bonds to generate export credits to the Third World. This would create a boom in U.S. industrial exports and jobs, and would restart Third World economies.

2) The U.S. would help American banks to renegotiate the old, unpayable debt into 20- to 30-year bonds, which the banks could discount to receive new gold-backed Treasury notes—*provided they used them to make useful loans for trade and industrial production*. The U.S. banks would take some losses on old debt, but be stabilized and given a major new source of profitable loans. The British, Swiss, and other foreign banks which now speculate in U.S. dollars in the offshore \$2 trillion Eurodollar market would be left out and bankrupted, in a tough reassertion of U.S. economic power.

3) The United States would offer to settle its imbalances in current international trade payments *in gold*, on a government-to-government basis, to those nations which agreed to a like gold policy. The first three measures would completely bypass the IMF, making it irrelevant.

4) The domestic U.S. banking system would be reformed, by first nationalizing the Federal Reserve into a "Third Bank of the United States," controlled by the U.S. Treasury. The Treasury alone shall then have power to issue domestic currency, which shall be issued as gold-reserve-denominated Treasury notes. Since the Federal Reserve's current printing of money with no limits or economic basis is one of the chief causes of inflation, this will mean an end to monetary inflation.

5) To restart the economy without deflation, several hundred billion dollars worth of new gold-backed U.S. notes shall be issued as domestic money, but only to banks which agree to use them as a percentage of loans to be made for genuinely productive purposes.

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