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Executive Intelligence Review

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Executive Intelligence Review

(ISSN 0273-6314)

is published weekly (50 issues) except for the second

week of July and first week of January by

New Solidarity International Press Service

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

In Europe: Executive Intelligence Re iew

Nachrichtenagentur GmbH, Postfach 2308,

Dotzheimerstrasse 164, 62 Wiesbaden,

Tel. (06121) 44-90-31.

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Liebig

In Mexico: EIR, Francisco Días Covarrubias 54 A-3

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

Japan subscription sales:

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

1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160,

Tel: (03) 208-7821

Brazil subscription sales:

International Knowledge Information System Imp.

Ltda.

Rua Afonso de Freitas 125, 04006 Sao Paulo

Tel: (011) 289-1833

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International Press Service

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Second-class postage paid at New York,

New York and at additional mailing offices.

3 months—\$125, 6 months—\$225,

1 year—\$396, Single issue—\$10

Academic library rate: \$245 per year

EIR

From the Managing Editor

We are proud to publish as our Special Report this week *EIR* economist Richard Freeman's study of the U.S. industrial mobilization that won World War II. Though there exist memoirs about the war mobilization, and studies of various aspects of war production, no comprehensive study of the 1939-44 U.S. economy has ever been made. Instead, myths persist such as the notion that "wage-price controls"—a 15th-rate consideration during the war—were the core of Franklin Roosevelt's economic policy.

Thus, with all the studies that the hundreds of thousands of professional macro-, micro-, and quasi-economists turn out every year—of the quality of treatises on the astrological origin of warts—neither monetarists nor Keynesians have sought to study the period of the 20th century when the U.S. economy grew at its fastest.

To carry out this research, Freeman went to the National Archives in Washington, D.C. and examined volumes of records of the War Production Board, the Commerce Department, and related agencies. He found that all statistical series on the World War II buildup had been destroyed, for no apparent reason, by the Commerce Department after the war. He laboriously reconstructed those series that would provide the basis for studying the period and conducting a LaRouche-Riemann econometric computer analysis of the 1939-45 period, *the only such analysis to be made to date*. The full text and graphic series will be made available as part of an *EIR* multi-client Special Report.

The war mobilization restored joy and rationality to the American population. It is possible for an individual to carry out a task in a week, a month, or several years, never really achieving much. But tell someone that that there is a national emergency, and the survival of the country depends upon his or her efforts, and that person will tap emotional and mental powers that he or she never thought to possess. Suddenly, new ideas and new solutions are generated. That is the story contained in our Special Report. It is a process that can readily be launched once more, and must be launched if the United States is to achieve the advanced-technology strategic defense it requires in the 1980s.

Susan Johnson

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Clarification: Mr. Benito Prieto, a businessman from Madrid, has informed us that statements made about him in our May 10 Special Report on Central America are unfounded in fact. Mr. Prieto adds that the only correct allegation is the one regarding his lawyer. *EIR* stands corrected, and regrets any inconvenience this may have caused.

Operation Juárez emerges out of the Brazilian crisis

by David Goldman

An Ibero-American debtors' cartel will form at the end of June, drawing the continent's major debtors behind Brazil's confrontation with the International Monetary Fund (IMF).

As in all such preparations for conflict on the grand scale, events have moved faster than either the Brazilians or their major creditors predicted or desired, and the inner dynamic of the past weeks' events has often been obscure to the principal participants. Nonetheless, both the creditor and debtor sides have decided upon a crisis now, rather than later; and this decision has touched off a chain of events which break apart the rules of the game as it has been played since the Mexican crisis broke in August 1982. A fledgling Ibero-American movement for a common market, following the outline offered by this publication's founder one year ago in the document, "Operation Juárez," has inserted itself into calculations previously based on a view of the continent as the passive battlefield upon which creditor interests would be fought. See, for example, the interview below with Carlos Alzamora, the permanent secretary of the Caracas-based Latin American Economic System (SELA), one of the principal spokesmen for the need for continental integration around the perspective of economic development. Alzamora's message is clear: the debts will be paid only on the condition that the standard of living of the Ibero-American population and the prospect for economic development are maintained.

As *EIR* has reported, the failure of the IMF to disburse over \$400 million of Brazil's earlier loan tranche at the end of May compelled Brazil to postpone an equal payment to the Bank for International Settlements, the source of another short-term "bridge loan." Brazil has built up over \$2 billion in arrears during the second quarter to date, largely because the flow of short-term "interbank" credits to enable it to meet

payments has dried up, and the failure of the IMF to disburse the previously negotiated credit would break its external finances and force a default. The creaking, sagging commercial bank rescheduling package for Brazil depends on the success of the IMF program, and the IMF's refusal to disburse would knock down the entire house of cards.

Brazil's inability to obtain the IMF funds is a response to the country's "non-performance" with respect to conditionalities ordered by the IMF, including restrictions on Brazilian government spending which cannot be met without mass layoffs from government enterprises. Although the Brazilians have managed to bring their external payments situation into *apparent* balance, with a \$1.4 billion trade surplus during the first four months of the year, the improvement owes heavily to misreporting of exports and statistical fraud.

In a way noticed by certain agencies of the U.S. government and by well-informed financial circles in Western Europe, the Brazilian internal situation "snapped" during the first week in June. The outer symptoms of this include a report June 1 that Brazilian central bank president Carlo Langoni had resigned; the report, subsequently denied, is a foretaste of the fall of Brazil's "economic triumvirate," Langoni, Planning Minister Antonio Delfim Netto, and Finance Minister Ernane Galvêas.

According to Brazilian and U.S. administration sources, military circles in Brazil's presidential palace have decided that the latest proposed round of austerity measures was politically unacceptable, especially in view of the jobless riots in major cities a month ago. Langoni's reported resignation—a headline item in Brazilian newspapers ignored by the international wire services—came in response to Delfim Netto's failure to introduce new austerity measures sufficient to

bring about the IMF credit. The central banker, apparently, does not want to be in office at the point of default.

Sources close to Brazil's financial triumvirate argue that "the world will never let Brazil go under," and, especially, that the International Monetary Fund will bend the rules sufficiently to permit Brazil to obtain the required credit. At this point, the sources maintain, Brazil will be in position to approach the financial markets for a new "jumbo credit," taking sufficient pressure off the country's external finances to limp through to the early fall. What will happen then? "The world will not allow Brazil to go under," repeat the triumvirate's advisers.

Confrontation now rather than later

Although the illusions at the planning ministry in Brasilia are, by and large, shared by a majority of the American creditor banks, most of the latter are already preparing for a sharp confrontation at the end of the month. "There will be a few days of brinksmanship," says the head of risk analysis for one of the top New York banks. "We will go eyeball to eyeball, and then both sides will back down." Although detailed scenarios for avoidance of default are in circulation, none of them appears relevant.

The Swiss view of the matter agrees as to timing, but has a different edge: the Brazilian debt has been written off in Zürich and Geneva. The chief economist for one of Geneva's oldest and nastiest private banks argued recently, "No one can sell that IMF austerity policy in Brazil, no more than [French Finance Minister Jacques] Delors can sell it in France. Many Brazilians are asking just how many more people they are supposed to kill in São Paulo, and what for, because the rise of the dollar is eating up all the savings of the austerity program," by increasing the cost of imports and debt service.

"If the Brazilians say 'No!' at the end of the month, and there is hardly any way they can do anything else, then the Swiss, Germans and Dutch will have what they want: the United States will have to cough up the money. This is the climax. And that idiot Don Regan, with his stupid statement [at Williamsburg May 31] that he wants to put a ceiling on the growth of the money supply—that sent the dollar soaring, and the Swiss and the Germans are gleefully fanning the flames, just by buying small amounts of dollars to let the markets know they want a high-flying dollar."

"The probability of a full crisis is growing," the Swiss banker added, "all the more so because the monetarists regained the upper hand at Williamsburg. Of course, if I were a Brazilian I would say there is no other solution but to break the rules of the game."

English-speakers and German-speakers

The choice for an early confrontation has been made not only in Brazil, for urgent political reasons, but in Western Europe as well. At the end of April, Swiss National Bank president Fritz Leutwiler (also the chairman of the Bank for

International Settlements) appeared in London to attack central banks who asked their commercial banks to continue to extend short-term interbank credits to Brazil and other debtor countries. This stunned the British; it was a direct, public assault against Bank of England Governor Robin Leigh-Pemberton and Federal Reserve Chairman Paul Volcker, who have armtwisted commercial banks to maintain short-term credit lines to Brazil and others in danger of default.

According to a senior official of the West German central bank (which belongs to a "German-speaking" central bankers' group as opposed to the "English-speaking" central banks), postponing the crisis might bring up "unforeseen consequences." Time is on the side of the Ibero-American faction which wants a debtors' cartel, the Bundesbank worries; a collateral problem is that the American administration might take a form of unilateral action which would leave both the International Monetary Fund and the Swiss-German group out in the cold.

The interbank credit issue has a great deal to do with why the German-speakers want a crisis now, rather than next September. It is not merely, as Leutwiler said in London, that substitution of overnight interbank lines for what should be medium-term balance-of-payments financing violates conventional banking practice, the German central banker argued: where the Swiss have drawn the line is around the issue of austerity.

IMF programs for Brazil, Mexico, and other big debtors have already cut those economies to the bone, without making a dent in the financing problem; the Swiss argument is that the cuts must continue no matter how severe, and that new credit must be shut off as a means of enforcing such cuts. Any "flexibility" on the part of the International Monetary Fund in the Brazilian case would set off a "chain reaction," the Bundesbank argues, making countries believe "that there is easy money available."

"The principal encouragement to this belief," the central banker added, "is the special lines of interbank credit that have been made available to countries outside the normal negotiating channels." This is a reference to about \$40 billion of interbank lines opened up to the major Ibero-American debtors between August and February, including about \$12 billion to Brazil. While the commercial banks continue to dicker about a mere \$2 billion in missing so-called "Project Four" credits as part of the overall Brazilian rescheduling package, the biggest creditors have all had to cough up substantially in excess of that amount. This leaves some banks with two and three times their shareholders' capital exposed to Brazil; Manufacturers Hanover, Chemical, Chase and Citibank are furthest out.

The Swiss objective (with West German support) is to trigger a collapse of the interbank credit pool, leaving the major American banks with sour interbank deposits in excess of their shareholders' capital. In a recent discussion, the Swiss National Bank's chief of bank regulation, Dr. Balten-

sperger, elaborated this viewpoint:

“As of now we know the sorts of things that are a danger to the system, and we can distinguish that from dangers to a bank or banks. A bank is not essential to the system.

“Now, up to now, we have said we are not sure that the IMF would need unusual financial resources, but that could of course change dramatically and quickly. The problem with letting the IMF just go to the open markets is that this money would not be available in other markets. In other words, we need a similar ability to distinguish between countries: it makes no sense to try to salvage countries that are in a hopeless position just by creating new IMF instruments, and then end up destroying the capital markets in the industrial countries, and other markets. That would have its effect on the domestic economies, and the pressure for reflationary policies would be practically irresistible.

“So, we have to be able to distinguish among various cases. The IMF has the advantage that it is the only institution that can apply and enforce conditions, but the IMF has problems making the necessary distinctions among countries. Our attitude is, if the IMF is willing to help, okay, but if it does not work, then do not try to shift the responsibility to other institutions.”

To the extent the Swiss argue on grounds of banking principle, it reflects that nation's special gift for Calvinist hypocrisy. Rather, the Swiss banks believe that a general crisis in the American banking sector will force the United States government to pick up the bill. Added to the already uncontrollable federal budget problem, the new crisis will break American finances, and ultimately put the United States at the mercy of the international institutions (the Bank for International Settlements in particular) for help in sorting out the international consequences of its domestic policies. The crisis would represent, in the Swiss view, a mortal leap from the mere phraseology of “multilateral surveillance,” as expressed at the most recent industrial nations' summit discussions, to surveillance of the type which would dictate domestic budgetary policy to the United States.

Baltensperger added in this vein, “Of course, we too want ‘one world,’ but not one unified, uniform world. We are dyed-in-the-wool federalists, not centralists. We like variety.”

The Swiss central banker explained that the interbank problem—the huge borrowings of the major Ibero-American banks on the New York market—would become the bludgeon that broke the United States:

“American banks are already willing to accept the fact that they are not the cornerstone of the system any more. The European banks have already learned their lesson, which is that they have to stand on their own in the Euromarkets. Now, all this talk about how or whether to stretch out the debt is really just a demonstration of how much the U.S. banks have already lost much of their power. . . .

“We have the revision of the Basel Concordat [the agreement between central banks on division of responsibilities for the solvency and liquidity of international banks' branches in foreign countries—D.G.], although we are still not sure

that everyone will accept it. Under the revision, if, let's say, a subsidiary of a Brazilian bank in the United States, with free access to the short-term U.S. money markets, were to get in trouble, it is obvious that this bank is not merely a Brazilian bank. It is also an ‘American bank,’ under the responsibility of American authorities. Our banks are very sensitive to American banking behavior on this point.”

The implication is that the Federal Reserve will be stuck with the consequences of domino-style failures of Ibero-American bank branches in New York. According to Federal Reserve officials, the problem is that Banco do Brasil and other big Brazilian banks have borrowed perhaps \$12 billion on the overnight money markets in New York, and re-lent the money to their central bank for eight years (this is reported as “medium-term debt” in Brazil's foreign debt accounts!). Should the central bank suspend payments, the New York office of Banco do Brasil will not be able to meet its obligations, leaving the a \$12 billion hole in the money markets.

The conclusion is that the International Monetary Fund, which the banks ran to for money as well as political clout when Brazil ran into major trouble late last year, has led the banks into an ambush. Not only has the IMF policy ruined Brazil's payments capacity, but the political squeeze in the form of “conditionalities” is about to backfire massively. The Swiss attitude, under the circumstances, is that whichever player endures in the poker game the longest will collect all the chips.

Operation Juárez

About a year ago, *EIR*'s founder and contributing editor, Lyndon H. LaRouche, Jr., argued in the policy paper “Operation Juárez” that the Ibero-American nations should form a unified debtors' cartel and common market. This new institution should then offer to negotiate a long-term stretchout of the continent's debt, along with new export credits; the credits should facilitate the completion of “great projects” in the water, transport, and energy spheres, permitting a wave of rapid industrialization across the continent.

The continent is now dragging itself into such an arrangement, kicking and screaming all the way. This is the situation President Reagan will confront a month from now. Some of his advisers are already telling him that nothing short of a massive debt stretchout, permitting these countries to reduce their debt-service ratios to manageable levels, will prevent disaster. Secretaries Shultz and Regan have not deviated from their old argument that the “recovery” will solve these problems by itself.

President Reagan, under the advice of Japan's Prime Minister Nakasone (see article, page 8), made at least a verbal gesture in direction of cooperation with the developing sector during the just-concluded summit. At least some of his advisers see no other way out. If he adopts this approach, the worst consequences of the debt bomb might be avoided. If he does not, the Swiss may well inherit the world banking system, the way cockroaches reportedly would inherit the world after nuclear war.

'We will pay the debt, but not for usury'

In the following interview, conducted by EIR's Bogotá bureau chief Maximiliano Londoño on May 21 in Bogotá, Sr. Alzamora spoke on the subject of Ibero-America's debt.

Londoño: What prospects do you see emerging from the recent initiatives on the debt issue made by the presidents of Ecuador and Colombia on the eve of the Williamsburg meeting?

Alzamora: I believe that the waves from these initiatives, of this Latin American consensus, will reach the political leadership of the industrialized countries in one way or another and make them acquainted with the great anxiety which the present system of debt negotiations is provoking. I believe and hope they will embrace Latin America's concerns and the alternatives it is suggesting. . . .

Londoño: Then this means that the region has to come forth with a joint proposal on debt for there to be a viable solution?

Alzamora: This is the categorical proposal which SELA and CEPAL are putting forward right now. We think the problem is of too great a magnitude to be solved within the individual capacity of the countries, banks, and international financial entities; it demands a meeting of minds at the political level between debtors and creditors. This meeting of minds can only be possible on the basis of a common proposal issued by the debtors.

I refer to a joint proposal of the Latin American countries, which of course should not be confused with a "collective renegotiation," which we ruled out not only because it is technically impossible, but also useless and ultimately unrealistic. But we should propose conditions commensurate with Latin America's ability to pay, and which take into account three main objectives:

- 1) equitable distribution of the adjustment;
- 2) preservation of the standard of living of the Latin American population, as a minimum goal;
- 3) guarantee of the continuance of Latin American development.

The autonomy and sovereignty of national decisions must also be preserved. This is one of the things the political confederation is crying loudest for now.

Londoño: Don't you think that the debt problem is so serious, as ex-President Pastrana of Colombia put it, that it has already transcended national boundaries? And, given

that the creditors are organized, as in the case of the Ditchley Group, would it not also be appropriate for the debtor countries, through a collective effort, a collective renegotiation, to impose their own conditions?

Alzamora: Certainly debtor countries have the indisputable right to associate in the form they deem best, and in spontaneous, sovereign form, be it individual or collective. Obviously it will depend on their policy, on the strategy that they want to follow in this case. But they have the right to do it; it is an absolutely inalienable and unquestionable right.

Londoño: Some months ago, you mentioned the proposal for a "debtors' cartel"—at least it appeared in the Latin American press with this headline.

Alzamora: I never used the word "cartel," but rather, "sindicato" [union], because it really is a question of achieving just conditions to pay the debt more successfully and effectively through joint action than through individual actions. We in CEPAL and SELA are convinced that Latin America has the joint capacity to establish these conditions, as long as it takes as its point of departure a principle which also cannot be renounced: the first obligation of Latin America is to itself, to the security of its development, and to the welfare of its people. . . .

Londoño: The Mexican and Brazilian presidents recently signed a series of accords to trade through barter; practically without using a single dollar, they could reactivate much of the economy of both countries. What possibilities do you see for this type of defensive policy, given the crisis situation and shortage of credit which our region suffers from?

Alzamora: I believe that it is very much in keeping with the general strategy of the Latin American countries to make the maximum use of their own potential for commercial interchange, to avoid in this way as much as possible having hard currency leave the region. Naturally the instrument of bilateral compensatory trade accords will be used more and more. Nonetheless, we must also maintain ourselves within a multilateral structure and discipline. I believe that both things are compatible. I think that thus we will take the surest path toward the ever-present objective of the regional Latin American market.

Therefore, it seems to me that this is, today, a very appropriate path for the situation Latin America is going through, which other nations are going to follow. It requires, as we stated it better in another document, a major economic and commercial understanding within Latin America, perhaps through the conference we have proposed.

Anyway, I would like to get back a bit to the question of the debt to try to summarize the point. What we have protested most strongly is the excessive and unjustified cost which refinancing is having for the countries—which means surcharges, honoraria, commissions, and other increases, which are really a scandal. My final and overall reflection on the problem of the debt is that we have to pay our debts, but we do not have to pay usury. . . .

After security success at the summit comes the debt bomb showdown

by David Goldman

President Reagan confounded political opponents and drew fury from the Kremlin at the seventh summit meeting of the top seven industrial nations in Williamsburg May 28 to 30. TASS's comment in response to the seven nations' May 29 statement on Intermediate Nuclear Force (INF) negotiations is by and large correct: the President "bullied" at least the Canadians, French, and Germans into signing a tough statement warning against Soviet efforts to divide the allies. In doing so, he had enthusiastic, and unexpected support from Japan's Prime Minister Yasuhiro Nakasone.

Avoiding the widely advertised splitup of the Western world at Williamsburg, President Reagan nonetheless avoided what should have been the central topic of deliberation: the fact that a declaration of debt moratoria by a large group of Ibero-American debtor nations, what *EIR* has dubbed "Operation Juárez" is probably days or weeks away. Although the developing-sector debt problem was mentioned, and lip-service paid to the developing nations' recent high-level meetings at New Delhi and Buenos Aires, the leaders remained committed to the bankrupt International Monetary Fund framework.

When the debt crisis hits, President Reagan will have the choice of assuming leadership of the industrial countries to negotiate sweeping new credit arrangements with the developing sector, or facing a financial crisis that might crush American sovereignty.

Japan's special role

Nakasone consolidated a strategic deal which he and President Reagan began to elaborate earlier this year: in return for Japan's full support for the President's defense policy, the United States will consider the West's security interests to be "global and indivisible," in the language of the May 29 communiqué. This means simply that the United States will not regard the transfer to Asia of Soviet SS-20 missiles as an acceptable way to reduce Soviet intermediate nuclear forces in Europe.

All delegation spokesmen insisted that the security statement was not pre-planned, and it appears that President Reagan won a gamble by raising the issue, for the first time, at the heads of delegations' May 28 private dinner. The Soviets had issued a strong threat of missile counterdeployment in response to the Pershing II missiles later this year on May

26, possibly to test the seven nations' common reaction. With strong, and unprecedented, Japanese support for his tough response, the President rode roughshod over Canadian and other wavering, and produced a unified Western response.

As *EIR* suggested last week, the dominating issues at Williamsburg were not the economic ones at all—despite the dubious billing of the affair as an "economic summit." President Reagan played to his strengths, namely the strategic situation, rather than his weaknesses, the supposed American economic recovery. Soviet leader Yuri Andropov left him little choice, in any event. This caused upset for French President François Mitterrand, whose country does not belong to NATO; the French signed the security statement (which they agree with) under protest, on the grounds that the first statement issued should have been on economic policy.

Canadian Prime Minister Pierre Trudeau, who has indicated recently that he wants to accept the Soviets' demand to treat the array of French and British missiles as part of the items considered in the INF negotiations, nearly blew up the affair by arguing against inclusion of the following statement in the May 29 draft: "Attempts to divide the West by proposing inclusion of the deterrent forces of third countries such as those of France and the United Kingdom will fail. Consideration of these systems has no place in the INF negotiations."

Non-inclusion of this statement was, for obvious reasons, unacceptable to the British and French, and the ensuing wrangle May 29 delayed issuance of the statement from 12:00 noon as first scheduled to 6:30 p.m.

Although it cannot have been a principal topic of discussion, the President's March 23 speech on defensive anti-missile technologies provided a backdrop for the conference, giving the President the authority to override such objections as Trudeau raised. It demonstrated that the United States is deadly serious, and gave even those governments who fear "provoking" the Soviets (e.g., West German Chancellor Helmut Kohl) no choice but to follow Reagan's lead.

Where Reagan's temporary success at Williamsburg may turn into a Pyrrhic victory is on the international economic issues. The Western "economic recovery" and emerging banking crisis are also strategic threats of priority equal, in the last analysis, to Soviet missile deployments. Here the American flank remains wide open. The "Williamsburg Declaration" on economic cooperation issued May 31 is only an

agreement to disagree in private rather than public, to lend credence to the public-relations hoax known as "economic recovery." When the hoax evaporates—perhaps with a Brazilian debt default at the end of June—President Reagan will face the challenge of his life.

In the meantime, the seven leaders' warning that Soviet "efforts to divide the West would fail" frustrated, at least for the moment, the aim of Britain's Lord Peter Carrington, Henry Kissinger, and other global players who want to sacrifice American power in a grand gambit with the Soviet Union. Carrington had faced off against National Security Council official Norman Bailey in a recent Brussels banking conference, pressing his case for European rather than transatlantic policy; Bailey reminded Carrington (see *EIR*, June 7) that the economic center of gravity of the world had shifted to the Pacific. Reagan's Japanese flank is a new factor of potentially inestimable importance.

White House officials emphasize that Prime Minister Nakasone's own maneuvering room is limited by his domestic political problems, and that he must avoid appearing too pro-American; for this reason, it is difficult to see where the excellent relations between the American and Japanese heads of state may lead in the immediate future. Nonetheless, the most significant development of the summit was the emergence of Japan as a new kind of factor in international relations. French President Mitterrand, according to a senior Japanese official, told Mr. Nakasone that the old quip about Japan, the "economic animal," was out of date; Japan was now a major political factor in the world. Nakasone bore out Mitterrand's insight throughout the weekend.

Emphasizing the urgency of the world strategic situation, Reagan pre-empted efforts by some of Mitterrand's advisers to stage an anti-American binge at the summit. "Once the leaders discovered that they agreed completely on the security issue," commented European Community president Gaston Thorn, "it was easier to agree on the other issues. It was a surprise to spend so much time on the Intermediate Nuclear Force [Euromissiles] issue. But when we came to an agreement on this issue, the other discussions suddenly became easier, as if by miracle."

Thorn, who represented the nine-nation European Community at the summit, speaks for those European oligarchical forces who want to split Europe from the United States in the midst of the worst post-war strategic crisis. His praise of the President is grudging.

In a press conference May 31, Thorn threw cold water on the "Williamsburg Declaration," which begins with an affirmation that the world is in the midst of economic recovery. "I have some doubts that the U.S. economy is recovering. Last year at the Versailles summit, we all saw signs that the economy was recovering, but nothing happened. Interest rates are still two or three times the normal level, so there is no investment."

Although world leaders discussed the Third World debt

problem during their private meeting the evening of May 29, nothing emerged but a re-affirmation of support for the International Monetary Fund, whose brutal austerity demands upon developing-country borrowers provoked the present, "second-wave" crisis, a British government spokesman said. In particular, the leaders declined to ease the IMF's conditions for lending to Brazil—a stance that may lead to a Brazilian debt moratorium before the end of June.

A senior U.S. official said that a bitter fight is underway inside the U.S. administration, in which a half-dozen departments and agencies are attacking the Treasury Department and State Department position that the IMF can handle the situation.

At the point the debt bomb explodes, President Reagan will have the choice of turning over control of the world economy to the International Monetary Fund—a deadly blow to American sovereignty—or accepting a long-term debt stretch out on terms acceptable to both the developing and industrial nations. This fundamental question went right under the rug.

The emerging banking crisis is a threat equal to Soviet missile deployment. When the debt crisis hits, President Reagan will have the choice of assuming leadership of the industrial countries to negotiate sweeping new credit arrangements with the underdeveloped nations, or succumbing to financial disaster.

Instead, the "Williamsburg Declaration" re-stated the countries' established, misguided support for the IMF. The relevant section of the declaration states:

"We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (World Bank), and the GATT (General Arrangement on Trade and Tariffs)."

Even worse, a British spokesman told the press, the heads of state agreed that the IMF should maintain tough conditions with respect to Brazil, i.e., refuse to disburse further money to Brazil unless the latter meets the IMF's (in fact) impossible

conditions. This is a prescription for a debt crisis by the end of the present month.

One glimmer of sense in the declaration was introduced, reportedly at the behest of Japanese Prime Minister Nakasone, who had promised Indian Prime Minister Indira Gandhi and other Third World leaders to explain their position to the other leaders. Nakasone kept his promise, a senior Japanese official said, and the result is the following statement in the declaration (which did not appear in the drafts submitted to their leaders by the seven nations' officials):

"We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade."

That is a verbal gesture only, but it is still a gesture. The New Delhi summit of Non-Aligned leaders called for a new world monetary system outside the framework of the hated International Monetary Fund, a theme which none of the industrial nations' leaders would touch. Mitterrand, who advocated a "new Bretton Woods" in a speech two weeks before the summit, discovered that he had touched a sensitive chord in the White House: that phrase is employed by President Reagan's enemies here and abroad to mean a super-IMF with power to dictate terms to the United States. In particular, IMF Managing Director Jacques de Larosière has demanded that the United States cut its defense budget, and wants the power to enforce it.

Rather than the confrontation between the French and American leaders which the *New York Times* and *Washington Post* predicted, Mitterrand arrived with a public denunciation of the American press for distorting his position!

Mitterrand explained that he did not foresee any immediate big international conference to re-organize the monetary system—a demand that the U.S. press had read into his speech. The French President is well aware that the monetary issue is also a military issue: the complaints about high U.S. budget deficits and interest rates have become the pretext, at the IMF and in London, to demand that the United States stop spending money on arms.

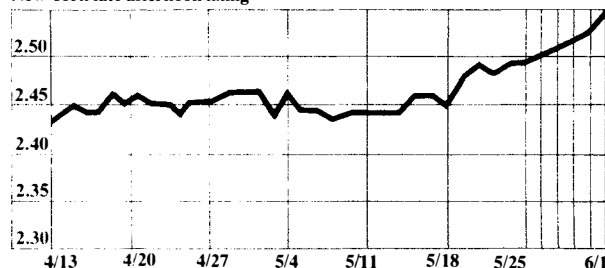
The fact that Reagan impressed upon his colleagues the urgency of the strategic danger pre-empted the expected confrontation over the U.S. budget deficit. The final declaration contents itself with vague language about reducing budget deficits and pursuing policies which will lead to lower interest rates.

What success may be ascribed to the summit rests on Japanese-American cooperation in the security field. If Reagan and Nakasone can pursue the direction indicated by the gesture towards the New Delhi Non-Aligned meeting, the summit may turn out to have been a key turning point in modern history; if they cannot confront the world debt crisis, the modest success at Williamsburg may turn into a disaster.

Currency Rates

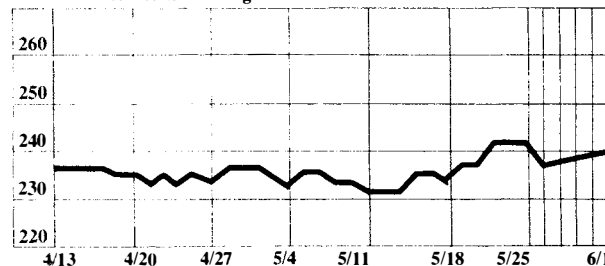
The dollar in deutschemarks

New York late afternoon fixing



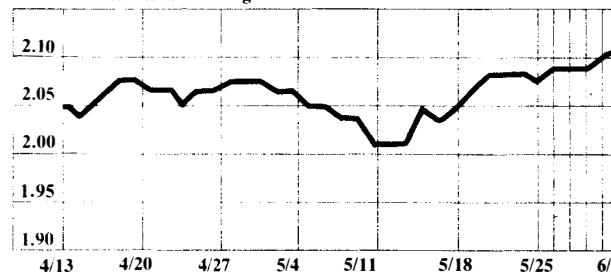
The dollar in yen

New York late afternoon fixing



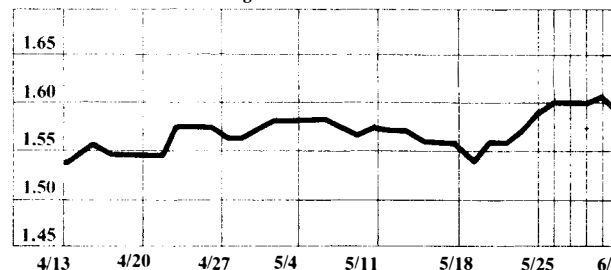
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Is Soviet productivity too low to support a beam-weapons development program?

by Clifford Gaddy in Stockholm

The Soviets have issued many strange and spurious arguments opposing President Reagan's program for directed-beam ballistic missile defense, including his offer of parallel U.S.-Soviet development of such defense systems. One of the most contorted, made only two weeks after Reagan's March 23 announcement, was that of Georgii Arbatov, the Yuri Andropov lieutenant who heads the Soviets' U.S.A.-Canada Institute.

In an interview in the *Washington Post* on April 8, Arbatov stated that beam weapons are "useless and exotic weapons." By trying to trick the Soviet Union into also developing beam weapons, Arbatov went on, the Reagan administration is seeking to "provoke the Soviet Union into doing something harmful to the Soviet economy, to negate our capital investments and make us spend so much that we would bleed white."

The real irony of Arbatov's statements is not that he and other Soviet spokesmen have protested vociferously that these "useless" weapons are a preparation for a U.S. first nuclear strike. Nor is it that the Soviets are, of course, *already* engaged in building these "useless" weapons. Arbatov is making a specific economic argument directed not so much at the West as at certain circles in his own country and other Eastern European nations.

In recent discussions with *EIR*, highly placed economic officials in one Eastern European capital repeatedly reflected this same Arbatov argument. "Your strategic military arguments for parallel U.S.-Soviet deployment of beam weapons indeed make a lot of sense," admitted these officials, but, they continued, "what we would question, however, is whether the Soviets can ever dare to embark upon this kind of new arms race with the United States. The Soviets won't be able to afford it. Their economy is already suffering from massive bottlenecks. They simply can't take the strain of the huge new investments that a beam weapons program would entail."

Is Arbatov right about the "burden of investments" and does the Soviet economy really lack the resources for a broad-based program of investment in beam technologies? Some

remarkable facts published in a recent article in a Soviet economics journal indicate that this is not the case. Rather, the problem is a purely subjective one of the Soviet leaders' attitudes toward investment, an attitude which is associated with a fundamental flaw in the principles of Soviet economic theory.

In the March issue of the publication *Voprosy Ekonomiki* (*Problems of Economics*), the dean of Soviet economists, Tigran Khachaturov, publishes figures which illustrate the disastrous capital investment situation in the U.S.S.R. in the past decade. To measure the real efficiency of investments, Khachaturov proposes looking at the extent to which the investments lower the net cost of production per unit. He therefore compares total industrial investment outlays during a given year with the aggregate cost-savings achieved two years later (Khachaturov assumes this two-year lag to allow the investments to take effect). These results are then put in the form of a "recoupment period" for the investments, i.e., the number of years it will take before the accumulated cost savings achieved are sufficient to cover the initial investment outlays.

The results are astounding. While the recoupment periods were around 10 years or less up through the early 1970s, by the mid-1970s they had risen to 25-40 years, and by the end of the decade were close to 100 years!

In other words, the Soviet economy is today pumping huge amounts of resources into industrial plant and equipment (well over 50 billion rubles a year) with such trifling increases in productivity that it would at present rates take a century to pay for the investment. And if the situation in industry were not bad enough, Khachaturov adds that agriculture and transportation are even worse off. In certain sectors, in fact, the investments have a negative effect: the more that is pumped in, the worse the situation becomes.

So much for the capital investments that Georgii Arbatov is so concerned about protecting.

For the sane observer, the problem of Soviet investment is not a lack of resources, but rather fear of investment in new, more productive technologies. And underlying this fear

is a deep-rooted, traditional peasant conservatism which in the Marxist period of Russian history has merely been formalized into the economic concept called "amortization."

As used by the Marxists, amortization—which properly is a financial notion, developed under feudalism, referring to the repayment of the principal of a debt—is the allegedly objective transfer of value from fixed capital (machines, equipment, and so forth) to the product the machine produces as it is gradually worn out. Corresponding to this wearing down of the value of the machine, the Marxist planner (one is tempted to substitute: the "wise peasant") is supposed to build up a compensation fund called the amortization fund, which will permit him to purchase a new machine at the precise moment when the old one has completely worn out.

Ignored in all this is the concept of *obsolescence*—the process in which a machine becomes technologically outmoded or outdated, regardless of its physical age or condition. Throughout the history of the Soviet period and until today, authoritative Soviet economists have asserted that "obsolescence is a capitalist concept which does not exist under socialism." In principle, they insist, there is therefore no need under an ideal socialist system to retire any plant or equipment that is still operable.

The "keep-it-running-until-it-breaks-down" school of economic management is, of course, still the dominant one

in Russia today. Even official Soviet statistics show that equipment retirement rates (the percentage of equipment scrapped and replaced by new machines each year) is less than 2 percent in the critical machine-building and metal-working industries, and below 1 percent in iron and steel as a whole. The remaining machines are simply run through one major or minor overhaul after another until they finally break down for good. Soviet machines are virtually never replaced just because they are outmoded. The result is that the huge Soviet production apparatus is, in the words of one Soviet economist who just throws up his hands in despair at the whole thing, "a gigantic inert mass" of old-fashioned capacities.

As is well known, the American economy also suffers in large measure from the problem of too much outmoded plant and equipment. The *EIR*'s LaRouche-Riemann model studies have shown that the President's beam-weapons program will force U.S. investment into the high-technology areas which will revolutionize U.S. industry. There is little doubt that many of the findings of the model studies apply to the Soviet economy as well. Far from "harming" the Soviet economy, a broad-based crash project to develop beam technologies, combined with a healthy and ruthless attitude toward old capital stocks, would be just what is needed to revitalize the sagging Soviet economy.

Emergency Conferences

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Partial Schedule of Events

Seattle.....	June 15	Cleveland	June 21
New Orleans.....	June 16	Pittsburgh	June 22
San Francisco.....	June 16	Denver	June 24
Los Angeles.....	June 17	Orlando, Florida.....	June 24
New York City	June 18	Washington, D.C.....	June 30

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A military version of GATT

"Guns-no-butter" proponents want to use Japan as the example for "linkage" between trade and defense.

The same circles grouped around Brent Scowcroft who oppose Ronald Reagan's program for development of defensive high-energy beam weapons, would like to call into being an organization modeled on the General Agreement on Trade and Tariffs (GATT). Its purpose would be to regulate Western countries' trade in conventional defense goods.

According to one of Scowcroft's close associates, who works with the Georgetown University Center for Strategic and International Studies (CSIS), Japan would be the most likely OECD country to go along with such a policy of "linkage" between defense and trade.

"There is a slowly evolving consensus in Japan," a CSIS associate stated in a private discussion, "that they must do more now for their own defense. . . . Trade and defense are inseparable in relations with Japan. . . . The Japanese now realize that the animosity in the U.S.," arising from Japan's \$20 billion trade surplus, "just isn't worth it."

The spokesman took note of the growing Japanese concern over possible Soviet redeployment of SS-20s now stationed in the European theater into Asia.

The Scowcroft circle hopes to take advantage of such concerns to convince the Japanese to replace their traditional policy of co-production of defense goods with the United States. In its place, they suggest, Japan should import U.S. defense hardware as a means for offsetting its trade surplus.

In 1982, U.S. Commerce Undersecretary for International Affairs Lionel Olmer issued a report urging the Japanese to eliminate co-production of defense goods, charging that Japan has used its imports of U.S. military aircraft to bolster its civilian aircraft technologies.

Such a shift in Japanese policy, according to the CSIS proponents, would be the precedent for eliminating "co-production" in favor of export-import programs throughout the alliance.

Intrinsic to this policy, of course, is the enmity of Scowcroft, et al. toward advanced technology development—both in the defense and civilian arenas. The GATT structure could quickly become an instrument for obstructing Western nations' ability to jointly deliberate on and share breakthroughs in the plasma and laser applications which are already in advanced testing stage for military purposes.

Fortunately, the CSIS crowd is grossly overstating Japanese willingness to enter into such trade regulatory schemes.

Changes are currently under way in U.S.-Japanese trade relations, but from evidence so far, these changes are moving in a different direction than the CSIS circle supports.

Ever since the January 1983 visit to the United States of Japanese Prime Minister Nakasone, consistent efforts have been made by the White House to improve relations between the two countries, especially to improve rela-

tions on the sensitive trade issue.

When Nakasone arrived, he announced that Japan would implement an exceptional policy toward the United States, for the first time allowing Japanese export to U.S. firms of technologies relevant to defense applications. Japan allows such exports to be made to no other country.

More recently, around the Williamsburg summit, the Japanese Trade Ministry announced that it will initiate selective tax incentives to encourage imports of machinery. That represented a major concession to U.S. business cries against what they term unfair protectionism.

These concessions were by no means unilateral. On the eve of the summit, U.S. administration background papers on economic policy had included harsh attacks on Japan, accusing it, for example, of being "most aggressive in exporting manufactures when domestic demand falters." Before the summit opened, however, the White House had the offensive comments in the background papers removed, and Reagan sent a letter to Nakasone expressing his regret that the comments had been allowed into print (see article, page 4).

In addition, a senior official in the U.S. Trade Representative's office gave a pre-summit interview to Japan's JJI press service, in which he voiced disagreement with public attacks issued by Commerce Secretary Malcolm Baldrige against Japan's industrial policy.

Soon afterward, the Commerce Department issued a statement denying that Baldrige had ever made the remarks. In these official relations between the two countries, there is no evidence so far of pressure on Japan to formally "link" trade and defense along the lines urged by the Georgetown strategists.

Business Briefs

Economic Policy

Nakasone tells Americans new ideas are needed

Hours after his May 27 meeting with President Reagan, Japanese Prime Minister Yasuhiro Nakasone gave a speech at Johns Hopkins University which reflected the Japanese-Indian discussions on resolving the developing country debt problem through a North-South monetary conference. Nakasone told his audience:

"We have to formulate policies that will turn the still-fragile recovery into a long-term and sustainable growth for the world economy. . . . For this purpose we can no longer rely solely on the standard economic policies or on existing domestic and international systems and institutions. . . . We should improve the rules and institutions for the management of the world economy. . . . I believe it is high time we cooperated further on a global basis in areas of trade, currency, finance, and natural resources. . . . There will be no prosperity for developed nations without prosperity of developing nations."

As the *Times* of India commented, this passage reflects to some extent the pre-summit meetings in Tokyo between Nakasone and Indian Finance Minister Pranab Mukherjee. Nakasone's thinking was affected by Mukherjee's communication of the results of the Non-Aligned Movement summit in New Delhi and Indian Prime Minister Indira Gandhi's view on the developing country question—that IMF austerity cannot solve the problem and that a North-South conference on debt is needed to formulate a solution.

U.S. Industry

Machine tool industry runs out of work

The Machine Tool Builders Association reported that orders for cutting and forming

tools were \$119.2 million for April, down 21 percent from April 1982 orders. For the first four months of 1983, machine tool orders were down 34 percent from the level of the same period in 1982. Total 1982 orders were about half of 1981 orders, which in turn were half 1980 orders.

The continued depression of orders, including a 65 percent drop in foreign orders, means the 500 American machine tool manufacturers will be facing harder times in the future. The order backlog, which the industry counts on to tide it over during slump periods, is now down to one tenth of what it was in 1980, and many companies are being forced to slow down shipments to keep their plants open. Shipments thus far this year are 50 percent below last year's levels, while employment is now 65,000, about half the average 1981 level.

The industry has focused on imports as the alleged cause of the collapse of orders, and the Machine Tool Builders Association is calling foreign competition a national security threat. However, although foreign machine tool companies had captured 40 percent of the U.S. machine tool market by the end of last year, the overall market is so small that the numerical difference in orders is negligible. Japan, which has captured 20 percent of the U.S. market, is said to have thousand of unsellable machine tools in Texas warehouses.

International Trade

Baldrige proposes high technology sale to China

At a time when China is seeking to rapidly obtain the means to modernize its armed forces, Commerce Secretary Malcolm Baldrige and Presidential Science Adviser George Keyworth are reportedly supporting the sale of an advanced U.S. hybrid computer with the full knowledge that the technology would likely be used in China's nuclear missile program.

Washington-based columnist Jack Anderson recently published a memo from Baldrige to National Security Advisor William Clark which listed the basic "facts" of

the proposed sale by a U.S. firm of a Hyshare-700 computer to the Harbin Polytechnical University in northeastern China. The memo noted, "The Harbin Polytechnical Institute . . . is subordinate to the Seventh Machine Building Industry, which presently contributes to the development and manufacture of strategic missiles."

The memo also cited intelligence sources as saying they expected "the hybrid computer to be used for missile development." In 1981, the Pentagon strongly opposed the sale and convinced the White House to remove several militarily crucial components from the computer before approving the sale. But Peking refused to buy the computer without the full complement of components, and the issue has remained a barb in U.S.-China relations. The American company involved, Electronic Associates, Inc., has since re-submitted its request to the administration for full approval of Peking's request. A final decision on the proposal has yet to be made.

During his recent visit to Peking, Baldrige told his hosts that the United States had every intention of easing restraints on exports of high technology to China, and promised that Chinese requests for technology would be expedited and given a definite yes or no within 60 days. Though Baldrige did not specify which technologies he was referring to, a Washington source said he expected something more definite to be revealed within the next two months.

Keyworth, who also visited China in May, has been at the forefront of efforts by administration officials to promote high-technology cooperation between the United States and China. While Keyworth was in Peking, the two countries signed an agreement for cooperation in magnetic fusion research. Keyworth is reportedly also in favor of the computer sale to China.

International Credit

Summit reaffirms 'multilateral surveillance'

World leaders approved an "annex" to the May 31 Williamsburg declaration reaffirm-

ing the "multilateral surveillance" scheme first introduced at the 1982 summit meeting at Versailles. Under the surveillance plan, the International Monetary Fund gains "foot in the door" to pressure major industrial nations on such problems as large budget deficits.

The scheme involves twice-yearly (or more frequent) meetings of the finance ministers of the Group of 5 with the managing director of the International Monetary Fund, Jacques de Larosière. The IMF director will present a report evaluating how the economic policies of each country affect its exchange rate as well as the policies of the others. No binding commitment to take action is involved, but the format permits the IMF to exercise at least some degree of pressure on individual countries.

The Williamsburg "annex" is essentially identical to the year-earlier one, with the exception that specific policy questions, including fiscal and monetary policy, are named as subject to surveillance.

According to a British government spokesman at Williamsburg, the agreements cuts both ways. European countries who want the United States to cut its deficit, even at the expense of cutting the defense budget, will continue to have the opportunity to batter the United States along with the IMF.

Domestic Credit

Volcker out at the Fed?

Federal Reserve Chairman Paul A. Volcker will not be re-appointed, according to well-placed White House sources. A "senior official" identified as Treasury Secretary Donald Regan told reporters at Williamsburg May 31 that he would argue against Volcker's re-appointment in any event.

The two front-runners for the Fed remain former Council of Economic Advisers chairman Alan Greenspan, now an economic consultant and a director of Morgan Guaranty Trust, and present Fed vice-chairman Preston Martin. Although no final decision has been made, Greenspan currently has the

edge in the competition and is said to want the job badly.

Steel

Executives see mergers and shrinkage

Executives of American steel makers and finishers told the June annual meeting of the American Iron and Steel Institute to expect numerous company mergers which will close down "inefficient" capacity in the industry.

Donald M. Trautlein, chairman of Bethlehem Steel, argued for a new round of rationalization through mergers using the principle of "failing companies" used by the Carter administration in approving the buy out of Youngstown Sheet & Tube Corporation by the Jones & Laughlin Steel Corporation in 1978. The "failing company" thesis was used to circumvent anti-trust laws.

U.S. Steel chairman David M. Roderick said that since steel companies are now international companies, anti-trust laws should be obviated. "We should have another statute reflecting world competition of 1983 instead of the domestic competition of 1890."

Father William Hogan, a Jesuit priest and "futurist" spokesman for the steel industry, also spoke at the conference. Hogan predicted that "it would be quite possible that some companies might merge within a year or so if the [economic] situation does not improve." Hogan said that mergers will only entail combinations of parts of companies and "shutting down marginal operations so that what is left is competitive."

Since much of American steel production is only marginally competitive internationally, Hogan is implying large-scale production cutbacks.

The industry, which was cartelized by J. P. Morgan at the turn of the century and which is still controlled today by that banking house, is run by the corporations formed in that period. Many companies, however, like U.S. Steel, National Steel, and Armco Steel have acquired large non-steel holdings. The acquisitions of the latter two companies been largely finance-based conglomerates.

Briefly

● **PAUL VOLCKER'S** meeting May 31 with chief executive officers of six leading Brazilian creditor banks was the occasion for unprecedented "bailout" proposals from the Federal Reserve chairman. Full details would be quickly available from *EIR's* Access Service (see back cover).

● **TRUCKING** tonnage and operating incomes set record lows in 1982, according to the Regular Common Carrier Conference of the American Trucking Association. Haulage by the nation's common carriers fell to 105.5 million tons from 131.5 million tons in 1981 and 170.3 million tons in 1979, the first year of deregulation. The 38 percent drop in tonnage has caused far greater losses in operating revenues (revenue less expenses), which fell in 1982 to \$64.2 million. Operating income was \$330.9 million in 1981, \$501.6 million in 1980, and \$475.2 million in 1979.

● **THE CPUSA** (Communist Party of the United States) is calling for a jobs program employing 15 million Americans in public works jobs at union wages. At average unionized industrial wages of \$20,000 a year, the program would cost the Federal government \$300 billion yearly. The CP proposes to finance this by "cutting the fat from the White House" and by cutting the defense budget.

● **EL UNIVERSAL** of Caracas, *La Republica* of Bogotá and *Excelsior* of Mexico City, have printed *EIR's* May 24 story on the devastating effects of their massive international debt on the economies of Latin America. The article, titled "Kissinger and Shultz Created the Debt Crisis," details how some \$200 billion of the \$310 billion owed by Ibero-America are a result of "usurious practices, capital flight, and growing disequilibrium in trade."

'Otherwise, the nation will not survive'

by Lyndon H. LaRouche, Jr.

Since approximately 1966, the government, political parties, and growing percentages of the general population of the United States have been living under the illusions set into motion by President Johnson's "Great Society" policy. Johnson began the process of tearing down the research and development policies on which the continued prosperity of the nation depended.

The dollar began to collapse within two years of Johnson's capitulation to the Malthusian policies of McGeorge Bundy, Robert McNamara, and so forth: the dollar began to collapse in the Johnson crisis of February-March 1968. The dollar was shaken with the Penn Central and Chrysler thumps of 1970. Then came the predictable up-valuation of the German mark during the spring of 1971, and the collapse of the dollar and Bretton Woods agreements in the crisis of August 1971. Connally, Volcker, Kissinger, and George Shultz made matters worse in the monetary negotiations of 1972, and Shultz and Kissinger paved the way for the present international financial crises with their role in shaping the Rambouillet monetary summit of 1975.

Not only did the government and parties fail to learn the lesson from the slide into monetary disaster. Beginning late 1969 and 1970, McGeorge Bundy's friends pulled together the nucleus of an instant mass anti-nuclear energy movement out of retreats left over from the anti-war ferment and New Left projects of the 1960s. The brutal 1972 nominating convention of the Democratic Party put the party in the hands of the anti-technology Malthusians. What remained of our high-technology sector by the time of Jimmy Carter's election was ruined, in four years of a Trilateral Commission government.

The long drift into the decay and rubble of a "post-industrial paradise," has destroyed our ability to produce wealth to such a degree that our national economy, and those of most of Western Europe, could never recover from the present worldwide economic depression by any ordinary means. We have had more than 16 years of "consumerism," "environmentalism," and "don't try to teach children anything which would force them to think." Now, the bill for those curious



Courtesy of Lockheed

In 1939, these P-38 Lightnings were being produced at a rate of 6,000 a year. By 1944, output was more than 96,000 a year.

pleasures has been presented—it is a bill much larger than our nation has apparent means to pay.

It is said that unemployment is in excess of 10 percent of the labor force. It is a pretty accurate figure, if you ignore about half of the actual unemployed not counted by the Bureau of Labor Statistics: youth unemployment, “unemployed benefits exhausted,” cutbacks from full-time to part-time employment, and so forth.

One by one, over the recent 10 years, many of our leading cities have been collapsing into municipal bankruptcy as tax bases shrank; under trends of the past 10 years, vital urban infrastructure, railroads, electrical generating capacity, and so forth, would simply collapse into non-existence, and most never be rebuilt.

If we pulled together every penny our nation has available for investments, and concentrated that investment fund in purchasing capital goods for goods-producing jobs in agriculture, industry, transportation, and basic economic infrastructure, we simply never could catch up with the rates at which farms, industries, and municipalities are collapsing unless we used most of that investment fund only for investment in the most advanced kinds of technology available today.

We must learn the lesson of the 1930s. President Roosevelt’s programs over 1933 into 1939 really did nothing to end the Great Depression; Roosevelt’s programs did make the depression less chaotic, easier to endure, but did nothing to cause an actual recovery—until the mobilization of 1939-43. The levels of economic recovery we accomplished as a na-

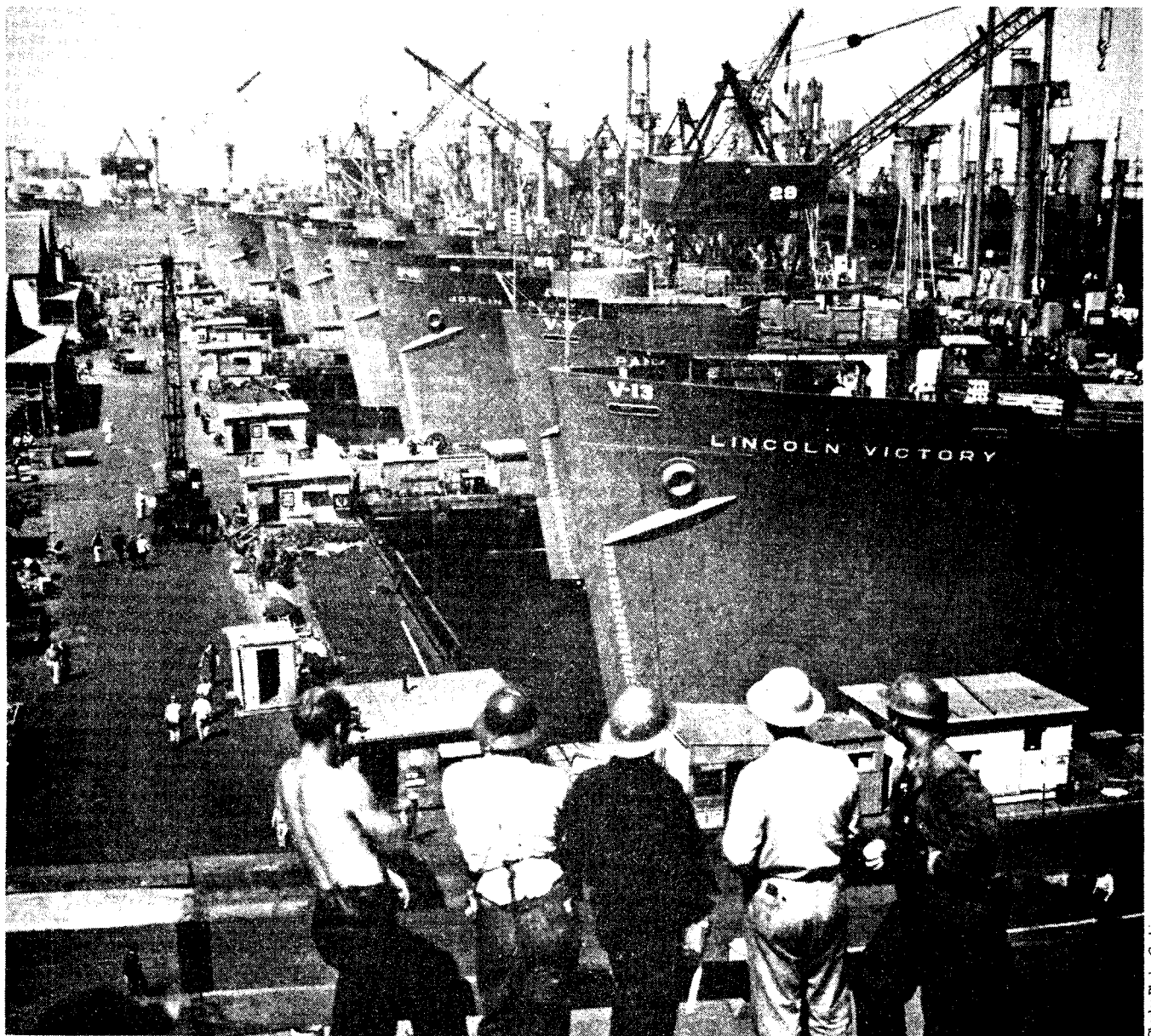
tion, by 1943, stunned the world. We made many bad mistakes in the financial management of the last world war’s effort, for which we paid a painful price during the late 1940s—but we did recover from the Great Depression, and enjoyed general prosperity, by and large, into the middle of the 1960s, until Johnson’s “Great Society” began to tear it all down.

The time has come when we shall not survive as a nation, unless we learn from both the successes and mistakes of the 1939-43 Roosevelt recovery-boom. What can save our nation from ruin now—the only thing which could stop the growing misery in the nation—is to concentrate as much investment as possible in bringing the most advanced technologies in the world today into the civilian economy. We need at least 4,000 billion watts of new generating capacity over the rest of this century—if we are going to recover; much of it must be nuclear energy. With high-powered lasers and similar kinds of technologies, we can double or treble our per capita output of wealth over the rest of this century. We must combine a concentration of investment in these job-creating advanced technologies with what we can learn from the successes and mistakes of the 1939-43 recovery.

National Security Council staffer Norman Bailey recently delivered a short address at a European conference, in which he indicated administration thinking in that direction. Richard Freeman’s study of the 1939-43 Roosevelt recovery reminds you that what Mr. Bailey outlined is a highly workable, proven solution to the greatest problems facing our nation’s economy today.

The World War II mobilization that ended the Great Depression

by Richard Freeman



Victory cargo ships being turned out at the Calship yards in Los Angeles, California.

Charles Phelps Cushing

In 1939, the United States was mired in its tenth straight year of depression. Neither Keynesian nor monetarist measures had worked. The common belief was that the depression was insoluble.

Then, between 1939 and 1944, the United States mobilized its full resources to arm itself and crush Hitler. As a result, in those five years, the economy achieved growth rates thought to be impossible: investment in new plant and equipment grew by 65 percent, U.S. manufacturing output doubled, wages doubled, profits increased more than fivefold, and the manufacturing workforce grew by 70 percent.

At the same time, food consumption rose by 15 to 25 percent, and many industries unknown or scarcely existing before the war—ranging from magnesium and synthetic rubber to nuclear power and penicillin—were introduced or pressed into service during the war years. Science became the driver of the economy, spinning off new discoveries week after week. *The United States is still living today by and large off the industrial investment and inventions built during that war and the Korean War!*

From the outside, the World War II buildup seems a miracle. It was—but a repeatable one. The buildup simply demonstrates that for most of its existence the United States, as the world's most advanced industrial economy, is not living up to one-half or even one-tenth of its potential. *An economy is never functioning until it is tested to push itself to extremes.* At that point, industry does not merely double, or triple, but displays the capacity to grow non-linearly, exponentially. The economy suddenly discovers new powers, as if operating at 10 times its normal speed; it gains a new perspective on the world.

It was not the austerity initiated during the war that accomplished this transformation. Just the opposite: it was the targeting—like the aiming of a gun—of the economy's reinvestible surplus, or profit, into those capital goods sectors with the highest potential civilian or military growth rates. These sectors' superior technologies and higher productivities cascaded into the economy as a whole. At the same time, the skill level of the labor force was upgraded and the unemployed put back to work. The creative powers of the population were ignited and directed.

This is the secret of the fantastic rate of growth of the World War II U.S. economy. This secret has a name; it is called the American System, the economic method based on man's creative power to be fruitful and multiply and subdue the earth through technology and science, and the ability of republican government to make such results happen. Under the firm hand of Commander in Chief Franklin Delano Roosevelt, the American System of economics was applied in the following measures:

- Abundant and cheap credit was injected into the economy, through U.S. government agencies and through the Federal Reserve Board lending window, but only for top priority productive sectors—manufacturing, construction, mining, power generation, transportation, and to a lesser extent, agriculture. Other sectors of the economy got limited

credit; speculation, rentier-finance, the secondary real estate market, and so forth were suppressed and cut off from credit.

- Teams of the best scientists and engineers were assembled to make breakthroughs. The Manhattan Project is the best known and most breathtaking World War II example. Under this program, within two years, \$3 billion was spent and 22,000 scientists and engineers were brought together, including Enrico Fermi, Ernest Lawrence, and Col. Leslie Groves of the Army Corps of Engineers, to unlock the secrets of the atom and produce a controlled fission reaction from uranium 235. In this way—just as with the beam weaponry potential today and the advanced physics behind it—seminal ideas were fleshed out and forced into existence, permanently altering nature and men's lives.

- Electricity was used on a scale not attempted before. Between 1939 and 1945, the electric horsepower funneled to manufacturing was doubled. Electricity is vastly more efficient than thermal-heat energy sources for powering machines, turning generators, and so forth; but this pre-World War I technology was only fully exploited starting in World War II. Projects such as the Tennessee Valley Authority and the Grand Coulee Dam, which had been developed during the 1930s, supplied the massive amounts of electricity necessary to exploit for the first time the highly energy-intensive aluminum industry, without which the United States would not have won the war.

- The training and retraining of workers was undertaken on a scale never before attempted in the United States. Three million were trained between 1941 and 1942 alone.

- Capital goods and raw material resources, where necessary, were allocated by defense authorities.

These elements in their general form are the elements of the system of economics founded by that "American in spirit," Gottfried Wilhelm Leibniz, in the 17th century, and by Alexander Hamilton, George Washington, and Benjamin Franklin, who established America as an industrial republic and permitted America to withstand onslaughts of British rentier-finance and "free trade" for the past 200 years. Its underpinnings are the dirigist directing of credit to capital goods production to secure the greatest rate of growth and technological upgrading of the industrial-agricultural base, and the improvement of the material conditions and creative potential of the labor force. The World War II buildup may have seemed a miracle, but there is no wonder that it worked.

Contrary to popular myth, the World War II buildup did not represent simply "using idle capacity." That occurred, but the essential process was one of building—on top of the civilian economy, which remained basically flat or was converted—a brand new war economy, with the newest technologies and therefore a tremendous rate of growth. War goods production itself represents pure overhead or waste, because these goods leave the economic reproductive cycle. War production is the equivalent of taking goods, putting them on a flat barge, and dumping them into the ocean. Then how can war production generate growth? If it embodies new technologies, the resulting higher productivity in the civilian

economy more than pays for the war expenditure, by means of higher overall output.

There was a personal method by which the wartime command economy worked: President Roosevelt constantly and relentlessly drove the production goals higher and higher, outstripping what was thought possible. An internal memorandum written in 1943 by Stacey Macy, one of the higher-placed officials of the War Production Board, illustrates the point. Macy predicted that the United States would meet its war and civilian goals for 1943, but the next year the economy would fall apart. In fact, the next year, output grew. In 1944, various memoranda concluded that the U.S. economy could not resolve the strains and make it through to the second half of the year. It did. Dire warnings were issued about 1945, nevertheless. Each time, the U.S. economy outperformed itself.

From the beginning of the war, it was FDR who threw out a figure; and then most people proclaimed that it couldn't be done. When FDR first announced production of 26,000 planes in March 1940, the press attacked his "Buck Rogers" plan—exactly the epithet the news media have hurled since March 23 against President Reagan's directed energy weapons program. Roosevelt ignored the idiots of the press. Every six months he would increase the production quotas he demanded, using realistic engineering estimates, but always choosing the extreme end of the scale. And the quotas were invariably met.

When he had to be, Roosevelt was ruthless. This has led various biographers to label him "duplicitous," "double-faced," and "power-hungry." This is buncombe. While not an intellectual in the ordinary sense, Roosevelt had a remarkable attraction to ideas: not formal-logical ideas, but real, live, and important ideas, *such as winning the war*, even if it meant that it appeared he was changing his mind from one day to the next—which he often wasn't—or that he had to

step all over someone's bailiwick to get something done. This quality, which emerged especially during the war years, is what made him fill out the office of President during a period of national crisis, and not rattle around in it like a Jimmy Carter.

This becomes clear after a preliminary review of what World War II achieved, what obstacles the Roosevelt administration overcame, how production goals were achieved, and finally an analysis of the capital intensity and productivities of the buildup.

In terms of tangible goods output, the outpouring of the U.S. economy from January 1940 through August 1945, totaled more than half the Allies' combined military and civilian output, and included:

- 300,000 war planes;
- 124,000 ships of all types;
- 41 billion rounds of ammunition;
- 100,000 tanks;
- 434 million tons of steel; and,
- 36 billion yards of cotton textiles.

To indicate a basis of comparison, the Navy is now complaining that there may not be sufficient capacity to produce its order of 30 planes for 1983.

But there were also profound qualitative alterations in the economy and the labor force.

Figure 1 shows the industrial production index during the war years. As can be seen, between 1939 and 1944, *the index and thus the real goods output of the economy more than doubled*, increasing by 118 percent. In 1945, the index fell, reflecting the demobilization from war production in the latter part of the year. The average annual compounded growth rate was an astounding 16.9 percent (the starting point was a depression year).

Figure 2 shows that average gross wages doubled between 1939 and 1944. (The effects of wage-price controls

Figure 1
Industrial output growth, 1939-45

Industrial production		
Year	Index (1967 = 100)	Per annum change
1939	21.7	—
1940	25.0	15.2
1941	31.6	26.4
1942	36.3	14.9
1943	44.0	21.2
1944	47.4	7.7
1945	40.7	-16.5

Figure 2
Profits and wages, 1939-47

Year	Average annual wages	Corporate profits
1939	\$1.363	\$ 5.3 bn.
1940	1,432	8.6
1941	1,653	14.1
1942	2,022	14.3
1943	2,349	23.5
1944	2,517	23.6
1945	2,517	19.0
1946	2,517	16.6
1947	2,793	22.3

Figure 3
Interest rates, 1939-48

Year	Discount rate (NY Fed)	Prime rate
1939	1.00%	1.50%
1940	1.00	1.50
1941	1.00	1.50
1942	1.00	1.50
1943	1.00	1.50
1944	1.00	1.50
1945	1.00	1.50
1946	1.00	1.50
1947	1.00	1.50-1.75
1948	1.34	1.75-2.00

Figure 4
Employment by sector, 1939-47

(in millions)

Year	Armed Forces	Civilian	Manufacturing	Unemployed
1939	0.37	55.75	10.28	9.48
1940	0.54	55.64	10.99	8.12
1941	1.62	55.91	13.19	5.56
1942	3.97	56.41	15.28	2.66
1943	9.02	55.54	17.60	1.07
1944	11.41	54.63	17.33	0.67
1945	11.44	53.86	15.52	1.04
1946	3.45	57.52	14.70	2.27
1947	1.59	60.17	15.55	2.36

finally ended wage increases in 1945.) Some of this increase is of course due to longer hours worked. Real wages, nonetheless, rose by more than 50 percent during this period.

At the same time, corporate profits increased 4.5-fold, demonstrating that profits can grow spectacularly and enough surplus will be available to greatly raise wages as well—because leaps in productivity vastly increase the total size of the surplus.

Figure 3 shows the transformation of the labor force. In 1939, the official number of unemployed at 9.5 million was almost as large as the total number of the manufacturing workforce, at 10.3 million. By 1944, the unemployment level had fallen to 0.67 million; there was an acute labor shortage throughout all sectors of industry. This represented a reduction in the unemployment level of 8.81 million. Were the United States today able merely to replicate the achievements of 1939-44—and we can surpass them—then the official unemployment level would drop from its current level of 11.3 million to 1.7 million by 1988-89.

From 1939 through 1944, the U.S. armed forces grew from 370,000 to 11.41 million. The common interpretation is that the armed forces simply absorbed the unemployed. But look at what happened to the manufacturing labor force. It grew by 7.3 million, or 70 percent, during the war years. Even after the war ended, by 1947, the manufacturing labor force was 15.6 million, a 50 percent increase over the 1939 levels. The unemployment level was only 2.4 million in 1947.

Blacks and women entered the labor force in large numbers during the war. While many women left, blacks stayed, upgrading their status and living conditions. Thus the labor force had been permanently altered, and along with it the economy. The expansion in manufacturing is what equipped the United States to have economic growth in the 1950s.

Credit policy is indicated in **Figure 4**. It can be seen that

the Federal Reserve's interest rate on funds lent to commercial banks through the discount window was only 1.0 percent in 1939. By 1942, it had zoomed to . . . 1.0 percent. Then in 1945, it skyrocketed to . . . 1.0 percent. The prime rate held steady at 1.50 percent throughout the war.

This refutes the argument by Paul Volcker and others that when demand for credit is high, interest rates must leap upward. During World War II, there was tremendous credit demand, much more than had been seen for the previous decade. But interest rates remained low, as a result of a dirigistic credit policy. Inflation, even before wage-price controls were applied in 1943, was lower than its level during Volcker's reign, and a good part of this inflation was created by scarcity of goods.

The obstacles F.D.R. had to overcome

Let us take a step back to the outset of World War II, and consider the obstacles that the President of the United States faced in building a war economy. The three major obstacles were as much political as they were economic: 1) a collapsed economy, 2) hard as it may be to believe, opposition to U.S. entry into the war against Hitler, and 3) a non-existent U.S. military. These problems, in general terms, are the same faced by President Reagan today.

The scope of the Great Depression has been alluded to above. The U.S. economy and the American population had been subjected to unrelieved grinding misery for ten years. *While monetarist policies had produced the 1929-32 crash, the Keynesian policies of the New Deal had shown themselves equally incapable of producing a recovery.* The U.S. economy was incapable of adequately feeding and housing the population, let alone providing war goods. Today, if one looks at the state of industry and of former industrial workers, the United States is in a Second Great Depression, inflicted, after years of decay, by Paul Volcker's interest-rate policies.

The second obstacle was the opposition to the United States war buildup from a coalition of variously intentioned individuals. There was widespread fear of war, and there was also a pro-Nazi policy faction, grouped around the Schroeder Bank, and its lawyers, such as John Foster Dulles. Fear was manipulated by this faction through a widespread "isolationist" movement.

For example, in March 1940, F.D.R. asked Congress for funds to construct 26,000 planes. Congress would only approve funds for 57. Moreover, in November 1941—one month before Pearl Harbor—a majority of businessmen polled by *Fortune* magazine opposed the essential efforts to convert U.S. industry to war production, denouncing the effort as a propaganda trick by F.D.R. to impose more radical phases of the New Deal. Today, it is "radicals" who are manning the disarmament movement, but they are supported by Fortune 500 opponents of the President's defense budget, and funded by some of the same Nazi networks that attempted to block U.S. entry into World War II, exemplified by Swiss banker François Genoud, a controller of the anti-nuclear activists, and also an avowed leader of the Nazi International which

protected the Skorzeny/Klaus Barbie networks.

Third, in 1939, the United States was unprepared to fight the war. Within the armed forces, there was a widespread belief—until the moment the Japanese bombed Pearl Harbor—that the United States would send planes and munitions to Europe and the Far East, but would never send its own fighting forces there. Instead it would sit back and defend the coastal regions of the United States if and when Hitler attacked. (George Marshall and Dwight Eisenhower attacked this belief.)

The Nazis had a military airforce of approximately 40,000 planes, *eight times that of the United States*, and while the United States could only produce 2,000 planes a year, Goering had the capacity to manufacture 18,000. In 1940, the Nazis had 10,500 tanks, 20 motorized divisions, 135,000

trucks and 60,000 motorcycles. The United States had 500 tanks. The Nazis had a battle-tested, efficient army of 7 million. The United States had 370,000 soldiers in arms, and another 170,000 in reserves.

In 1940, supplies in U.S. arsenals were so low that the newly created "Citizens Army" trained with wooden guns. The soldiers "fired" field pieces which had stovepipes for barrels. Almost anything on four wheels served as a tank in war games. Half the 100 million pounds of gunpowder were left over from World War I. Today, the United States is once more gravely ill-prepared for war.

How the buildup was directed

From the beginning bold action was taken to launch the war effort. Roosevelt first of all activated a centralized credit

How skills were upgraded in the U.S. war effort

In 1941, a Training-Within-Industry Branch was set up within the Labor Division of the Office of Production Management (OPM), then transferred to the War Production Board when the OPM was superseded in early 1942. The Branch made surveys and recommendations for training in the plants of more than 2,000 war contractors and subcontractors. Along with this, a job-instructor project was devised. By February of 1942, the Training-Within-Industry program had instructed more than 3,300,000 workers.

How this training program worked is exemplified by what was done with training workers with the basic skills to be aircraft workers. The November 1941 issue of *Automobile Facts*, describes how this process worked:

"The training program begins with the introduction of a man to the metal which he must handle. He is first taught to drill it and form it accurately. If he manifests a marked aptitude for welding, his education is turned in that direction. But, since drilling, forming and riveting constitute the major portion of the operations, the trainees are schooled in these arts through a step-by-step progression from one workbench to another. Each day they are given about 90 minutes of classroom instruction in shop mathematics, blueprint reading, etc.

"After they have mastered metal forming, drilling, and countersinking, they are taught riveting—alone and in teams. Advanced to another subsection, they learn 'blind' riveting in two-man teams. This art is mastered by placing the members of a team on opposite sides of a

plywood wall into an opening in which is fitted the alloy sheet to be riveted. After men have thus learned to set rivets by signals tapped on the wall, they are moved into a wooden 'dummy' fuselage fitted with similar small alloy sheets. . . . Next, they are introduced to the hundreds of jigs and fixtures being used to facilitate assembly of planes by semi-skilled men drawn from automobile production jobs. Unlike the supervisory men whose education has been long and thorough, the workmen are taught specific operations only, although opportunities are provided for their voluntary participation in the whole educational course.

"In this complete course, the final lessons are learned by actual construction of a complete bomber section. But, before the trainees build a plane section, they dis-assemble one previously built by a preceding class.

"'It's the natural way to learn,' says one instructor.

"Though it was predicted last spring that workers could not be trained in less than 300 hours, these methods have already proved that good functional workers can be prepared in 80 hours," that is, learning a skill in one-quarter the time.

This process of learning skills affected not only men. The "Rosie the Riveter" phenomenon was a well-known World War II symbol. In fact, in aircraft production, 20 percent of all workers were women, and 39.2 percent of all workers on projects classified as "crucial" were women. Many drill presses and other equipment had to be specially equipped so that women could operate them, which benefited all those who handled them. The overall labor force participation rate of black workers rose dramatically, as did blacks' entry into industry. Not only did the manufacturing workforce increase by 70 percent during the war, but the skill levels were vastly upgraded—and this is one of the most important reasons for the higher productivity levels of the economy during the 1950s and early 1960s.

policy, using an instrument at hand, the Reconstruction Finance Corporation (RFC), which had been established in 1932, and under the leadership of Jesse Jones was working closely with the Commerce Department.

During the war, Roosevelt and various of his technical advisers decided where investment was needed, and the RFC was asked to write checks to the chosen area of investment as a loan bearing a 2 to 4 percent interest rate. It was that simple. The current proposal by Lazard Frères investment banker Felix Rohatyn to recreate an RFC as something amounting to a fascist instrument has only superficial connections to the RFC in the way it was used during World War II.

A Defense Supplies Corporation and Defense Plant Corporation were created within the RFC and their tasks were to funnel the loans. During the war the Defense Plant Corporation made loans which one source placed at \$9.2 billion and another placed at above \$10 billion. The RFC's Defense Plant Corporation's investment was allocated approximately as follows:

- \$4.5 billion to aviation, including the airframe industry, and even more importantly to those sections of the auto industry that converted to aircraft production. For example, the RFC lent \$176 million for the construction in Chicago of a Dodge plant to be used for aircraft production that was the largest single industrial plant in the United States (it covered 145 acres), where the engines for B-29 Superfortresses and B-32 Dominators were built.

- \$1.5 billion to aluminum and magnesium producers. Both industries (although there was a small amount of aluminum output before the war), are products of World War II.

- \$250 million to build 45 plants to produce high-octane gasoline to fuel airplanes.

- \$1.223 billion to build and upgrade 183 steel and pig iron plants, adding 11 million tons of new capacity.

- \$715 million to build 51 synthetic rubber plants, which were wholly owned by the government. Before this, the United States had no synthetic rubber industry.

- \$2 billion for machine tools.

- Hundreds of millions for new shipbuilding capacity.

Many millions more were lent or spent for various infrastructure projects, including the Big Inch and Little Big Inch pipelines to carry petroleum from Texas to the New York-New Jersey metropolitan area; the construction of tugboats and barges for river transportation; new buses and streetcars and feeder railroads to transport defense workers and materials.

To get U.S. companies to expand capacity, Roosevelt often had to conduct drag-out fights. In the steel industry, the Morgan-led U.S. Steel and Bethlehem Steel resisted the government's efforts to expand badly needed steel capacity, because in their view, "once the war is over we will have overcapacity which will cut earnings." Roosevelt had the RFC's Defense Plant Corporation begin to build the steel plants itself. The steel companies relented. However, the U.S. government owned some of the steel plants and sold

them back to private industry after the war, as it did with rubber, aluminum, magnesium and other plants.

At the same time, Roosevelt leaned heavily on the Fed to keep the discount rate down to 1 percent in the interest of national security. The prime rate never exceeded 1.5 percent during this period.

Roosevelt set up a series of administrative boards, each with increasing authority, to direct the war mobilization. In early 1942, Roosevelt created the agency that was to have the greatest amount of authority until the end of the war: the War Production Board. To head the WPB, Roosevelt appointed Donald Nelson, director of marketing for Sears Roebuck department store, and part of the faction known as the "all-outers." In his book *Arsenal for Democracy*, Nelson stated: "There is but one conclusion to be drawn from the examination of any and every phase of our war production effort—whatever this country wants to do it can do. Nothing is impossible for America."

The WPB did not function like the Soviet Gosplan, the apparatus that regimented the Soviet economy. Rather, the system functioned as Japan does today. The economy remained capitalist. What was imposed was an industrial policy: those activities not conducive to real physical output were discouraged, or where possible, stopped. Certain broad guidelines for production and resource allocation guidelines were issued. Then industry went out to fill the orders, make the investments, and arrange the work shifts as it sought fit. Industry made use of its normal purchasing channels, continued on a profit basis, and so forth.

In 1941 there was some sizeable increase in investment, but the real explosion occurred in 1942, when the United States had entered the war. It was realized that in order to get an economy to grow, one has to invest in what is often the smallest but undoubtedly the most important area—*capital goods that produce capital goods*. Hence the heavy wartime investment in machine tools, without which no capital investment can take place. The machine tool investment took place at the same time that a "war sector" was built virtually from scratch. These were the two priorities, along with investment in certain strategic raw materials in short supply. However, heavy investment in intermediate goods, including metals, occurred more or less during the second stage.

Investment was slowed down in consumer goods sectors, except where necessary for military buildup (such as apparel for military uniforms). Entire sectors of the civilian economy were converted to war production, often shifting investment to heavier and more sophisticated production than the workers were originally engaged in. For example, the Steinway and Baldwin piano makers produced military gliders; one of the country's largest silverware producers shifted into magnesium production. Starting in 1942, production of cars and washing and drying machines was stopped entirely, while output of a whole array of other consumer products was sharply curtailed, ranging from bobby pins and nylons to rubber tires.

Though there was some privation because of the conver-

sion of certain consumer sectors to war production, general health, food consumption, housing, and other living standards were considerably improved by comparison with the Depression years. Though some farmers left the farm to serve as soldiers or work in factories, farm productivity shot up, because of capital investment in tractor production, as well as the significant increase of electricity on the farm—only 11 percent of all farms had electricity in 1935, but more than 95 percent had electricity by the mid-1950s, and a large part of the change occurred during the war years. This process was helped by the efficient use of the parity price system. Food consumption in the United States rose in most categories, especially meat consumption.

Finally, the United States took advantage of one of the most fundamental adages in all military history: the strength of a military economy rests on the strength of the civilian economy. A large industrialized economy gives a nation far better ability to gear up quickly. F.D.R. and others in the military, industry and labor spheres leading the war effort knew one thing: the United States had a larger economy than Germany. In 1940, it produced two and a half times as much steel as Germany—67.0 million versus 28.2 million net tons. It had an infinitely larger automobile industry: in 1939, it produced 2.867 million out of the world's 3.661 million autos. The United States was the world's largest producer of oil. The United States generated 130 billion kilowatt hours of electricity, the highest level in the world.

Thus the task was to awaken and transform the depressed U.S. economy.

Non-linear effects

The non-linear processes characterizing the wartime growth of the U.S. economy are exemplified by two sectors in particular: the aircraft industry and the Manhattan Project crash effort to develop a bomb based on a nuclear reaction. The former was an established industry, the latter an entirely new one; both propelled the war effort forward. With these two sectors as the bellwethers, investment policy was geared to bring about the most dramatic change in the map of U.S. industry. An examination of the matrix of the hundred leading industries before the war and after the war would show a sharp change—about as great as any change effected in the United States since the second half of the 19th century. This shift in the matrix of technologies, industrial processes, and labor skills, fueled by a cheap credit policy, is the most important characteristic of the World War II economy.

To outline this matrix shift, we examine the aircraft industry; the raw materials and metals industry; the machinery industry; the military sector; the science and medical sector; the investment and electricity sector; and the labor force. A subsequent installment of this report will tell the glorious history of the Manhattan Project.

Aircraft: During World War I, the airplane played almost no role. It traveled at a top speed of 100 miles per hour. During World War II, the airplane of course played a major role; it traveled at top speeds of 250 to 300 miles per hour,

and used such revolutionary World War II discoveries as radar. Thus, tremendous wartime advances were made in the theory and practice of aerodynamics.

The changes in the production methods of aircraft were equally startling. The existing aircraft industry was considerably geared up; above all, the consumer automobile sector was closed down and converted to aircraft production. In October 1940, auto executives and their top production men had a meeting in a meat market hall in Detroit. The meeting was chaired by Bill Knudsen, former chairman of General Motors. Displayed throughout the hall were parts of planes: airframes, engine parts, and so forth. Those present were asked to examine the various parts and when they went back home, to draw up blueprints to see what parts could be produced at their plants. On Jan. 20, 1942, the War Production Board ordered the cessation of all auto production. The last passenger car came off the assembly line Feb 10. And, because of advance planning, within three months, war materiel came rolling off those lines.

The conversion of the auto industry was more than just changing the order of a few assembly lines, or replacing certain machine tools. The conversion meant in many cases ripping out all the assembly lines, replacing 70 or 80 percent of the machine tools, extending the size of the building, ripping up and replacing the concrete floor, and the like.

In many respects, the aircraft industry functioned as the leading or second most important science driver (depending on how one assigns the nuclear industry) during World War II. At its peak in November 1943, the army of aircraft-plant employees grew to 2.1 million, or 12.4 percent of the total manufacturing employees of the entire nation. (Imagine that 12.4 percent of all manufacturing employees were put into laser beam and other related industries, compared with the 0.001 percent currently so employed.)

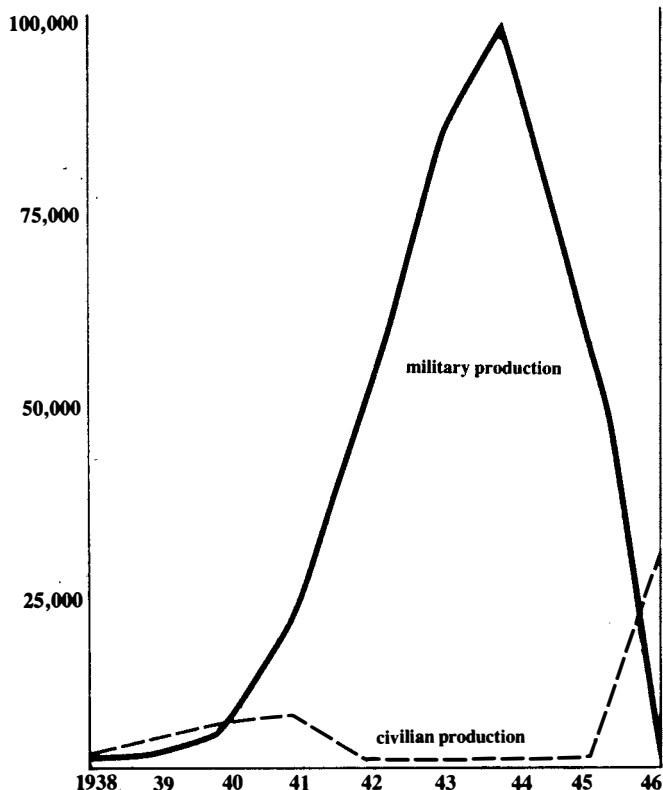
More was involved than the sheer increase in employment. The production of aircraft had previously been a cottage industry operation. Assembly lines weren't in widespread use; almost everything was hand-crafted—just as it is in the nuclear industry today. For example, a Rolls Royce aircraft engine, used in some of the Spitfire aircraft the United States produced for Britain, required six months to produce by hand. American engineers took it apart, analyzed every step, and figured out how to mass-produce it in less than half the time.

Planes were put on overhead assembly tracks. Fuselages, and other parts were standardized to a degree never existing before. New welding techniques were applied as we shall see below. Methods were devised for stretching the aluminum "skin" over the wing of a plane, to end the tugging and assembling process.

The results were spectacular. In 1939, the United States produced 5,865 planes of both military and civilian varieties. In 1941, President Roosevelt called for 50,000 planes to be produced over three years.

There were intense debates. Some said it couldn't be done. Others, the "all-outers," said it could be done in 21

Figure 5
1938-47 U.S. airplane output, military and civilian



months, instead of 36 months. But nobody predicted what a super-charged U.S. economy would actually produce. In 1944, the United States produced 96,000 planes in one year; the original Roosevelt proposal called for 16,667 planes per year. Had the “all-outer” plan been adopted, it would have meant 28,571 planes per year.

In 1944, the expanded aircraft industry produced 3.4 times the “all-outer” plan, 5.8 times Roosevelt’s original plan, and 16.4 times the 1939 level of production (see Figure 5).

Each individual worker became more productive. One partial measure of this, the “Average Airframe Weight Accepted Per Employee” (the amount of metal, materials, etc. worked upon per worker) shot up from 22 pounds per worker in January 1940 to 96 pounds per worker in March 1943. Some of this increase simply represents the fact that heavier planes were being built, but a good part of the increase represents greater productivity. As a result, during the war period, the cost of a four-engine long-range bomber dropped from \$15.18 per pound to \$4.82, a saving of more than \$500,000 on each plane.

Development of raw materials and metals

Aluminum: Aluminum was known as early as 1825, when Hans Oersted first produced pure aluminum metal. But

production of aluminum is very energy intensive and U.S. output never exceeded 100 million tons until the war. Aluminum’s lightness and toughness made it preferable to steel in World War II aircraft engines and bodies. As a result of the U.S. government’s construction of brand-new aluminum plants, aluminum production shot up to 2,782 million tons in 1943, a 28-fold increase over 1939 levels.

Magnesium: Humphrey Davy had isolated metallic magnesium in 1808, but although the first commercial production of magnesium started in 1918, magnesium, even more so than aluminum, is a World War II discovery. Magnesium has two-thirds the weight of aluminum, is nearly as strong and abundant in nature, and is produced by a similar process. Magnesium production was less than 15 million pounds per year in 1939; by 1944, it was up to 366.5 million pounds, a twenty-four-fold increase.

Synthetic rubber: Synthetic rubber production is entirely a result of World War II. Without the war, the United States might have continued to rely on the British-Dutch-controlled International Rubber Regulation Committee, based in Malaya and the then-Netherland Indies, to supply its raw rubber needs. This cartel controlled 97 percent of the world’s rubber supply. But after the Japanese invasion and occupation of this area, the U.S. government built 51 synthetic rubber plants, fighting Standard Oil of New Jersey, joint holder with I. G. Farben of Germany of patents on synthetic rubber production, patents which Standard refused to release for the U.S. war effort.

In early 1942, the United States had announced its synthetic rubber program. Within two years of that announcement, synthetic rubber production had gone from less than 2,000 tons per year to 700,000 tons per year, a 350-fold increase. One of the first synthetic rubber plants was built and put into operation in 287 days—the quickest construction engineering job in history. By the end of the war, synthetic

Figure 6
Machine tools—shipments and unit price

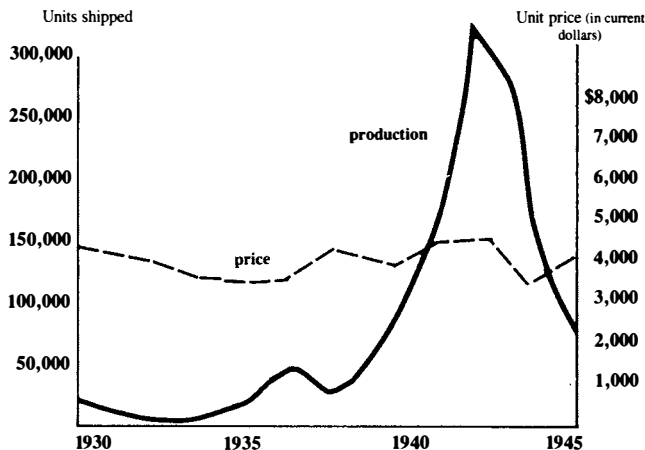


Figure 7
Productivity growth per unit of capital investment

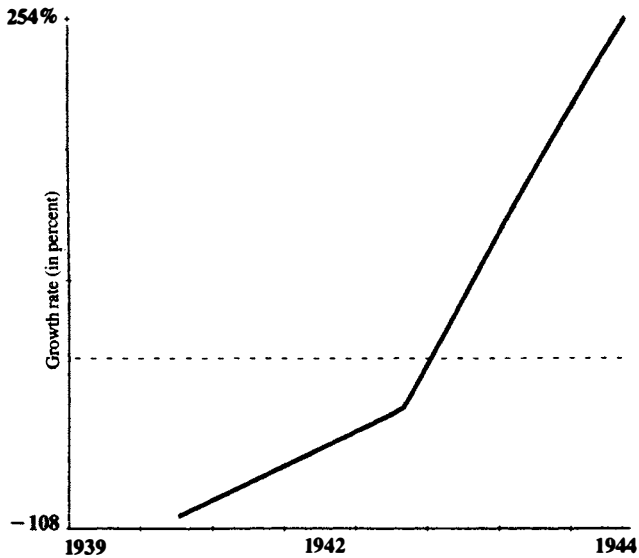


Figure 9
Value added, wages, and capital investment

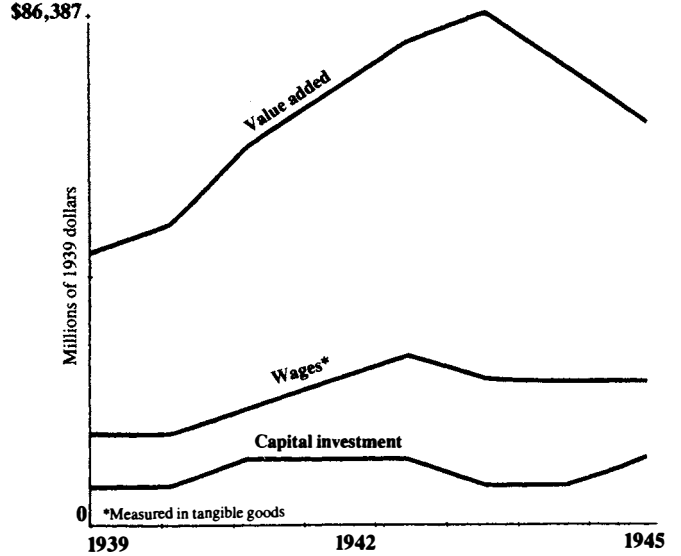


Figure 8
Productivity (tangible output/labor) by sector

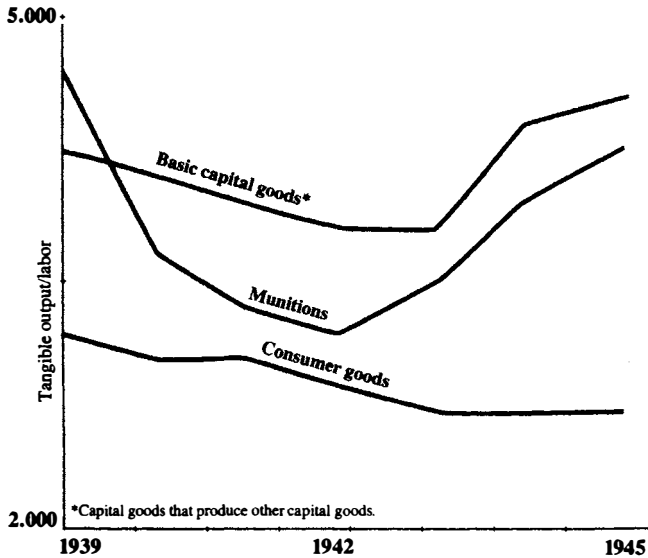
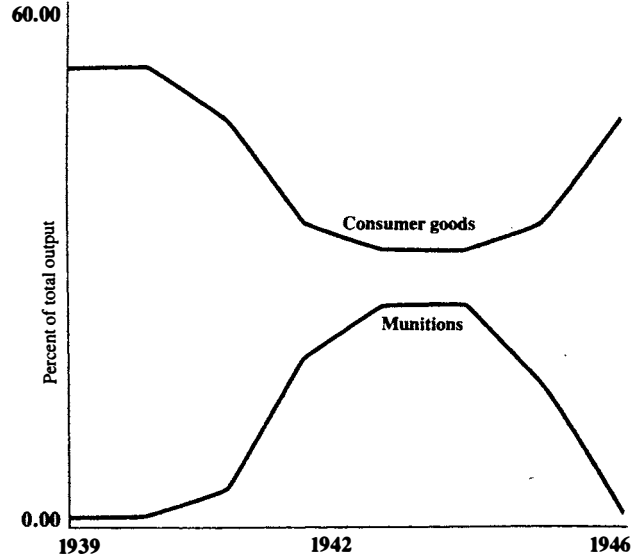


Figure 10
Output of leading sectors as a percent of total output



EIR's LaRouche-Riemann economic staff has conducted the only available computer-based econometric analysis of the World War II performance of the U.S. economy. A small sample of the findings is published here.

Figure 7 shows that in 1940 and 1941, years in which investment in the war buildup first slowly started and then in 1942, when the war investment got under way on a large scale, the productivity of each unit of industrial capacity then being installed was negative, but the situation improved in each successive year. Then, starting in 1943, when the new capital investment was in place, and even more was coming on line, the rate of productivity was spectacular, rising to 254 units of surplus produced for each unit of new capital investment in 1944.

Figure 8 shows the productivity (S/V) for three sectors, that is, how much surplus (S), is produced for each unit of productive labor (V) invested in. The productivity for capital goods that produce capital goods falls during the early years of the war buildup and then rises to 4.5. The productivity rise of the munitions sector, whose relatively skilled labor is using the newest and most productive equipment, is greatest of all.

Figure 9 shows wages of the productive workforce increasing 50 percent, and new capital investment (the scale seriously under-represents the rate of increase). These two changes produced a near doubling of value added, or the amount of value added to an item during the course of production.

Figure 10 shows that there was disinvestment and conversion of the consumer goods sector, quantified in terms of a decline in consumer goods output as a percent of total economic output from 55 to approximately 40 percent. Munitions production rose correspondingly. But while the consumer goods output became a smaller proportion of the total, the total grew, and the amount of consumer goods output did not decline.

rubber provided 87 percent of U.S. rubber needs.

Synthetic resins, plastics, and fibers: The entire range of such products, including plastics and synthetic fibers, which we take for granted today, was developed commercially during World War II.

Machinery

Machine tools: In 1938, the United States produced 34,000 machine tools. During World War II, investment was poured into machine tool plant capacity to produce more machine tools, because without them—boring, cutting, polishing, bending machines, and so forth—no plant and equipment could be constructed. By 1942, the United States was producing 307,000 machine tools, nearly 10 times the level of 1938, and 50 times the level of 1933.

But machine tools were also made far more productive. This was of crucial importance, especially in producing aircraft. For example, the engine for the Wright Cyclone 14 aircraft was composed of 3,500 different parts, totaling 8,500 pieces, requiring an estimated 80,000 machining operations. Therefore, new machine tool techniques as well as machines were developed. In the Oct. 1, 1942 issue of *Automotive and Aviation Industries* magazine, George H. Johnson, then president of the National Association of Machine Tool Builders, provided an example:

“One of the most difficult and important assignments given the machine tool industry was the design and building of hundreds of special-purpose machines needed to convert the aircraft engine industry from small-lot to mass production. At the right is [a picture of] a specially designed machine which drills, countersinks and spotfaces 224 identical three-eighth-inch holes in an aluminum airplane engine crankcase. It works simultaneously on 32 holes from two different directions. These operations previously took two hours 12 minutes. This one machine now completes the job in 23 minutes,” thus doing the job in five-sixths less time.

This increased productivity is reflected in another fact: as **Figure 6** shows, from 1930 through 1945, the average price of a machine tool, at \$4,000, remained the same.

Industrial operations: Productivity gains were made in a variety of industrial operations, such as welding. From 1939-45, according to “Wartime Technological Developments,” which was produced by the United States Senate’s Military Affairs Committee Subcommittee on Mobilization in May 1945, industrial welding operations, which can take up to 10 to 15 percent of total construction time in the construction of plants or in assembly, were made 15 to 2000 percent more efficient and faster.

Military breakthroughs

Radar: The advance in aircraft included not only better and faster production methods, but, as cited above, advances in the aerodynamics and performance of aircraft, which called for better production methods and new technologies. Radar, which had been known since the 1920s, was only fully de-

veloped and exploited on a meaningful scale during World War II to guide planes on bombing runs, through foul weather, etc.

Vacuum tubes: Vacuum tubes are another World War II development, used in radar, but which also revolutionized radio transmission and receiving, and opened the door for the discovery of the computer.

Shipbuilding: The shipbuilding process, from keel-laying to completion of the ship, was standardized. Pre-assembled parts as well as new welding techniques were used. In World War I, at the height of the shipbuilding program, the construction of a Liberty ship with a displacement of 7,000 deadweight tons had taken 10 months. In July 1942, the average construction time for a Liberty ship with a displacement of 10,800 deadweight tons took 105 days (3.5 months). By mid-1943, the construction time of the same displacement Liberty ship took 40 days, a savings of 60 percent from the 1942 levels and 90 percent from the World War I levels.

The productivity gains in shipbuilding were so prodigious that the deadweight tonnage of the United States went from 10.5 million tons in 1939 to 53.0 million tons in 1945. By V-E Day, the United States had turned out the equivalent of two-thirds of the entire oceangoing merchant marine of all the Allied nations.

Medicine and science

Penicillin—Identified in the 1930s, the “wonder drug” penicillin is entirely a World War II drug. Because of the exigencies of war, it was introduced to U.S. troops in 1941, and supplied on an even larger scale for the armed forces starting in 1944, replacing sulfa. In 1945, penicillin began to reach civilian markets.

Electron microscope—The instrument that has opened man’s eyes to the interior of the cell and the atom was developed during World War II. New investment and electrification In 1939, the value of U.S. plant and equipment was placed by the Commerce Department at \$39.4 billion. During the five years of the war buildup it increased by \$29 billion, or more than 75 percent.

That leap reflected not only high industrial investment but specifically the application of electricity, in both the construction of new capacity and the utilization of capacity which had been idled or underutilized in the 1930s. Between 1939 and 1945, the amount of installed electrical capacity increased by 20 percent. Using both this new capacity, and the electrical capacity which had been established during the 1930s—such as the Tennessee Valley Authority and the Grand Coulee Dam, whose capacity represented an existing, but largely untapped resource, it was possible to increase the amount of electrical kilowatt hours consumed by manufacturing from 79.0 billion in 1939 to 144.3 billion in 1945.

This use of electricity represented “free energy” in a higher form that could enable the economy to suddenly realize its potential. This allowed Americans to attempt industrial processes they had never tried, nor thought possible.

Yuri Andropov: 'Czar of Holy Mother Russia'?

by Lyndon H. LaRouche, Jr.

Soviet reactions to President Ronald Reagan's televised address of March 23, 1983, have provided two sets of indisputable facts about the present foreign policy and political composition of the Soviet leadership.

1) Soviet foreign policy under General Secretary Yuri Andropov is not operating on the basis of either "Communist" or "Soviet National Interest" criteria. Soviet foreign policy is presently shaped by a dominant influence of the 500-year-old mystical prophecy, that the Czar of Holy Rus shall become the ruler of the Third, and Final, Roman Empire.

2) This "paradigm-shift" in Soviet foreign policy is efficiently correlated with the rise to power within the command of the Soviet KGB of Patriarch Pimen's circles within the hierarchy of the Russian Orthodox Church.

Although this shift within the Soviet leadership reflects an uneven rise of the Russian Orthodox Church, since Josef Stalin's pact with Moscow's St. Basil's in 1943, the present development would not have been possible, in its present form, but for a long process of successful manipulation of Soviet foreign-policy through "back-channel" operations run through Britain, Switzerland, Vienna, Venice, and the monastery at Mount Athos ("Holy Mountain"), Greece.

Religious scholars working with deep knowledge of the Russian personality's innermost cultural potentials, at Mount Athos, at Saint George Major in Venice, in Rome, Vienna, Geneva, and Britain, used this knowledge most efficiently, to inform the way in which back-channel operations were

conducted. What they created, most successfully, is a "Frankenstein's Monster" which is now preparing itself to gobble up its creators.

The variety of "Russian Soul" which these scholarly gentlemen have brought to the surface in Soviet foreign policy, is of the stuff of which a Czar Ivan the Terrible or Rasputin was made in the past. It is a sly, dissimulating, religious-fanatical beast. It can be clever, intelligent in matters of technique, and to that extent appear urbane and civilized. It is at the same time a monster obsessed, beyond all reach of reason, with mystical faith in the magical powers of the Holy Russian Soil and People. It is a Dostoevskian beast, or *Pravda* propagandist Ilya Ehrenberg writing against all of Western Europe during the last war.

There is only one way to deal with such a beast, to offer it peace and Russian survival from a standpoint of overwhelming raw power and manifest determination to use that power if necessary. As long as we refuse to present Moscow such a clear set of alternatives of this exact type, Andropov will alternately hiss and smile—like a cobra—until he strikes.

If the reader understands two sets of facts, even in broad, descriptive terms, the most basic features of the paradigm-shift in Soviet foreign policy can be grasped. The first set of facts indicates the means by which the "Third Rome" prophecy has been transmitted within Russian culture over a span of approximately 500 years, to be a significant influence within Soviet beliefs today. The second set of facts is the

effect of multiple back-channel East-West negotiations in catalyzing internal developments within Soviet culture and leadership.

The 'Mother-Russia' cult

Early Russia was a group of Slavic subjects under rule of marauding Normans, and a persisting, endemic military nuisance to Byzantium. One of the counter-measures Constantinople deployed in the effort to bring these tribes under control was the manufacture of synthetic forms of nominal Christianity. According to a more or less credible account, the nominal conversion of a ruler of Kiev, Vladimir, in 988 A.D., brought Kiev Rus under more or less efficient control of Byzantium. The culture of Russia is "genetically" Byzantine to the present day.

Authoritative accounts show that the particular form of Gnostic pseudo-Christianity cooked up for the Russians was manufactured by Hesychastic cults then based at the "Holy Mountain" complex of monasteries in the region of Greece known since ancient times as Mount Athos. [The Hesychasts, who have been hegemonic in the Russian Orthodox Church since the 14th century, taught that union with God could only be achieved by complete withdrawal from the world. Their practice included meditating in a bent-over position contemplating their navels and hyperventilating to achieve the appropriate mental state.] The pagan-religious matrix used for this concoction is the most easily recognized by classical scholars as the "Great Mother" cult, of the type associated with Cybele and Dionysius—or with an early form of the Isis-Ishtar cult, the Shakti-Siva phallus cult of pre-Vedic India. It is of the same general character as the "blood and soil" cult adopted by the Nazis.

The cult is an "earth-goddess" cult of worship of the Holy Soil of Mother Russia, and the collective will of the Russian people as an expression of a population sprung from this Holy Soil. This sort of pagan belief has had nasty consequences wherever it has occurred. It depicts mankind as a "child of nature" in approximately the same terms of reference as did Hesiod; today, we should term it radically Malthusian. What the Hesychasts superimposed upon this was their own contemplative mysticism.

The first recorded inklings of the appearance of the "Third Rome" prophecy appeared in Russia, according to *EIR* researchers, in the aftermath of the ecumenical Council of Florence (1439 A.D.), to which the Russian Orthodox Church responded with hateful rejection of the unification, denouncing both Roman Catholicism and Paleologue Constantinople. After the Ottoman conquest of Constantinople, the tendency toward a "Third Rome" doctrine by the Russian Orthodox Church increased, and the first explicit form of the prophecy that the Caesar (Czar) of Holy Rus would rule the Third and Final Roman Empire appeared in 1510, sweeping through Russia during the 16th century.

The title of "Czar" first appeared with the second period of reign of Ivan IV ("The Terrible"), and was resumed on the

orders of the Russian Orthodox Church with the creation of the Romanov dynasty.

Czar Peter I attempted to rid Russia of these Byzantine cults in the process of his "Westernizing" of Russia. As Czar, he could control the hierarchy of the Church, but not the hordes of Old Believers (*Raskol'niki*), who have continued to haunt Russia's modernizing efforts to the present day (in one guise or the other). The revival of serfdom under Elizabeth and Catharine, and the unleashing of the Pan-Slavic movement by the Venetian agent-of-influence, Prince Potemkin, destroyed the greater part of Peter's accomplishments. The fresh, large-scale work of Westernizing, by Czar Alexander II, was slowed by his assassination, and went up in flames in the 1905 Revolution.

Exemplary of the Mother Russia cult's impact during the 19th century are Dostoevsky, Tolstoy, the Nihilists, the Russian Populists, the Pan-Slavic resurgencies, and much of the strata which went into the Mensheviks and Bolsheviks.

The period of invasions and civil wars after 1917, the virtual civil war of the collectivization, the cordon sanitaire against Bolshevik Russia during the 1920s, the crisis of the Great Purges of the 1930s, the devastation of the new World War, and the postwar environment past the death of Stalin, not only cut Russia off from healthy Westernizing influences, but strengthened the adversary environment reinforcing Russian xenophobia.

The reality, that churches and large sections of the population had aided the Nazi invasion, impelled Stalin to make a pact with the Church, at the Moscow Cathedral of St. Basil's, in 1943. Although the Church hierarchy (such as it was) had been integrated into the Soviet secret-police apparatus since 1927-28, Stalin's program, from 1943 onward, made the Church and the symbology of the Mother Russia cult an instrument of state policy in a new way. From that point on, the war became a "Great Patriotic War" fought against the German transgressor of the soil of Mother Russia.

During the immediate postwar period, Stalin made the first overt effort to exploit the Third Rome mythology, by an effort to move the Patriarch of Constantinople to Moscow—an attempt blocked by strenuous efforts of President Harry Truman. On the surface, at least, it appears that this trend was opposed under Khrushchev, although *EIR* is not yet prepared to offer judgment on this period.

Over the middle 1960s, recognizably "Marxist" philosophy lost efficient grip in the shaping of Soviet policies, except as part of the institutions left over from preceding periods. Pragmatism took over, and it appears that the Russian Church began to accelerate its influence over the population. By 1972, the drift toward a Third Rome policy-paradigm in Soviet foreign policy was sufficiently evident, that the author and his associates elaborated and published a review of these features of "détente" which we entitled "The New Constantinople" hypothesis. During the 1970s, the influence of the Church accelerated, together with increasing relative emphasis on the "cover" of the Church in foreign

operations.

We of *EIR* do not believe that it is the KGB's hierarchy of the Russian Orthodox Church which has caused the resurgence of the Old Russia mysticism within the Russian population. Rather, the Church has provided a religious form of socialized political expression for a deep, resurgent Byzantine mysticism transmitted from generation to generation over more than a thousand years. What Church officials of the KGB hierarchy represent as a base today, is a portion of the population substantially more than double the numbers of the Soviet Communist Party.

Under the conditions shaped by the back-channel negotiations since 1957, this organized expression of the old Mother Russia culture not only increased its significance as a political force, but under conditions produced by back-channel operations, forced the resurgence of Mother Russia ideology into the direction of reviving the Third Rome ideology as well.

Bertrand Russell's world-government

Some of the following points are documented in recent *EIR* reports on the background to the 1972 ABM treaty; they are so integral a part of the picture, that they must also be identified here.

The main line of developments shaping the Soviet leadership from outside Russia, was set into motion publicly by an article of Bertrand Russell's published in the October 1946 *Bulletin of the Atomic Scientists*. Russell's proposal, in that and other locations of the period, was to dissolve existing governments, and to create a world-government with a monopoly over nuclear weapons. To accomplish this, Russell, Winston Churchill, and others proposed, it was necessary to launch a "preventive nuclear war" against the Soviet Union.

Soon, the Soviet Union developed its own fission weapon, and approximately matched the United States in developing a deployable H-bomb. That put Russell's design for a preventive nuclear war out of the window. Russell became a professed "pacifist" again, but continued his work in connection with the World Association of Parliamentarians for World-Government (WAPWG), a part of the complex which includes the World Federalists, the Pan-European Union, and so forth. The participation of four Soviet representatives, at a 1955 WAPWG meeting, marked a point of preliminary success for Russell et al. The stage for the Anglo-Soviet back channel known as the Pugwash Conference was set.

Leo Szilard, the model for the movie character Dr. Strangelove, set the stage for what was to come by his address at the Second, 1958 Pugwash Conference. 1) Mutual Deterrence as a way to manage universal peace; 2) Limited nuclear wars to promote continued general peace by relieving tensions periodically; 3) The United States should prepare, occasionally, to surrender one U.S. city to Soviet thermonuclear attack as compensation to Soviet "hurt feelings" arising from limited warfare; 4) General petroleum crisis, and the eventual general destruction of the Middle East.

The Szilard 1958 Pugwash address accurately reflects the

fact that the entirety of 1963-82 U.S. and NATO strategic doctrine, arms-control doctrines, ABM treaty, theater-limited nuclear warfare, the 1973-74 petroleum crisis, the present threat of general destruction of the Middle East, and so forth, were all planned in advance in the Pugwash Conference. From 1957 onward, every major development in U.S. and NATO policy was worked out in advance between Anglo-American and Soviet representatives working behind the back of the government of the United States! The Soviet leadership was a fully witting partner to this conspiratorial shaping of U.S. strategic policy from 1957 onwards, and knew in advance all of the principal features of what was planned for the 1960s and 1970s. This is not conjecture; this is massively documented pure-and-simple fact.

Pugwash was not the only back channel of this character. Many supplementary channels were established: David Rockefeller's Dartmouth Conference, for one, from Edinburgh, Oxford, Cambridge, and London's Chatham House, for example. Idris Shah's Sufi Freemasonry cult intersects the Nazi International and the Islam and the West umbrella organization. The Club of Rome intersects the Sufi-cult projects, the Vatican, the Nazi International, and Moscow, using the Anglo-Soviet International Institute for Applied Systems Analysis (IIASA) as a principal channel to McGeorge Bundy and Moscow. All supplement Pugwash.

The most exotic, and in some ways most important, are the religious channels of the KGB into the West, chiefly through the Russian Orthodox Church, and that Church's conduits into Mount Athos and Venice, as well as the World Council of Churches in Geneva. The Jesuits' connections to Russia date from the 18th century, when the order fled there to escape dissolution by the Pope. The Jesuit links to Moscow and the Ukraine run through many channels, with Vienna being among the most important for tracing massive operations of the KGB penetrating the West through religious organizations.

Among all the manifold features of these back-channel operations, the one with the most direct influence in pushing Moscow toward a Third Rome doctrine has been the persistent chatter about establishing a system of world-government. From as early as Leo Szilard's Pugwash address of 1958, the Anglo-American participants were openly proposing to liquidate the sovereignty of governments, including that of the United States, and to redraw the political map of the world between Western and Eastern divisions of this world-government empire.

Even the dumbest KGB operative participating in one or two of such conferences would consult a few textbook references in world history back in Moscow. He would discover rather easily that the system of world-government being proposed by Szilard et al. was a faithful copy of such well-known paragons of political enlightenment as the Babylonian Empire, the Persian Empire, the Roman Empire, the Byzantine Empire, the Austro-Hungarian Empire, the Ottoman Empire, the Russian Empire, and the order Hitler's occupation began

to develop throughout Europe. It would therefore occur even to a junior KGB officer, that what Russell et al. were proposing was a new, worldwide Roman Empire, constituted of two principal parts, a Western and Eastern Division.

If this KGB officer did a bit more digging, he would discover that what Lord Peter Carrington has been proposing as a "New Yalta," is a copy of a plan elaborated to King Philip of Macedon during the fourth century B.C. This plan was devised by a combined collection of pagan priests and rentier-financier families of the time, known variously as the "Phoenicians," the "Chaldeans," and the "Magicians": To divide the world along a line running along the Euphrates River, between an Eastern and Western division of the Persian Empire. This KGB officer would also note that the plans to transform the Western nations into heaps of pathetic, "post-industrial society" ruins, coincided in remarkable exactness with the specifications for the internal order of the Western Division of the Persian Empire in that correspondence.

It would soon come to the attention of that KGB officer, that Lord Peter Carrington was not being entirely sincere in his offers to divide the world. Lord Peter had not been able to conceal his zeal to cheat on the agreement: to "roll back" the Russian Empire, by waves of religious and ethnic revolts from within.

Discussing such matters with his superiors, the KGB officer would not overlook the commitment of these imperialist-pacifist gentlemen to destroying the United States' economic power and sovereignty. One should not be astonished if that officer were to conclude from this: "Let them destroy the United States with this post-industrial society business; then Mother Russia will gobble up these fine imperialist-pacifists." Let us imagine that one such KGB officer was named Yuri Andropov, protégé of Kuusinen and Varga.

"Very well," said the KGB; "We shall assist these fine imperialist-pacifist gentlemen in creating a world-empire, and destroying the power of the United States. Then, we shall gobble up this empire for ourselves. Forget Marxism: this is much cleverer."

Situate a beleaguered but increasingly relatively powerful Soviet state in such a complex of back-channel manipulations of world history. Let the Soviet strata associated with this be increasingly imbued with an upsurge of Mother Russia outlooks. The two placed together become a revival of the 16th-century prophecy of the "Third and Final Roman Empire."

How to stop it

There is a very elementary, but not necessarily simple strategy for defeating the Third Rome thrust. The crux of the matter is a 1939-43-style mobilization of the economy of the United States, emphasizing the explosion of the civilian economy resulting from spill-over of directed-beam and similar technologies from military to civilian applications. The success of this depends upon reviving high-technology capital investment in developing nations as well as Western Europe. The inherent superiority, moral as well as material,

of a system of technologically progressive sovereign nation-states, over an "empire," affords us all the material and human potential required to assemble overwhelming defense against imperial designs.

The emergence of such a thrust "from the West," would force upon the Soviet leadership a reversal of the Third Rome paradigm-shift. The only self-interested policy available to the Soviet Union would be compacting to accept the terms of being another sovereign nation-state, enjoying the benefits of growing world trade such a thrust portends.

This paradigm-shift would not by itself uproot the Mother Russia syndrome from Russian culture, but it would create the conditions under which the Russian people would gradually accomplish that themselves.

That, in brief, identifies the policy problem to which *EIR* is currently giving great attention. There are things which are baffling, but not mystifying, in study of the central strategic problem of this moment of history: the resurgence of the Third Rome prophecy in present-day Russia.

The 'Western Empire' view of Moscow's Third Rome policy

EIR investigators probed British and European intelligence circles on the evaluation of Moscow's policy as a revived doctrine of the "Third Rome." A small sampling of the responses follows.

A senior British intelligence source who has extensive experience in Eastern and Western church affairs commented:

"I know that idea. They call it that, of course, and it's a fair enough appraisal of the Soviets' thinking and intentions, the Empire drive. . . .

"On the three Romes, I see the progression from Rome, through Constantinople, to Moscow, but in my thinking the latter two have always belonged together; it was a change within the Orthodox structure, although of course the latter is Slavic in its orientation, a Slavic form of Orthodoxy. The Slavs want to dominate if they can. . . . The Russians are creating new Orthodox churches. There is a pattern. There is the autonomous Church of Japan, there is the Finnish Orthodox Church, there is the Metropolita in North America, which the Russians created, and gave it an autonomy which is not accepted by the Greeks. . . .

"Moscow is trying to spread its own Empire. I've been to Moscow and I've seen the way these things work. I saw it when the Patriarch of Ethiopia was there; it wasn't a very

ecclesiastical business at all. The Soviets want to increase their influence in Africa, here using as a case the Oriental component of the Orthodox churches. The Churches are allowed to act when it suits the purposes of the KGB, of the Kremlin. The magazine *Moscow Patriarchate* is widely circulated abroad, but it hardly seen inside the USSR.”

Would the source comment on the shared approach of British, certain Swiss, and Venetian elements? we asked, posing the “Third Rome” evaluation in the context of the common and conflicting interests of these “Western Empire” centers and the East.

“I don’t see British policy involving an implicit empire, or any empire. The Commonwealth is of different sovereign states, it is not the British Commonwealth.”

Would he acknowledge the mutual aims of the Eastern and Western division of the Empire outlook, namely their view of the United States as the ultimate enemy because it still stands for the idea of the sovereign national state?

“It is true that the U.S. is seen in such terms. Whoever thinks of America thinks of this. But the perception works on both sides. People in the West are convinced that the Soviets are trying for world domination, but if you go to Eastern Europe, they see the U.S. going for world domination.”

We asked another senior British figure how he saw the “Third Rome” today.

“I believe, although not in all particulars, that the designation is true. The Soviet Union is not really a Marxist state. This was the policy of Russia from the growth of the Czarist Russian Empire, from Moscow outward East and West, from the 17th and 18th century onwards. The intention was to replace and displace the old Ottoman Empire, which was the inheritor of the Second Rome. . . . ‘Third Rome’ is a useful model, not only for the contemporary and current period, but for the whole history of Russia. . . . The Church remains an important and key factor in the overall determination of Russian policy. This was true before the modern era, look to church relations with the Czar, and the decisions made by the Czar in his day. To map onto the Soviet situation the ideas we have about Church-State relations is really quite inappropriate; this leads to a good deal of misinterpretation. Church, society, nation, faith, it is all quite curious the way these relate.”

We asked if these observations would lead this observer to call the U.S.S.R. a theocracy.

“No, that is not the right way of expressing it, since it is not ecclesiastically run. ‘Sacral kingship,’ I think, is a better concept for the pre-revolutionary period. It changed in the post-revolutionary period, but with the intimate links between Church and State after 1943, we are back to that earlier form, in practice if not in theory.”

A Swiss-based observer of Russian affairs outlined the integration of Russian Orthodox Church and Soviet state, with reference to the doctrine of “Moscow—The Third Rome.”

“People in the West often misunderstand the role of the Russian Orthodox Church. People here mistakenly think that the Church must play the role of an opposition. But this is not true: for the Orthodox Church, any state power is given by God, be it as a punishment or as a gift. You might say that they view the Communist regime as a punishment, while monarchy, for example, would be a gift. The Church has to subordinate itself to this power. . . .

“The Church is an inseparable part of Russian tradition. Every citizen is connected with it—through art, through culture, through literature, through tradition. Russian national consciousness without the Church is unthinkable. . . .”

Concerning the relationship between KGB and Russian Orthodox Church, he said:

“I would not call it cooperation, but coordination. The Church activists who travel abroad are no agents. They coordinate their activity with the KGB. The Foreign Office [of the Patriarchate] has to underwrite certain commitments, before people can travel, but that doesn’t make them agents of the KGB. . . .

“Recently . . . Patriarch Pimen said the Soviet Union had never attacked anybody. Think about Finland, the Baltic Republics, Afghanistan. Maybe he preferred to forget about that. The Moscow Patriarch has never given up the aspiration to be the leading Patriarch of the orthodox churches. There is a strong drive to the Far East, to the Indian Ocean on the part of the Church. And the State has the same aspirations. . . .

“In their military-political and nationalist thinking, the expansionist drive is very strong. There is a Soviet drive to the Indian Ocean. The Soviets have just shifted 20 divisions or so to the Iranian border. I think they will react to the implementation of the NATO parallel decision [on medium-range missiles in Europe] not in Europe, but somewhere else, in Iran. . . .

“For Andropov, the ideological dimension is not so important. . . . When he expands, he will expand for colonial reasons, where he sees a vacuum. . . . I would not be surprised at all if in the context of this expansionist drive and the nationality problems arising, the Church will play a much more important role. It’s an interesting fact that most of the new churches are being opened at the border with China. The Church becomes an important factor of internal consolidation. . . .

“You can say about the party as a whole, that most party members are baptized, and come out of orthodox religious families. That’s why you have all these pseudo-religious cults in the party. . . . Indeed, you could say that the party as a whole is nothing but an organized form of orthodox dissidence, the members being orthodox dissidents. Look at the Lenin cult. There is a Lenin corner in each household. Komsomol members are frequently being told to marry in the Church, since the Russian soul needs a dose of ceremony once in a while. You know this slogan: ‘Lenin lived, lives, and will live.’ Lenin is a political figure surrounded with a supranatural flair.”

Middle East becomes the arena for the next superpower confrontation

by Mark Burdman

United States military sources based in Europe estimate that Turkey and its eastern Mediterranean environs are a next focal point for a superpower crisis. Certain U.S. bases in Turkey were recently put on a state of heightened alert, reportedly in anticipation of such a crisis.

With new troubles developing near the southern borders of the U.S.S.R.—borders which Soviet leader Yuri Andropov has defined as being of “vital interest to the security of the U.S.S.R.”—intelligence experts are monitoring the state of mobilization of the estimated 20 Soviet divisions north of the U.S.S.R.’s border with Iran. “Soviet-watchers” in Europe believe that the U.S.S.R. will make an “Afghanistan-level” invasion of northern Iran sometime by the end of 1983, perhaps timed to coincide with the stationing of Pershing missiles in Europe.

The Soviet Union, and also the British, are also targeting Pakistan for destabilization. As the U.S.S.R. expands its efforts to carve out an independent colony of “Baluchistan” in southern Pakistan, London’s Muslim Brotherhood mouthpiece, the glossy *Arabia and the Islamic World Review* monthly, ran as its lead feature a call for the overthrow of Gen. Zia ul-Haq, heretofore the Brotherhood’s pet asset. An internal crisis in Pakistan would necessitate calling back numbers of Pakistani security forces from Saudi Arabia, and would leave Saudi Arabia, a close American ally, open to new destabilizations.

The epicenter of the coming storm is Lebanon. High-level Middle East military-intelligence sources stress that the situation between Israel and Syria is “out of control” and is being worsened hourly by joint British-Soviet operations being run through Syria, possibly including the assassination of Palestine Liberation Organization chairman Yasser Arafat, to lure Israel into war. A top Israeli military commentator, Hirsh Goodman of the *Jerusalem Post*, warned in articles at the end of May that “only a miracle” could prevent Israel from launching a “preemptive strike” against Syria. Should this happen, a top Arab commentator told *EIR*, “Everybody will blame the United States. And the reaction won’t just be oil boycotts, like in 1973. Today, there is the Muslim Brotherhood factor. There will be anti-American reactions around the world.”

Destroying the United States as a world power is exactly the name of the game.

The Soviets and the British, the respective “Eastern Division” and “Western Division” gamemasters for a projected “Third Persian Empire,” have decided to multiply the crises throughout the Mideast/eastern Mediterranean region. Combined with crises in other global hot spots (southern Africa, Central America, Thailand-Vietnam), the Mideast flash-points are designed to overload the White House with strategic confrontations and force the United States into a series of humiliating backdowns.

Since the “Third Empire” project was launched in earnest in the 1950s, British disciples of the late Bertrand Russell and Arnold Toynbee have identified the Middle East as the central arena in which the “Western” and “Eastern” empire divisions will play out their battle for hegemony. In the process, these spokesmen have specified, the Middle East itself is to be destroyed in an array of religious and tribal wars.

Pandora’s box

For weeks, international attention had been focused on the actions of Syria and Israel in Lebanon. Suddenly, on May 26-27, British intelligence resurfaced its pet “Kurdish caper” and set a whole new array of unpredictable factors in motion. Various border-area Kurdish insurrectionary groups are being increasingly supported, intelligence sources report, by the secret services of the United Kingdom, the U.S.S.R., Libya, Syria, and Israel.

On May 26, the British Broadcasting Corporation ran throughout the day as its lead item a report of an incursion by 2,000 Turkish troops into northern Iraq to quell subversive actions into Turkey by Kurdish separatist guerrillas operating from across-the-border sanctuaries. Statements by the Turkish foreign ministry over the next days confirmed that the raid had occurred, but, according to highly reliable Iranian sources close to the Turkish rulers, the Turks had not wanted news of the operation to be widely reported, and were angered by the BBC’s irresponsible headline-mongering.

According to Turkish and Iraqi government spokesmen, the Turkish commandos had moved into Iraqi territory under a joint arrangement with the Iraqi government. The arrangement is aimed at taking pressure off Iraq, which is battling Khomeini’s Iran on another front.

The British, however, have an entirely different “arrangement” in mind.

On May 28, the *Daily Telegraph* of London rather eagerly projected that the Kurdish insurrection might lead to "more and more prolonged Turkish intervention into this turbulent but oil-rich area where Kurds, Turks, and Turkomans outnumber Arabs. . . . 'Business as usual' cannot be expected to continue. And, if not, are there not other financial and political contingencies which need planning for?" the paper concluded. The *Times* of London of the same day editorialized about "old irredentist passions" being reawakened in Turkey. "Neither Turks nor Kurds have forgotten nor ever fully accepted the incorporation into Iraq of the Ottoman province of Mosul, whose population was predominantly Kurdish with a large Turkish-speaking minority, by an act of British imperial power. . . . Some hitherto unthinkable things might become thinkable in the event of a complete collapse of central government in Iraq."

The timing of the British "Kurdish caper" was very precise. At the end of May, the United States and Turkey began a series of joint military maneuvers, under the rubric of "Distant Drum." The maneuvers coincided with the second visit in recent weeks to Turkey by the head of the U.S. Joint Chiefs of Staff, Gen. John Vessey, who has plans for Turkey to become a crucial military partner for the United States in the Mediterranean, with a capability for carrying out NATO out-of-area deployments into the strategic Persian Gulf. Days after the "Distant Drum" maneuvers concluded, a series of multinational NATO maneuvers involving Turkey also began in the eastern Mediterranean.

The NATO maneuvers coincided with an unprecedented round of Syrian military maneuvers in areas contiguous to the Mediterranean. These Syrian maneuvers were, for the first time, interfaced through tactical communication links with the Soviet command in Moscow.

British intelligence and its Freemasonic secret societies are also sponsoring a Pan-Turkic "paradigm shift" among certain Turkish elites, to create a belief-structure favoring outward military thrusts. To this effect, when political parties were allowed to re-form in mid-May, former Prime Minister Suleyman Demirel, a high-level Freemason who was banned from political life in Turkey for the next 10 years, re-emerged as the de facto head of the new Great Turkey Party. Turkish ruler Gen. Kenan Evren summarily banned the new party and put Demirel under arrest, to the howls of the *Financial Times* of London and other British press outlets. Evren accused Demirel of trying "to divide even the armed forces for the sake of his political future."

The correlated, ongoing danger in the situation is that the British and the Soviets are attempting to blow up the internal situation in Iraq, possibly through an assassination of Iraqi President Saddam Hussein by Nazi International mercenaries of the Abu Nidal terrorist gang. The collapse of internal authority in Iraq would have a "Sarajevo"-style effect on the region. At that point, no Turkish government could avoid moving militarily to secure its eastern flank.

The added problem is the internal manipulation of U.S.

policy by the same set of British-KGB-Mossad operatives. The U.S. Defense Department's unbalanced Richard Perle, recently under investigation for his role in a Mossad-KGB arms-procurement nexus centering in Finland, has been involved in behind-the-scenes projects to build an "Ottoman" faction in Turkey. The State Department's Richard Burt, a special asset of London's International Institute for Strategic Studies (IISS), has been receiving notoriety in the Greek press for having secretly negotiated arrangements for the installment of Intermediate Range Ballistic Missiles in the "Turkish zone" of northern Cyprus.

Burt's antics have fed into an increasing anti-American propaganda wave in Greece orchestrated by Prime Minister Andreas Papandreou, who has suddenly and summarily cut off negotiations with the United States over the status of American bases on Greek territory, and has licensed mass anti-U.S. demonstrations by Orthodox Church-run Communist Party members in Athens. Papandreou could soon set in motion an out-of-control shooting conflict between Greece and Turkey, which, U.S. military sources in Europe warn, could be worse than other projected crises in the region.

The role of Israel

The Israelis present a special set of problems for the United States, especially since Secretary of State George Shultz has enmeshed the White House in agreements (public and secret) that would make Israel, the ostensible American proxy, into the "tail wagging the dog" (see National).

It was pointed out to *EIR*, for example, that the Israelis are heavily involved in the "Kurdish caper" and other destabilization operations against Turkey. Israel, as Turkish sources know, is determined to be the sole important ally of a captive United States in the Mediterranean-Middle East, and seeks to knock out any presumptive competitor. This was one aspect of Israeli involvement in the 1977-78 kidnapping and murder of Italian Prime Minister Aldo Moro, and in the Mossad's role the next year in toppling the Shah of Iran. It also explains Mossad's involvement today in destabilizations against the Saudi Arabian regime.

The Israelis now presume that they control the flow of events vis-à-vis Syria in Lebanon, and can go to war or not with Syria at the point of time of their choosing. In fact, with the machinations ongoing between Andropov and the Kissinger-Carrington crowd, Israel is just a pawn.

With several cabinet ministers during the week of May 23 having warned of a "red line" that Syria could not cross and with the press warning openly of a "pre-emptive strike" in the event that tensions in Lebanon continue, Israel has locked itself into a situation in which war with Syria has become almost inevitable in the period ahead. The spark could be a few more soldiers killed by Syrian intelligence agents inside Lebanon, especially as Israel's shattered economy cannot sustain long-term states of mobilization.

At that point, by way of Syria, the Soviet factor comes into play as never before.

No new options drawn after Enders departs

by Gretchen Small

Two leading advocates of a policy of "prolonged war" in Central America, Assistant Secretary of State Thomas Enders and U.S. Ambassador to El Salvador Deane Hinton, were sacked from their Ibero-American positions at the end of May. Enders is rumored to be transferred to head the U.S. Embassy in Spain; Hinton to be sent on a two-month "rest" before his reassignment.

During his two-year stint in El Salvador, Enders, a Kissinger-loyalist since directing the bombing of Cambodia, used his State Department job as a command post for "population wars" set into motion in Central America under the Carter administration.

As Hinton said often, neither he nor Enders foresaw peace, but rather decades of warfare in Central America. They have championed a "two-track" policy: military buildup combined with open negotiating channels to Cuba and the "left" opposition. Their policy has ensured that while no faction in the civil wars gains an advantage, regional negotiating efforts, as put forward by the "Contadora Group" of Panama, Venezuela, Mexico, and Colombia remain fruitless.

An opposing group within the administration argues that a "show of commitment" approach to end the wars—up to and including putting U.S. troops into the area if "required"—will "pacify" the area. Outgoing Commander of the U.S. Southern Command Gen. Wallace Nutting's well-publicized words to this effect are but a smattering of this kind of thinking that has been circulating with increased frequency. These open calls for greater U.S. military involvement are good indications that it is in the offing.

Under this thinking, a new team has been appointed for State and several Central American ambassadorial posts. A "Reagan loyalist," U.S. Ambassador to Brazil Langhorn Motley, was given Enders's job as Assistant Secretary of State. New ambassadors are rumored to be appointed soon for Costa Rica and Guatemala.

A behind-the-scenes battle over the replacement for Hinton in El Salvador, however, ended with the appointment of Thomas Pickering, a State Department career man in the "best" tradition of Thomas Enders. More than a year ago, *EIR* singled out Pickering, most recently ambassador to Nigeria, as one of the leading advocates of a rapid implemen-

tation of Carter's *Global 2000 Report*: the document which called for reducing the world's population by 2 billion people by the year 2000.

Any belief that the wars in El Salvador and Nicaragua can be "won" quickly through a major commitment of U.S. forces, including a possible deployment of American combat troops, promises only disaster. That kind of "cowboy" thinking digs the United States deeper into the Central American trap—not out of it, particularly when combined with the current policy of backing fundamentalist cults such as the "Moonie" Unification Church and its "secular" CAUSA offshoot, because they proclaim themselves "anti-communist."

Central America's problems are the product of a long-term strategy of evil by Malthusian supporters in the Society of Jesus, Club of Rome, and other population-control centers, for which the Soviet KGB has most willingly added a mantle of "respectability" as a "liberation struggle." These controllers are busy carving out a kook-farm of continually warring fundamentalist sects and "Christian Marxists" from the social breakdown caused by the cycle of wars and economic destruction in the region. Sending U.S. troops to fight cultist fanatics will produce no "quick victories," except perhaps for the Jesuit-KGB "peace movement" in the United States.

The area of conflict may widen quickly. In late May, the final details of a U.S. military training program for the El Salvadoran army were approved. The program is to be staffed by 100-plus U.S. military advisers and conducted in neighboring Honduras. The deal was reportedly signed during a late May visit to Washington by Honduran Defense Minister Gen. Alvarez Paz. It provoked an immediate response from within Honduras itself. Honduran government party spokesmen such as the vice-president of the Honduran Congress, Carlos Orbin Montoya, objected that Honduras's involvement would soon bring civil war to Honduras. The vice-president also said that Alvarez, reportedly a member of the "Moonie" cult, had signed the agreement in violation of his country's constitution.

One leading Kissingerite still involved in policy-making for Ibero-America, Luigi Einaudi, came out of his closet earlier to ensure the administration remains committed to the Central American trap. Einaudi, playing a powerful behind-the-scenes role on the State Department Policy Planning Staff for nearly a decade, made an unusual public visit to Brazil, Argentina, and Venezuela in late May to bring the rest of the continent into line. High-level sources in Argentina reported that Einaudi delivered a hard-line message to the governments he visited: the United States is committed to a big move into Central America, and if the Ibero-American nations don't like it, they should keep their mouths shut.

Einaudi has been a principal architect of Latin American policy under four Presidents. It was Einaudi's border-war scenarios, drawn up for the RAND Corporation in the early 1970s, that Kissinger put into action during his reign at the State Department.

The real 'American party,' the POE, fights for Italy in perilous election

Fiorella Operto heads the Partito Operaio Europeo (POE—European Labor Party), which is fielding 53 candidates in three districts for the June 26 parliamentary elections. This interview was conducted in Rome on May 31.

EIR: Ms. Operto, as secretary of the POE you have opened your electoral campaign as the head of the party ticket in Rome and the Lazio region. Recently a socialist-communist influenced newspaper in Rome, *Paese Sera*, wrote: "Whoever thinks that the 'American party' is the Christian Democracy or the Italian Socialist Party of Lagorio and Craxi feels his convictions waver after a chat with representatives of the POE." Do you share this judgment?

Operto: The POE is the real American party in Italy! No other Italian party or political figure, neither in the Christian Democracy nor in the secular parties like the Liberal Party, Social Democracy, or Republican Party, not to mention the Socialist or Communist Parties, knows or understands the real America, and for this reason they cannot be the allies of the United States in this strategic conjuncture.

The POE's candidates and our party members, on the other hand, are engaged in the same battle on both shores of the Atlantic, as the candidates of the National Democratic Policy Committee, the current of Lyndon LaRouche in the U.S. Democratic Party: We represent the salvation of the integrity of our nations' sovereignty, the technological and industrial development of our economies. We are carrying on the real struggle for peace, which for us means full support for implementing the anti-missile defense system with laser beams announced by President Reagan last March 23.

What are the others doing? Either, as in the case of Berlinguer's Communist Party, they are following step by step the directives and propaganda of Andropov and making this the banner of their electoral campaign in full-scale anti-Americanism, or, like other parties, among them Bettino Craxi's Socialist Party, they are allied with Kissinger and the U.S. State Department under Shultz to split Europe from the United States and thus weaken all Western resistance to An-

dropov's imperial designs. It is enough to analyze the response of *all* the Italian parties to President Reagan's beam weapons proposal: only the POE greeted the President's announcement with enthusiasm.

The POE is the party of economic, industrial, technological, and scientific progress in Italy, progress which must take place through many "Manhattan Projects," crash projects like the one that gave birth to the fission torch, on which Enrico Fermi also worked, which gave nuclear energy to the world. We maintain that we must reinforce collaboration among Italy, Europe, and the United States, with the goal of contributing jointly to the mutual development of our nations and above all of the emerging sector.

EIR: Many in the United States view these elections as more important than those of 1948, when there was a landslide to the right to stop the Communist Party. What do you think?

Operto: I would like to explain first of all how Italy entered this electoral campaign, an election whose outcome many Italians view with fear because they realize what games are being played behind the scenes. Around mid-April there was a meeting in Rome of the Trilateral Commission, the supranational group that masterminds trafficking in weapons and illegal drugs and which is involved in activating terrorism and destabilization against Italy. Among the participants was Henry Kissinger. During his stay in Italy, Kissinger met with Bettino Craxi, the secretary of the Italian Socialist Party. Two days after that meeting, which occurred April 18, Craxi pulled out of the Fanfani government coalition and pulled down the Parliament. Everybody knew that Craxi had gotten his orders from Kissinger to throw Italy into a period of intense upheaval. Moreover, Henry Kissinger, whose hatred of Italy is well known, departed from Rome after a subpoena had been handed down by the magistrates there ordering him to testify in connection with the kidnaping and murder of Aldo Moro by the same Red Brigades that later kidnaped General Dozier of NATO. Despite this, various signals reached Craxi from the State Department and the U.S. am-

bassador in Rome, Maxwell Rabb. The weekly *Il Settimanale* published that high-level State Department figures were supporting the Socialist Party and Craxi in the election campaign.

You must understand that Craxi is the new Benito Mussolini. From Mussolini he copies his economic program of autarky and neocolonialist foreign policy in Somalia, Egypt, and Ethiopia. It was Craxi and his party who supported and cultivated from the outset the rise of terrorism in Italy. Today, at the beginning of the electoral campaign we can say that if nothing intervenes, Craxi will receive the prime ministership from Henry Kissinger. And Craxi as prime minister would mean the end for Italy; the State Department—Shultz and Henry Kissinger—would have weighty crimes on their conscience.

In recent days the Italian media have been pushing another candidacy, that of Christian Democrat Guido Carli as prospective prime minister. Carli, as head of the Bank of Italy, did more than any other European to create the speculative Eurodollar market. Now he is running for Parliament as the “man indicated to be superminister in the next government” and prepare “shock therapy” for the Italian economy: a wage freeze, increased taxes, budget chopping, and skyrocketing public services. In short, an extreme version of the same International Monetary Fund “conditionalities” that have driven the Italian economy to its current state of collapse. Carli is an asset of the same Trilateral-Freemasonic network that runs Craxi.

EIR: What solutions does the POE offer; that is, what is your electoral program?

Operto: The goal of our electoral campaign is to mobilize the Italians, not just in Italy but also those Italians or persons of Italian origin who live and work in the Americas. We appeal to them not to allow this nation to be destroyed. They should help the POE, because we know how to resolve the profound economic and moral crisis in which Italy finds itself. We know how to get the economic forces in motion again, with a monetary and credit reform starting with the “heavy lira” reform (1,000 liras will equal one new lira): the first step toward destroying the black economy, the economy of drugs and speculation which is cannibalizing real production. Our program of 30 new nuclear plants by 1990 (30,000 MW) is the only serious energy plan for this nation, where, since the deaths of Enrico Mattei and Moro no one speaks of energy independence any more. Our program to finance industrial development with a two-tier credit system is the only serious alternative to the IMF’s austerity policy and the Bank of Italy.

EIR: The Partito Operaio Europeo became well known during the kidnaping of NATO Gen. James Lee Dozier (December 1981-January 1982) when you mobilized to secure his liberation. What is the POE doing today to definitively defeat

the threat of terrorism?

Operto: With the liberation of Dozier, to which the POE contributed with precise analyses on the phenomenon of terrorism and our decade-long campaign against the terrorist networks, identified in the Socialist-Communist area around Craxi, terrorism did suffer a severe setback. But as we saw with the attempt on the life of Pope John Paul II, there is a supranational center of terrorism. This we have studied in depth. Before the authorities looked into the “Bulgarian track,” we had identified the alliance between the KGB and East bloc secret services, and the traffickers of drugs, arms, and dirty money headed up by London, as the power center of left- and right-wing international terrorism. This is also the network that tried to kill President Reagan. With two famous legal briefs to the magistracy last year which became the basis for official investigations, I presented an analysis of terrorism accusing the Grand Mother Lodge of London and the Soviet KGB.

EIR: Recently, during a heavily attended conference on the figure and work of Leonardo da Vinci in Milan, you opened your speech with a parallel between the studies and accomplishments of Leonardo in the military field and the need to carry out a relativistic-beam defense system. This was four months before President Reagan announced his project.

Operto: There is a great humanist and patriotic tradition in Italy which only the POE embodies today, a tradition in which, as for Leonardo da Vinci, military commitment for national defense was one and the same with the technological development of the productive forces and the intellectual and moral development of the citizenry. This tradition, which we find centuries later in the life and work of the United States’ founding fathers Franklin, Washington, and Hamilton, is the same one by which Italy became the vanguard nation in aircraft construction in the early 20th century. Even today this tradition has been reproduced in some sectors of the Italy military, as the case of Gen. Giulio Macri shows. He is a passionate supporter of the need to realize directed-energy beam defense and an expert on advanced technologies with articles published in all the specialized Italian magazines, who is running for Parliament on the POE slate. Taking up that tradition, I maintained at the time of the Leonardo da Vinci conference, in collaboration with Lyndon LaRouche and his wife, Helga Zepp LaRouche, that Italy must commit itself with the United States to the achievement of an anti-missile defense system—the system that President Reagan announced on March 23 would be launched.

Let’s send the POE to Parliament and we will succeed in reviving the great tradition of the humanists and geniuses of Italy, from Dante to Leonardo and from Raphael to Verdi! Italy will get back to being the bridge to the Mediterranean, for the export of advanced technology, humanistic culture, and great music to the regions of Africa and the Middle East.

Arms-controllers help peace movement to map terrorism and riots for Europe

by Charlotte Vollrads in West Berlin

In the spacious, ultra-modern International Congress Center of West Berlin, a remarkable scene unfolded on May 9 as the participants in the Second Conference on European Nuclear Disarmament arrived for their one-week session. Saffron-clad monks from the Far East joined peace-movement activists and well-dressed men with briefcases—the arms-control “managers” and “experts” from “research institutes” around the world.

The arms control apparatus and the terrorist wing of the peace movement are now laying the groundwork for the anticipated “hot autumn” in Europe, especially in the Federal Republic of Germany. They have all agreed that it is no longer possible to prevent the stationing of Pershing II and cruise missiles in Europe. They therefore plan to have the November party conference of the Social Democrats (SPD) reject that stationing, and, in unity with the Greens and the peace movement, induce the Social Democratic rank and file to “take to the streets.”

“Experts”—particularly from the United States—supplied the activists with targets for blockades and worse: West Germany’s MAN Company, the Martin Marietta Corporation (which produces the Pershing missile), the air bases at Ramstein and Miesau, and the planned Pershing sites in southern Germany. It’s impossible to stop the American missiles from being stationed in Europe, they told the frustrated peace activists, *therefore*. . . .

For the longer term, the Berlin conference had essentially one goal: to propagate a conception of a nuclear-free *Mittel-europa* (Central Europe), an alternative defense concept under which its members are to conduct a conventional military buildup—a process which would redraw the political map of Europe.

The conference had been initiated by a call from the British Bertrand Russell Peace Foundation for a nuclear-free Europe from Poland to Portugal. Its German advisory council included Green Party guru Rudolf Bahro, former NATO general Gerd Bastian, and nuclear energy opponent Robert Jungk. Financing was provided by the Netzwerk Selbsthilfe (Self-

Help Network), which has also been a mainstay of the West Berlin squatters movement.

The conference’s Social Democratic and Green Party coordinators had invited both official and unofficial peace spokesmen from Eastern Europe, but with the exception of a few individuals, they did not make an appearance. During the conference, nonetheless, Green leader Petra Kelly and her fellow parliamentarians hit the front page of the East German newspaper *Neues Deutschland* with their “spontaneous” demonstration.

Together with a conference in Cologne a few days earlier of the left-wing militant “autonomous” side of the peace movement, the conference was the beginning of a series of actions and coordinating meetings slated for the coming months.

The question of power

After the movement “takes to the streets,” the “conservatives” in Bonn can stand up to the United States, as a prominent Green spokesman has put it, and reject the missiles on the basis of the “overwhelming resistance of the population,” a position they will not be unhappy to take. In the course of this process the SPD would lose its last shreds of political responsibility and give up opposing the onslaught of unemployment and austerity. “No one,” says SPD strategist Egon Bahr, “will have anything to smile about in the fall and winter of 1983.”

Former Pentagon official Daniel Ellsberg declared in an interview with the pro-terrorist Berlin *Tageszeitung* newspaper that in view of “the threat under which we live,” the “right time has come for extreme action.” At the conference, Professor Ekkehard Krippendorf, a member of its West German advisory council with close ties to American and Italian extremists, announced “resistance in the streets by every means.” “The military as such is our enemy,” he said. His scenario: when the stationing begins, “state repression” against “the resisters” will be as harsh as it was against the student movement in the late 1960s, and the counterreaction—as it

did then—will produce terrorism. Others, such as Ulrich Albrecht of the Free University in Berlin, talked about the consequences if the first violent battles take place at highly sensitive military installations, the U.S. Army uses its weapons, and people are killed.

A former senior member of the Carter administration had commented a few days earlier in Washington that “bloody battles will erupt throughout Europe” if the Pershings are stationed. “Thousands of people will be wounded or killed! The SPD will be split; part of the SPD will go out into the street battles. American soldiers and military bases will be attacked. Bombs will be thrown. Battles between the left and the right will break out. Nothing like this has been seen since the 1920s. It will all start as the deadlines for the stationing get closer.”

Specific forms of “resistance” are being planned: sit-ins at consulates and embassies, a blockade of the parliament or defense ministry, blockades against industrial plants, streets, and railroad lines. The Cologne conference of the autonomous peace movement discussed surveillance of the U.S. Army’s weapons transports and nationally coordinated steps toward sabotage. The “action groups” within the movement (the stamping grounds of the terrorist Revolutionäre Zellen) such as War Against War, the Göttingen Group Against Nuclear Power, and the Rainbow Alliance, concluded that they should not isolate themselves from the peace movement at large, but take part in its actions and thereby make the “military infrastructure” of the entire nation into a target—not simply the Pershing installations, but armament companies, supply depots, barracks, and so forth.

In Berlin, the conference debates which the peace activists found so tiresomely theoretical provided the possibility of recruiting many of these frustrated people into radical groups. From the array of knitting women who always attend such occasions came the protests against the “cold, masculine, insensitive” atmosphere of the experts’ debates. When they launched hand-holding musical renditions of “Give Peace a Chance,” from the podium, Professor Senghaas, overcome with solidarity for the weaker sex, joined in. Other reactions were more dangerous—widespread contempt for the feckless peace movement and its obvious inability to develop concrete actions against weapons producers and the nuclear industry. Thus did the autonomists build support for terrorism.

***Mittleuropa* against the superpowers**

The “experts,” meanwhile, were thinking further than the “hot autumn.”

According to Egon Bahr’s front man Erhard Eppler of the Social Democrats, “The resistance must be built up for the long term, if it is going to be part of a campaign for a new peaceful order in Europe.” An “Austrianized” Europe would undergo a conventional military buildup (in accord with NATO’s Rogers Plan) which, in the words of General Bastian, would free it from its unnatural partnership with the U.S.

Richard Barnet, director of the Institute for Policy Studies, put it this way: “The long-term goal of the peace movement is the elimination of nation-states in Europe.” Egon Bahr, speaking as a representative of the Palme Commission on Disarmament (to which KGB General Milshtein and Moscow’s Georgii Arbatov also belong) stated to the conference that “both superpowers must remain in a state of vulnerability. If the balance of vulnerability is destroyed, then stability will be destroyed.”

From that point of view, Bahr proceeded to attack President Reagan’s new strategic defense policy, dismissing the idea that there could be any chance of survival in the event of a nuclear war, and asserting that it is totally impossible “for a superpower to close the window of vulnerability and no longer be open to attack.” Bahr charged that the Reagan policy would simply invite a Soviet first strike before the new defense system was in place. That was the first and only time the new strategic doctrine was referred to.

The security of East Germany, Bahr said, is also our security; Europeans have fundamentally different self-interests from those of the superpowers. Yet the two blocs must be maintained, because their dissolution would be destabilizing for Europe; what is needed is a conventional balance of power in Europe, which could come “through an accord with the Soviet Union.”

From Sweden, Club of Rome spokesman Johan Galtung had been invited as “a critic” of the Palme Commission’s proposals. To the applause of the participants, he asserted that negotiations are useless unless a representative of the peace movement is included in them. He also attacked laser weapons technology as a violation of the ABM Treaty, then proceeded to advocate their development nonetheless by both sides. The peace movement, he said, must work out an alternative defense system on the model of Switzerland, Yugoslavia, Albania, Finland, and Austria. Naturally this will involve conventional armaments (the pacifistic audience applauded this as well).

Ex-General Gerd Bastian expressed his support for the Palme Commission’s proposed nuclear-free zone in central Europe and the Bahr demand to station nuclear weapons only in the countries where they are produced. It is “political mythology,” he said, that the Soviet Union could be aggressive, and it is false to talk about Soviet superiority. Later, to the delight of the East Germans, he joined the Greens in a peace demonstration at East Berlin’s Alexanderplatz; party chief Erich Honecker expressed his regret that he could not personally participate. “We favor a nuclear-free zone in Central Europe, . . .” he said, “and, as you know, so does the Soviet Union.”

Next, a Green delegation is expected to conduct a “peace mission” trip through Eastern Europe. Seymour Melman, vice-president of the SANE peace group in the United States, who organized Kelly’s and Bastian’s U.S. trip, left the Berlin conference in mid-week for a trip to Moscow.

The intra-German question

A "Yugoslavization" of East Germany and a "Swedification" of West Germany are among the disarmament movement's goals. Socialist International chairman Willy Brandt's son Peter Brandt, the head of the intra-German policy committee of the Berlin "Alternative Slate" (Alternative Liste) has sought for a long time to enlist the left in this cause, which had become confined to the right, beginning with the neo-Nazi NDP. Brandt's effort requires a reshaping of the peace movement, since it has trouble reconciling such ideas with a purely pacifist position. A new military strategy presupposes "an extraordinary financial effort," and "would mean defense preparedness on the part of the population and a certain [defensive] militarization of civilian life, as is currently the case only in countries like Yugoslavia," according to Peter Brandt.

This German question was discussed for an entire day in Berlin. Most prominent was the position of Green Party federal executive committee member Rudolf Bahro (a recent emigré from East Germany), who demanded that the East-West borders be open to "the opposition movements that are springing up for the first time in East and West." Members of the Berlin Alternative Slate, who are heavily recruited from former Maoist groups, demanded reunification along the lines of Bahro's proposal: East and West Germany would be split into 30 "eco-republics." ("Eco" stands for ecological.) That happens to be identical with the early-1920s program of the storm-trooper SA, under the Strasser brothers, who wanted 12 to 14 "*Landschaften*," each comprising a "*Ständestaat*" (feudal state). The *Landschaften* or eco-republics in both cases would be autarkic, according to the principle of pre-capitalist craft economies; primitive barter of agricultural and handicraft products would occur among them.

Islamicization of the movement

In order to carry out this madness, the peace movement in East and West has to be brainwashed all over again. The image of Iran's return to a new dark age under Khomeini has an irresistible attraction for the controllers of the movement. Bahro demanded a "spiritual dimension for the new culture." Jan Oelberg, a Swedish "peace researcher," declared that the root evil today is "Christian-Western-materialist culture," which must be eliminated if there is to be peace in the world. Alfred Mechttersheimer, a member of the conference's advisory board who has close ties to Libya's Qaddafi, thinks the peace movement will run out of steam unless it adopts the new "universal impulse" from "the Islamic world." Robert Jungk has been talking for years about the necessity of finding alternatives to Western culture in the lore of primitive Indians.

Ahmed Huber, a Muslim convert close to Nazi International financier François Genoud, commented this March about the Greens: "They are moving away from the right-left schema, and developing very special and interesting religious impulses. In a few years, they will be totally transformed."

'Diplomatic season' on now open in earnest in

by Daniel Sneider in Bangkok

In this corner of the world, the year is divided into two parts—the six months of the dry season, now coming to a close, and the rainy season, when the monsoon rain falls. The continuing political and military struggles over the fate of Kampuchea are usually analyzed in terms of that conventional wisdom, as follows.

During the dry season, when ground conditions permit the use of tanks and other heavy equipment, the Vietnamese army and its Kampuchean allies in the Phnom Penh-based Heng Samrin government conduct offensives against the Khmer Rouge, i.e., the guerrilla forces of the deposed Pol Pot regime, and their "coalition" partners, the followers of former Prince Sihanouk and former premier Son Sann. During the past month, the offensive was carried out with relatively greater determination as the base camps of the guerrillas along the Thai-Kampuchean border were attacked by artillery-supported Vietnamese army forces.

The rainy season has now arrived, and this is the time when the guerrillas can supposedly operate with greater ease, reinforcing their claim—backed by the Chinese, the United States and the Southeast Asian nations of ASEAN (Thailand, Philippines, Malaysia, Singapore, and Indonesia)—that they are seriously contesting the control of Kampuchea.

However, as a quip now making the rounds in Bangkok puts it, there is really a third season which has begun in earnest—the "diplomatic season." For both the Vietnamese/Indochinese side and the Thai/ASEAN side, a complex game is on, each side seeking tactical advantages in the process of moving toward serious political negotiations over the future of Kampuchea and ASEAN-Indochinese relations. A breakthrough toward direct negotiations has never seemed closer, but so far it remains a "light at the end of the tunnel."

The diplomatic season began as soon as the heavy guns started to fall silent on the Thai-Kampuchean border. The Vietnamese and their Kampuchean allies announced the withdrawal of a substantial number of Vietnamese troops (estimates range from ten to twenty thousand) from Kampuchea. A large group of foreign journalists was invited into Phnom Penh to watch the troops cross into Vietnam, an obvious public relations show meant to counter claims that a previous troop withdrawal last year had been a mere rotation of units. While Thai officials continue to publicly dismiss the latest move as cosmetic, well-informed sources in this capital

Kampuchea question Southeast Asia

say that privately it is acknowledged that this was a real drawdown of forces.

Sources close to the Vietnamese point to this withdrawal as evidence of the military success of the dry season campaign and of the increased political and military capacity of the Heng Samrin government. State Department sources in Washington contest this view, claiming that the actual military damage to the guerrillas was slight, and that the offensive was a political setback for Vietnam, in part because of widely published (but still unconfirmed) reports of killings of Kampuchean civilians in the border base camps captured during the offensive. They also point to Thai officials' claims of Vietnamese troops crossing the border into Thailand, and reported clashes between Thai and Vietnamese troops.

However, well-informed Japanese sources who have recently toured the entire area, including Vietnam and Kampuchea, in part support the Vietnamese claims. Those sources report that the dry season offensive reveals a poor performance by the guerrilla forces, particularly those of the Khmer Rouge, said to be the best trained. According to these sources, the five top commanders of the Khmer Rouge base camps hit during the offensive fled to Bangkok, where angry Thai army officers forced them to return to the front. Those sources report that it is widely known, by U.S. embassy officials in Bangkok among others, that there is no evidence of a serious violation of the border by Vietnamese troops.

The Thai army's loud cries to this effect did have the notable effect of provoking a quick show of U.S. support, when the visiting assistant secretary of state for East Asia, Paul Wolfowitz, ordered a gesture of "speedup" of previously scheduled arms deliveries to Thailand. It is an open secret in Bangkok that the Thai army is the silent partner of the guerrillas, providing logistical support (including rebuilding the base camps of Sihanouk) and, at times, covering artillery fire for guerrillas who move back and forth across the border, choosing safe sanctuary on Thai territory.

The Thai maneuver

The diplomatic season took a new turn when the Thai side countered with a maneuver intended to "put the ball in Vietnam's court." During the recent Thai election campaign, Foreign Minister Siddhi Savetsila dropped a proposal for the Vietnamese to unconditionally withdraw of their troops to 30

kilometers from the Thai border, as a basis for further Thai-Vietnamese talks. The proposal was confirmed as official Thai policy after the formation of the new government, in which Siddhi retained his cabinet post.

The proposal was quickly labeled a show of "flexibility" on Siddhi's part, an attempt to refute criticisms from within Thailand and ASEAN (and outside the region) that Siddhi, who has been called "Dr. No," is too hard-line and inflexible. Vietnam, as expected, has not accepted an unconditional withdrawal without some compensating Thai restraint of the guerrillas.

However, Vietnamese Foreign Minister Nguyen Co Thach may have surprised some people when he signaled that they regarded the proposal as a "positive" signal and wanted to talk to the Thais. Kampuchean Foreign Minister Hun Sen echoed this line. Siddhi proceeded to visit several ASEAN countries for "consultation" on the proposal.

A visit by Thach to Thailand and the Philippines has now been set for June 6 to 10, and Siddhi and Thach will meet on June 9 in Bangkok for consultations that could lead to Siddhi's return to Hanoi in the near future. Thai sources insist, however, that a return visit will depend on Vietnam first carrying out the 30-kilometer proposal.

Thai political sources who do not agree with Siddhi's hardline stand privately discount his move as a show of flexibility and say that his hard-line anti-Vietnam views are unchanged. The attempt, they say, was only to shift the blame for the deadlock in negotiations firmly onto Hanoi's shoulders. However, according to this view, Hanoi has countered with a move to use the Siddhi maneuver as an opening to force Thailand into a process of direct talks over the issue of creating a demilitarized security zone on the Kampuchean border, a step toward overall settlement of the Kampuchean dispute. Previous Indochinese proposals on the creation of such a "DMZ" involve both a Vietnamese troop pullback and Thai control over the Khmer Rouge insurgents.

One element which has spurred speculation is that usually during the rainy season ASEAN troops as a matter of course pull back 20 to 30 kilometers from the border as operational policy. One source here thinks that Siddhi, who of course knew this, will use that fact as an excuse to visit Hanoi without losing diplomatic ground.

Both sources agree that the Thach-Siddhi talks will amount only to "consultations" and will not produce any concrete agreement. Both sides will seek to emerge as the tactical victor in the game of one-upmanship now going on.

The Vietnamese clearly hope to use Thach's visit to explore the reality of the so-called new "flexibility." The Vietnamese are also aware of the fact that significant sections of the Thai political leadership are opposed to the hard-line stand of the previous Thai government of General Prem Tinsulanond, a stance characterized by one Thai politician as "too close to the Chinese."

The new Prem government contained such voices, including that of former Premier Kriangsak Chomanan, whose

National Democratic Party is one of four coalition partners in the cabinet, and of Deputy Premier Pichai Rattakul, who is known as a "soft liner," a former foreign minister who has good channels to the Hanoi regime and has met privately with Vietnamese leaders, including secret talks last year in Paris with Thach. Pichai, in an exclusive interview with this writer in Bangkok on May 27 (see below), confirmed that he will host Thach for a private dinner on the June 9, and implied that he will pursue Thach on the Kampuchea issues Siddhi may not be willing to touch.

The views of men like Kriangsak and Pichai, who lead two of the parties in the government, are an important factor in determining the future of Thai policy and therefore whether a real breakthrough in negotiations is possible. The view of these circles is that a negotiated solution must include not only a guaranteed phased withdrawal of Vietnamese troops from Kampuchea, but also a total cutoff of Thai support for the Khmer Rouge and cutoff of Chinese arms, supplies, and backing for their operation. Such circles, sources say, would accept a face-saving gesture in the form of a Laotian 1975-type political coalition government in Phnom Penh, perhaps including Sihanouk along with Heng Samrin, while recognizing the reality of Vietnamese domination. As one source put it, "We don't scream about the presence of 40,000 Vietnamese troops in Laos, do we?"

However, the reality in Bangkok is that policy on these matters is being made not by civilians but by the military, and by quasi-military figures like Air Chief Marshal Siddhi. Siddhi is former head of the powerful national security council whose current head, troop Air Captain Prasong Soonsiri, is very close to him. Siddhi and Prasong are said to be the key policy makers on the Kampuchean issue; both men are very anti-Vietnam in their views and close to Chinese thinking. According to a Thai political source, General Prem, who went to school with Siddhi, relies totally on their advice and has little independent judgment on these issues.

However, the military is not completely unified in its support for the hard-liners. Army Commander-in-Chief Gen. Arthit Kamlang-ek, the power behind the throne of the Prem government, backs the hard-line view; but Thai sources say that other military figures, such as Supreme Commander General Saiyud Kerdphol and Fourth Region Commander General Harn Linanond, are more "open-minded" and "flexible." Those military circles are said to share concern with General Kriangsak over the dangers of the Chinese role in the region and of the increasingly close Thai-Peking link. Continued confrontation with Vietnam, which they oppose, would only aid Chinese influence in Bangkok.

The complexities of the Thai situation, not to mention difficulties with ASEAN, the uncertainty regarding U.S. views on a settlement, and the question of what degree of flexibility Hanoi will ultimately show, seem to point to this diplomatic season being insufficient for a negotiating breakthrough, but the momentum is beginning to go in that direction.

'We must mend fences

Below are excerpts from an interview with Pichai Rattakul, deputy prime minister of Thailand, conducted on May 27 by Asia Editor Daniel Sneider in Bangkok. Pichai Rattakul was elected leader of the Democrat Party last year, and has won a seat in parliament from Bangkok in the past four elections. He served as foreign minister twice, in 1975 and in 1976, both times in the government of M. R. Seni Pramoj, who was formerly leader of the Democrat Party. Pichai Rattakul was born in 1926 in Bangkok.

Sneider: Some say that the new government has adopted a more flexible policy toward Vietnam and toward the Kampuchea question. Is this true?

Pichai: The stated policy of the prime minister regarding foreign affairs does not differ too much from the statements by the previous government. What people have been saying, that there seems to be some flexibility, refers to a remark made by the foreign minister. So it depends very much on one's approach. In writing it doesn't differ too much.

Sneider: Is the 30 kilometer proposal a change from the ASEAN or the International Conference on Kampuchea [ICK] position?

Pichai: First, one has to understand that this was mentioned by the foreign minister during the campaign. Secondly, I would say, personally, that there is some flexibility with regard to these remarks, because before, the foreign minister had never uttered such a word. He had always been insisting that the Vietnamese would have to pull out or to withdraw from Cambodia. But this time, he says that the Vietnamese troops can be withdrawn from the Thai border 30 kilometers. This could be interpreted as flexibility.

Sneider: What do you expect from Nguyen Co Thach's visit?

Pichai: He will be having a meeting with the foreign min-

with our neighbors'

ister, but I do not anticipate that there will be any *deep* confrontation regarding Kampuchea on this trip—*deep enough*, let's put it that way. But I think the time is not right to go very deeply into the Kampuchean problem. He will be having dinner with me on the 9th as well. I will talk to him about the points which we left in Paris, the proposals I had made in Paris with him.

I will also touch on the government's policy of foreign affairs, which has added one point: that the Thai government is willing to cooperate in the economic field and trade with any country. This has never been mentioned before. On the basis of the statement made by the Prime Minister, I think this should be a good initiative. Probably we could not be in a position to solve the Kampuchean problem right there, but at least the new initiative could take place.

Sneider: Could you describe your Paris proposals?

Pichai: I told Nguyen Co Thach very frankly—although at that time I was not in the government—that I could not agree with him in sending his troops into Kampuchea. . . . He has given many reasons—the Chinese threat, and so on. But as I told him, I cannot accept, the Thai people cannot accept this reason. So first and foremost, this matter of withdrawing their troops from Kampuchea will have to be taken into consideration, and I don't mind if there is a timetable for partial withdrawal. That was the first time the partial withdrawal was mentioned, and a few months later, he did say that publicly. As you know, according to intelligence reports, the latest withdrawal of troops was quite significant, not like the previous few. I think that he was quite sincere in keeping his word, I mean the latest one. This is a good gesture from the Vietnamese. What timetable, then? I will have to ask him: "What is your timetable?"

Sneider: Is there some relationship in your mind between a timetable for withdrawal and a political solution as far as the

composition of the government in Kampuchea is concerned?

Pichai: This has also been mentioned, but I would say that the first gesture the Vietnamese could use is to show good will. This could be done only through a timetable for withdrawal. At that time, while they are withdrawing, then we could touch on other problems as well—elections, composition of the government, the China threat, and so on. But the Vietnamese will have to take the initiative in setting up at least a tentative timetable of withdrawal.

Sneider: Do you regard as positive the proposals that have been made from their side for negotiations between ASEAN and the Indochinese countries without the presence of the Heng Samrin government and without preconditions regarding the agenda?

Pichai: This has also been mentioned in Paris when I met with him. Thach was ready to meet with ASEAN, or representatives of ASEAN, without Heng Samrin's participation. But on this, I do not know the line of approach of the Thai government as yet. I have not been able to consult on this matter with the foreign minister yet. The Vietnamese were trying so hard for a regional conference; we were trying so hard for the international conference [laughs]. . . .

Sneider: Are you saying that under conditions of some guaranteed withdrawal that the question of an international conference can possibly be dropped?

Pichai: Not entirely dropped. You see, Thach has never mentioned dropping the whole ICK.

Sneider: No, he is saying only that a regional conference should convene.

Pichai: Yes, but in order to convene a regional conference, to my mind you have to show some good will by setting up a timetable of withdrawal. Then the ball would be in our court.

Sneider: Some say that the Vietnamese position in the long term will get weaker and weaker due to the burdens of Cambodia and other factors, and ASEAN should hold fast to its negotiating position, since it will become stronger. Do you agree with that viewpoint?

Pichai: I agree to some degree, and I think that this is a reality, that Vietnam is suffering a great deal. But the policy of bleeding Vietnam, I do not agree to that for the mere reason that I do not believe—I have never believed that they cannot stand the bleeding, if one wants to bleed them. They have had such an experience, which all of us know so well, and trying to bleed them to death, to my mind, will not work—although they *are* bleeding, I know that. Vietnam is not a nation which cannot bear the torture or the bleeding. I don't think that this is the right way to come to a political solution. On the contrary, I would say—and as I said I'll be talking to Thach—that in the long run, Thailand and ASEAN, and even the U.S., I think, would like to see that Vietnam is on our side. Through us, they would be able to revitalize their ener-

gies. So why should we bleed them, in that case, if one looks at the long run?

Sneider: It's no secret that the Chinese have the view of bleeding Vietnam. Is there a difference between the interests of China vis-à-vis Vietnam, and the interests of the ASEAN countries?

Pichai: Oh yes, but lately, I think from the news one gets from Peking, it seems that Peking is also in favor of more flexibility toward Vietnam.

Sneider: So you think there would be no strong objections from the Chinese, if ASEAN were to open direct political negotiations with Vietnam?

Pichai: I would not think that the Chinese would openly object. The Chinese are also a people of deep thinking, and I don't think they would do anything openly to obstruct us. I think it depends on us and ASEAN, how to deal with the Chinese. If we set our goals, then we will have to solve the obstacle. Probably China is one of the obstacles, I don't know.

I know that it is up to us to try to overcome the obstacles. Only a few years ago, China was spending money like anything to help Vietnam fight against the United States. Who knows? One of these days very soon, China might change. Who would have thought that China would become such a bitter enemy against the Vietnamese? Anything can happen. I went to Peking in 1975, before diplomatic relations were established, and I was accused of being a communist. I thought China would be a good balancing power in Southeast Asia, and then when I came back home I went to Hanoi in 1976 on a return trip, because Hanoi is our neighbor as well as Cambodia and Laos; and here again I was accused of being a communist. We had very good relations with the United States, but at that time Carter had no policy whatsoever regarding Southeast Asia, and we were very concerned about that. We had to depend on China by establishing diplomatic relations. But what about our neighbors, whom we used to fight against? We have got to mend our fences.

Sneider: Do you think that the foreign policy of the United States under certain circumstances could be an obstacle as well?

Pichai: No. The United States' policy toward this matter will not become one. I think the U.S. policy toward this region does not mean the U.S. goes the whole way with China all the time. Therefore, I think the United States will go along with us if we set our target very clearly and very distinctly. Without any split with China, the United States will support our policy.

Sneider: What do you do with the Khmer Rouge under conditions of a settlement that may or may not include them?

Pichai: That's a big question mark. Prince Sihanouk is thinking about that. Everybody is thinking about that.

Sneider: Are you concerned that the Khmer Rouge might initiate or aid communist guerrilla activity inside Thailand?

Pichai: No, I have no worry at all about that. I have no concern whatsoever about that.

Sneider: So what is the problem?

Pichai: I think Sihanouk continues to play a very vital part in the future of Kampuchea. Now, things might happen in such a way that Sihanouk will come to a point where he will have to decide regarding Khmer Rouge participation in solving the Kampuchea question. That is a big problem.

Sneider: Could you envisage a situation in which Sihanouk entered into a political coalition government with Heng Samrin?

Pichai: There is a possibility.

Sneider: Is that something which you might discuss with the Vietnamese foreign minister?

Pichai: Frankly speaking, I have already discussed that with him.

Sneider: And can you say what his response was?

Pichai: Thach's response was neither negative nor positive. He only mentioned to me that he looks at Prince Sihanouk as a man who he thought could cooperate with him—let's put it that way. Especially when Pol Pot put Sihanouk under house arrest during the Khmer Rouge period, and the Vietnamese government thought that when they liberated Kampuchea, let's put it that way, Sihanouk might be the key figure to unite Kampuchea. But he was really disappointed when Sihanouk went to the United Nations and condemned Heng Samrin, and at the same time said, "I'm not going back to Kampuchea ever again, I hate the Khmer Rouge, I hate Pol Pot most of all."

Sneider: Now he's allied with them—

Pichai: Exactly, exactly. Thach never says anything negative or positive regarding Sihanouk, so that's why I would say that Sihanouk still continues to be a very important factor in uniting Kampuchea.

Sneider: There is some urging on the part of the Malaysian government that Sihanouk should change his residence from Peking and Pyongyang. Some people have interpreted that offer as an effort to give him a little more independence from China.

Pichai: Well, it is quite logical and I think it's quite practical also, it's not only logical.

Sneider: Do you think it's possible he might accept?

Pichai: Then it depends on the influence of China again [both laugh]. That's where Sihanouk gets the money right now.

Sneider: You were the last Thai foreign minister to go to Hanoi. Do you think it's possible that Mr. Siddhi will make a second visit?

Pichai: Well, Thach was here as the foreign minister of Vietnam. So the next time should be foreign minister Siddhi, which he has already said in principle.

Sneider: General Kriangsak has expressed some criticism of previous Thai policy as being perhaps too inflexible regarding Vietnam. Your views are also said to be different than those of others in the Thai government.

Pichai: That's right.

Sneider: The differences between the views that you and General Kriangsak may hold, and those of the Thai minister—are these strong differences?

Pichai: General Kriangsak's foreign policy when he was prime minister was exactly the policy I started in 1976. The way of approaching the various problems regarding Vietnam, Kampuchea, and Laos was almost identical. We thought that, being neighbors, we cannot afford to confront each other. And our neighbors can't afford to confront us either. So while one has looked after one's own national interests, one also has to be more sincere in solving the many problems that confront the two countries. The approach therefore differs. I was also a very severe critic of the performance of the previous government.

Sneider: Some say that the problem in this area is that everything is a subset of a larger strategic confrontation between China, the Soviet Union and the United States. Another view is that these problems are more determined within the region itself, and not by the outside powers. Do you think these two views define different approaches?

Pichai: Quite true. What Kriangsak did, and what I did in 1976, to put it very frankly and into simple words, was to act on a very free-handed, independent basis. I did not bother to think about the strategy or the interest of the superpowers. I was thinking only of my own interest. But the previous government might think otherwise, that one has to think about the superpowers as well as to consider our own interests.

Sneider: I have heard a lot of talk that the Vietnamese would be in a weaker position as a result of a Sino-Soviet reconciliation.

Pichai: Well, Vietnam might have some concern over the dialogue between Peking and Moscow, there is no doubt about that. But I think that will not induce them to change their attitudes and policy. This also applies to ASEAN. But probably Thailand thinks otherwise. I do not know about the previous government.

Sneider: Do you see a possibility that Thailand, Vietnam, Laos, and Cambodia could cooperate in something like the Mekong River Development Project?

Pichai: Very much so. I envisage that and I have every reason to believe that cooperation with Laos and Cambodia, and Vietnam to a great degree, regarding the lower Mekong Basin project, is going to take place.

Sneider: Do you think that would provide the basis for a different kind of relationship?

Pichai: Exactly. That is what I hope. I am talking with Thach about this, as well as trade. This could be a good start, as I have mentioned earlier.

Sneider: Doesn't it seem that the Cambodia problem is standing in the way of other possibilities which could or should be realized in the interests of all the countries involved?

Pichai: That's a very big question to answer. I can't answer that right away. But since our government stand was and still is that we cannot recognize Heng Samrin, with Heng Samrin's participation we would be put in a very awkward position indeed.

Sneider: If you leave aside the presence of Vietnamese troops, do you consider the Heng Samrin government to be a legitimate political force?

Pichai: Oh, yes; they staged a coup d'état, let's put it that way. They themselves, Heng Samrin, staged a coup d'état and toppled Pol Pot. Then I have got to face the reality, the real politics, the fact that it's Heng Samrin who staged a coup d'état and took over the administration of the country.

Sneider: Let's extend that argument and say that they staged a coup d'état and exercised the right of any country to ask—

Pichai: Invite.

Sneider: —to invite the presence of foreign troops.

Pichai: Well, that will have to come later on. But as I have told Thach, we cannot accept the reality that you have marched in your troops and toppled Khmer Rouge and put up Heng Samrin as the president of the country. I told Thach, very frankly, if you could only have left the situation as it was for another six months or one year, Pol Pot would have gone automatically. The situation was almost ripe at that time.

Sneider: But what if another half a million people had died in that six months or a year?

Pichai: Well, people had already died before that. Pol Pot took charge for three years.

Sneider: One Thai diplomat told me that if the Vietnamese had only stopped at the eastern bank of the Mekong river, that would have been okay.

Pichai: No, no. I wouldn't agree with that. You're not sticking to your principles then. I had mentioned that to Thach. Another gesture would have been to withdraw. If you don't have any timetable for a total withdrawal, at least withdraw all your troops to the east bank of the Mekong river.

Betancur versus the usurers

Open warfare has erupted between the Colombian financial elite and President Belisario Betancur.

Colombian banker Jaime Michelsen Uribe has not yet recovered from the Betancur government's decision to launch a crackdown on the banking community's manipulation and outright theft of Colombia's wealth that has made men like Michelsen the most wealthy and powerful in the country.

On May 18, the Colombian equivalent of the National Securities Exchange, the *Comisión Nacional de Valores*, concluded its investigation of fraud and malfeasance charges that had been lodged against several of the "investment funds" created by Michelsen's Grancolombiano financial group. The funds, according to the charges, had used depositors' money back in 1977 to purchase the inflated stocks of several near-bankrupt companies and then sold those same stocks, at half their original value, to another investment fund *within* the same Grancolombiano group. Michelsen and company made a killing, and thousands of depositors went broke.

The *Comisión Nacional de Valores* found the Grancolombiano funds guilty as charged, and levied a stiff fine, and has ordered the funds to pay back all the money stolen from their depositors. President Betancur went on national television at the same time to make it clear that the decision to go after Michelsen—who had constructed his vast dirty-money empire without the slightest interference from the past two administrations—was his own. Said Betancur, the time is over when "the big fish can eat the little fish" with impunity.

The Betancur government's move to re-establish the reign of law in the banking community comes after innumerable appeals to the banks to reduce their usurious interest rates met with deaf ears. Betancur's emergency financial reform of last December, which would have gone a long way toward loosening the grip of the financial oligarchy on the Colombian economy, is still bogged down in Congress awaiting legislative approval after being overturned as an executive diktat by a politically manipulated Supreme Court in March.

Faced with a growing number of industrial and agricultural bankruptcies, persistent capital flight, and a paralyzing internal debt, Betancur knows that his government must retake the upper hand if the economy is to survive.

But Michelsen is not yet ready to yield. In a move which outraged the Colombian population, the banker managed to get advance notice of Betancur's televised speech and, using his extensive control of Colombian radio and television, had a televised response prepared immediately following the president. We had every intention of paying back the money of our unfortunate depositors, Michelsen lied. In fact, he said, "it was I who proposed such a solution to the *Comisión Nacional de Valores*!"

And yet immediately following his television appearance, banker Michelsen's conciliatory tone changed. In a speech to the National Association of Financial Institutes (ANIF), the

Grancolombiano group's own drug-pushing think tank, Michelsen moaned that he has been made "a victim of moral blackmail by enemies who have convinced the vast majority of the population that there is no difference between 'to earn' and 'to steal.'"

In crocodile fashion, Michelsen cried that "very much to our despair, our ledger books are filling with abandoned lands and unused machinery, collapsing factories and stores on the verge of bankruptcy." Michelsen failed to mention the 35 percent to 45 percent interest rates his banks had charged the now-bankrupt farmers, industrialists, and shopkeepers.

Michelsen and his fellow bankers see the handwriting on the wall, and will not rest until they have recaptured the presidency. Meetings have been held in recent weeks in the back rooms and private clubs of the Colombian oligarchy to plot their strategy. At one such meeting, held at the Jockey Club in Bogotá, speaker after speaker rose to charge the president with "turning communist" and endangering the international financial prestige of the country.

And in a highly unusual move, immensely wealthy financier-turned-industrialist Carlos Ardila Lulle sponsored a gala reception in mid-May to honor Defense Minister Fernando Landazábal Reyes. Ardila Lulle, who is widely believed to have earned his millions through the drug trade, used the occasion to advertise the alliance of the tainted banking community with those forces in the Colombian military who have resisted President Betancur's domestic as well as foreign policy initiatives.

It was with good reason that *El Espectador* warned May 26: "We must raise the alarm against the violent way a conspiracy is being organized against the President."

Fidel Velásquez's gamble

The old labor boss and de La Madrid are working out an alliance to prevent social explosions.

When Mexico's labor boss, Fidel Velásquez, announced his CTM labor confederation's decision to postpone for 10 days a May 30 general strike, the second most powerful man in Mexico once again had surprised political observers. Ten days before, the Congreso del Trabajo labor umbrella group had committed its 8 million members' participation in the CTM-proposed general strike on behalf of a 50 percent salary increase.

Everything indicates that the 80-year-old labor leader is sticking to the labor-presidential alliance which has been the foundation of this country's economic development and political stability for the past 60 years. As the main architect of this alliance, Velásquez has apparently struck a "social pact" with Miguel de la Madrid. While workers would get moderate salary demands, the government would have to take a more aggressive stand toward Friedmanite business groups and anti-labor organizations such as the National Action Party (PAN).

After a closed-door meeting May 27, the Congreso del Trabajo leadership gave its unions a green light to negotiate salary increases of approximately 25 percent, a rather meager compensation for an official 90 percent annual inflation rate.

Though the government has not detailed its concessions to Velásquez, the union leader has nevertheless moderated his position, thus risking credibility with his union base.

Both government and labor lead-

ers know that their alliance is the key to prevent an explosion of popular unrest provoked by the International Monetary Fund's "shock treatment." On May 29, the labor chief told the press that the CTM supports de la Madrid's efforts to deal with the economic crisis and "will not allow disorders in Mexico, actions against the law, nor violence."

Velásquez and de la Madrid indeed know that members of the leftist union of university workers decided to go ahead with the general strike May 30. The gigantic National Autonomous University of Mexico (UNAM), a hotbed of radical organizing, and nine other universities have suspended activities. The radical unions of uranium and nuclear workers have followed suit. Members and sympathizers of the dissident CNTE teachers group reportedly held a one-day strike May 27.

This radicalization of labor unions could hook up with sporadic cases of violence among students; the PAN's "separatist" organizing in several states of the country (see Dateline June 7); and a resurgence of anti-state organizing by Friedmanite business groups, encouraged by the PAN.

Confronted with the prospect of several political crises blowing up at the same time, de La Madrid has decided to break the IMF-cultivated profile of an "administrative president" to make a series of crucial public interventions. He has warned the PAN that he won't tolerate its treasonous sepa-

ratist organizing, and has told the Concanaco chambers of commerce association to stop their agitation against the state's "intervention" in economic activity.

In announcing what should be his government's National Development Plan for 1983-88, de la Madrid did not conceal that, given the dismaying state of the world economy, his government is unable to formulate any development plans for the six years of his administration as every Mexican president has done previously.

He hinted that, given the devastation produced by the IMF in his country's economy, a break with this monetarist institution would not hurt him very much. Observers here point to the unusual passion he expressed in saying that "in these decisive moments of our national history . . . my mission, and no one else's, is to rule the nation of Mexico."

On May 31, Concanaco head Emilio Goicochea, along with Jacobo Zeindenweber, and Ignacio Barragan from the Concamin and Canacintra industrial confederations, issued press statements to tell the president that they accepted his invitation to collaborate in a solution to the economic crisis.

After the closed-door meeting of the Congreso del Trabajo, Fidel Velásquez further explained that the unions's strategy for the next six months is a salary-price "freeze" guaranteed, and if necessary enforced, by the government.

While the government still has to say how it will control prices, de la Madrid has apparently won a "social pact" with the unions for the moment.

However, as *El Día's* columnist García Ibarra said May 30, the government must be able to put some muscle behind the demanded salary-price "freeze," otherwise Velásquez could lose control over the unions to radicalized leaders.

The P-2 Lodge killed Moro

Clamorous warnings about a coup by Tina Anselmi, of the Parliamentary Commission of Inquiry on the P-2 Lodge.

The Propaganda 2 masonic lodge is by no means dead, it still has power. When there is a hidden power parallel to the official one, this is already a potential coup." This statement, made to the weekly *Panorama* by Hon. Tina Anselmi, who chairs the Parliamentary Commission of Inquiry on the P-2 Lodge, confirms that behind the early elections in Italy, coming up June 26, are hidden plans for a coup. Both Anselmi and the vice-president of the commission, Hon. Alberto Cecchi, who issued a similar statement, have fingered the international P-2 apparatus. Anselmi said: "Let us recall that P-2 has its power centers fully functioning abroad, in South America, for example. . . . We also know that relations with foreign powers have been established through the P-2."

To whom is Anselmi referring, and what new revelations will come out in the final report of the inquiry by the commission she presides over when it is presented to parliament next Oct. 8?

I would predict that the report will focus above all on the links between the United Grand Lodge of Great Britain, directed by the Duke of Kent, and Licio Gelli, Grand Master of the illegal P-2 lodge first exposed in May 1981. Such relations were discovered in the investigation of the assassination of banker Roberto Calvi at the hands of P-2's hired killers in London. The second international link likely to appear in the Anselmi report will be Licio Gelli's relations with the former U.S. Secretary of State Henry

Kissinger and with Gen. Alexander Haig. It was during the search of Gelli's Villa Wanda near Arezzo that a "Haig dossier" was found, in which Licio Gelli's encounters with Kissinger and Haig in Washington in 1969 were described.

As Mrs. Anselmi testifies, 1969 was the year of Licio Gelli's investiture: "We have discovered that in 1969 Licio Gelli had already received from the heads of the masonry the task of supervising and organizing secret lodges, at the pinnacle of which was the P-2." Such tasks were entrusted to Gelli not by the various Grand Masters of the Grand Orient in Italy, subsequently revealed to be all Gelli's own men, but by the Duke of Kent himself and the American heads of the Scottish Rite. It will be interesting, too, to read the chapter of the report of the Commission of Inquiry on P-2 regarding the Moro killing in 1978: In fact, Mrs. Anselmi imputed to P-2 the responsibility of the murder of the former Italian prime minister and political control over "red" and "black" terrorism.

"There are still unresolved questions in the political life of this country, starting with the death of Aldo Moro. We still do not know where he was being hid and we do not know on whose orders he was killed. That the P-2 had a political project is proven, on the record, and that it certainly had among its objectives that of 'getting rid of the Christian Democracy of Zaccagnini and Moro,' as one reads

verbatim in a well-known document. . . . I do not believe that the fact that the top levels of the secret services during the years of terrorism were in the hands of the P-2 is without significance." These statements of Mrs. Anselmi ended up on the front pages of the Italian press because they represent a clear accusation against those forces which took advantage of the death of Moro and the ensuing fall of the government of national solidarity. What we have here are very tough charges against the "new Christian Democracy," appropriately represented by its number one candidate, former Governor of the Bank of Italy Guido Carli, that is, by the right-hand man of Gianni Agnelli and hence point-man of the Trilateral Commission in Italy.

FIAT magnate Agnelli and Carli, like Kissinger and the Trilateral, are pulling out all the stops against the policy of the American government and openly plotting to hinder President Reagan's reelection. Not only do the Trilateraloids attack Reagan's defense doctrine but his entire foreign policy as well. In the Italian political spectrum, the American government will find few true allies: The Christian Democracy is in Trilateral hands and is in fact allied to the "Europeanist" policy of Andropov. Prime Minister Fanfani himself is supported by the Communists and has had godfathers in Moscow since the days of the Mayor of Florence, La Pira. The Socialist Party is an instrument in the hands of Kissinger, whose meetings with Socialist chief Craxi have been public for some time.

The European Labor Party's pro-American electoral campaign in favor of Reagan's ABM defense, space colonization, and against Moscow's "Third Rome" imperialism, is the only certain American card.

'No better than dogs'

That is the way one leading U.S. political figure described Yasser Arafat's enemies inside the PLO.

At the beginning of May, the Soviet KGB activated a clique of pro-Soviet radicals from inside Fatah, the moderate core of the PLO, to rebel against Arafat. Fatah favors a negotiated settlement to the Arab-Israeli crisis and improved PLO relations with the United States.

A mutiny subsequently took place among Palestinian troops stationed in Lebanon's Bekaa Valley. The operation was crafted to terrorize PLO Chairman Yasser Arafat into cooperating with Moscow's strategic designs on the region, or, failing that, to eliminate him.

It may be concluded that it is not only the Israelis who would like to see Arafat dead. The Soviet Union, along with its allies in Libya and Syria, would as well.

The neutralization or liquidation of Arafat would put the PLO squarely into the hands of the radicals, who would begin to carry out terrorist hits against U.S. installations and U.S. allies in the region, propelling the Middle East toward war.

The last weekend in May, the "rebels" seized, by armed force, PLO supply depots in Syria, and reportedly attempted to kill Arafat on May 30. According to informed Middle East sources, certain leaders of these "rebels" are trying to transform the PLO into a terrorist structure modeled on the Abu Nidal gang, which has murdered leading PLO moderates over the years.

Rebel spokesmen have already promised to step up terrorist raids into Israel, countermanding Arafat's orders for restraint and pushing the crisis between Israel and Syria closer to the edge.

One well-briefed Washington source with ties to the Israeli Mossad had the following to say: "The real war in the Middle East is the war between Syria and the PLO. Arafat is finished. It is just a question of time when he will be killed. The semi-moderates will disappear, and there will be one united PLO left, led by people like George Habash [leader of the terrorist Popular Front for the Liberation of Palestine]."

"These people within the PLO who are attacking Arafat are, willingly or not, playing into the hands of those forces trying to destroy the Palestinian movement and to sabotage negotiations for the creation of an independent Palestinian state," Democrat Lyndon LaRouche charged in a May 31 news release. "There are only two possible explanations for this: Either they are actually traitors within the PLO's ranks, or they are being manipulated by forces committed to the PLO's destruction."

"Those elements in the Moscow leadership who are attempting to use those 'rebels' for wider Soviet strategic purposes," LaRouche continued, "are also responsible for this crisis. The 'rebels' are the same type of creatures who murdered PLO peace spokesman Issam Sartawi in Lisbon,

Portugal, on April 11. Such individuals are no better than dogs."

The Saudis are clearly worried by the insurrection against Arafat. On May 20, the Saudi newspaper *Al-Medina* accused the Soviet Union of masterminding the rift inside the PLO.

Al-Medina also linked the Soviets to an ongoing plot to partition Lebanon. "It is not difficult to trace the Soviets' fingerprints in Lebanon to disintegrate the country's national unity and divide it into small states."

A statement issued by the central committee of Fatah on May 21 attacked the British Broadcasting Corporation for throwing its weight on the side of the rebels by deliberately beaming "hostile propaganda . . . whose primary aim is to create confusion among our Palestinian people." As Arafat well knows, the BBC conducted a similar service for the Khomeinians prior to their takeover in Iran.

Islamic fundamentalist and radical assets within the PLO are currently being activated for new terrorist strikes against American interests in the Middle East, which would bury Arafat's efforts to open channels to the United States for peace negotiations.

The London magazine *Arabia and the Islamic World Review*, a mouthpiece of the fundamentalist Muslim Brotherhood, in its latest issue called on the PLO to attack American embassies in the Middle East. The magazine noted that the "blow to America was severe" when the U.S. embassy in Beirut was destroyed on April 18, and that "the Americans are finding themselves lonelier than ever in the Middle Eastern desert."

The article concluded: "If it takes a blast in an American embassy to alert the people in Washington to the mess they are causing, then the PLO had better get to business unless someone else does."

International Intelligence

Mexican police nab terrorist Morales

In a move that will begin to crack the will of international terrorism, and undoubtedly embarrass the Federal Bureau of Investigation, a team of Mexican federal police captured William Morales of the FALN during the last week of May.

Mexican officials have reported that Morales intended to become the new "Carlos the Jackal" and lead a reign of terror against the United States, Mexico, Guatemala, El Salvador, and Nicaragua.

Morales, who eluded the FBI-run Joint Terrorist Task Force since his escape from federal custody in New York in 1979, confessed in Mexico City that he was planning a major terrorist action against the Inter-Parliamentary Meeting of U.S. and Mexican legislators that had been scheduled from May 26 to 28 in Puebla.

Miguel Aldana, the Mexican commander of Interpol, reported that Morales had spent time in El Paso and Houston since his escape. Other sources have indicated that he also moved through Chicago, Miami, and San Diego.

U.S. law enforcement officials think that Morales was active in the recent FALN bombings in New York City.

Aldana added: "We knew that he'd been in Mexico for the past two years and was working with terrorists in the U.S and terrorists here in Chiapas, Chihuahua, and Puebla. While here, he made contact with Latin American guerrillas in the border state of Chiapas."

According to Aldana, Morales had been traveling between Puebla and Chihuahua, where he was teaching bomb-making techniques to groups of international terrorists. Morales's hands were mutilated in a "bomb factory" explosion before his previous capture in the United States.

It has been suggested that the arrest of Morales and other actions by Mexican authorities were made to stop possible preparations for a coup against the present government. The plotters have also been eager to end EIR founder Lyndon LaRouche's influence on the government, as he has advised the government on economic growth

policies for Mexico, which conflict with the prescriptions of the International Monetary Fund.

Authorities in Mexico had Morales under surveillance since at least mid-March when his safehouse in Puebla was rented. Police shot and killed Adelaido Billafranco, another terrorist who was with Morales, but three others escaped after wounding two federal police.

The police also raided a Morales safehouse in the city of Cholula, killing Patricia Judith Bidrio Anguiano and arresting two other members of the terrorist cell.

Sources in Mexico report that authorities are also investigating the support networks of the FALN in the north of Mexico, particularly the ultra-leftist *Comite de Defensa Popular (CDP)*, which has held public demonstrations in support of the FALN and the Republic of New Africa.

The leftist paper *Uno Mas Uno* has launched a "human rights" campaign in defense of Morales, while the *Liga Socialista of Puerto Rico* and the *Comite Especial de Apoyo a los Prisioneros de Guerra* have asked that President Miguel de La Madrid intervene to protect him.

German Club of Life founded in Karlsruhe

Over 130 delegates gathered in Karlsruhe, West Germany, May 28 for the founding conference of a new national organization of the Club of Life, an international pro-life group founded last October by Helga Zepp-LaRouche. Mrs. Zepp-LaRouche told the assembled scientists, doctors, trade union representatives, teachers, students, and members of the Pakistani People's Party that the first task of the Club of Life must be to mobilize mankind behind the doctrine of Mutually Assured Survival, through supporting the development of beam-weapon anti-ballistic missile defense.

The central problem we face, Mrs. Zepp-LaRouche said, is reversing the cultural pessimism of the population that has been rampant since the propagation of the writings of Nietzsche. She posed the special task for Germany today of combatting the widespread fear and pessimism by energetically

reviving Greek and Weimar classicism to awaken the creative powers of the citizens.

Other speakers elaborated on specific plans for global economic development. They included a representative of Japan's Ministry for International Trade and Industry; an engineer from the Rhein-Main-Donau water canal company; a specialist in Latin American development; a physicist from the Institute for Theoretical Physics in Giessen, who discussed the promise of space exploration and colonization; a Heidelberg chemist, who discussed the implications of biotechnology for agriculture; a Zairean agricultural engineer, who spoke about the need for large-scale agricultural projects on the African continent; and a factory-council member from Schleswig-Holstein, who demanded to know, "Where is the uproar against zero growth? Thirty-eight years ago persons who said such things as the Club of Rome were hanged at Nuremberg!"

Qaddafi sabotages OAU after setbacks in Africa

Libyan strongman Muammar Qaddafi has sabotaged the latest attempt to salvage the long-delayed Organization of African Unity (OAU) summit (which was originally to be hosted by Qaddafi in Libya) by raising bogus objections concerning the legitimacy of the Chad government.

Now, after the OAU has gone two years without a summit, in the midst of the worst economic crisis the African continent has faced since independence, Qaddafi is objecting to the plans for an early June summit at OAU headquarters in Addis Ababa, Ethiopia, and is calling for the summit to be postponed again, for as much as a year.

However, Qaddafi experienced a few setbacks in Africa in May. On May 17, the prime minister of Upper Volta, Thomas Sankara, a disciple of Qaddafi, was arrested by nationalist President J. B. Ouedraogo, ending Sankara's efforts to engineer closer ties with Libya. The Upper Voltan government came to power in a coup d'état last Nov. 7.

On May 18, the Central African Republic government asked a Libyan contingent of more than 50 troops, which had been

invited to the country last October, to leave the country. On May 27, the foreign minister who had been the architect of the closer relations with Qaddafi was replaced.

On May 23, the Libyan ambassador to Nigeria and a six-man delegation were denied entry into Nigeria after being held for more than a day at the Lagos airport. Although Qaddafi paid a four-day visit to Nigeria last month, he has long been suspected of fomenting unrest in the country.

Weinberger blasts Schmidt maneuvers

Recent statements by Kissinger-associate Helmut Schmidt that President Reagan is not committed to arms control negotiations with the Soviet Union were labeled as "absolutely incredible" by U.S. Secretary of Defense Caspar Weinberger speaking in Bonn. Weinberger made his criticisms of the former West German chancellor in a May 30 interview published in the daily *Die Welt*.

Weinberger said that Schmidt's statements "do an extreme disservice" and "seem to be an attempt to change positions" from Schmidt's earlier commitment to support the emplacement of the Pershing missiles in Western Europe.

The U.S. defense secretary's criticism of Schmidt was not reported in the U.S. press.

China admits sterilization 'important' state policy

The first indication that the Chinese government has admitted that it is committing forced sterilization came May 14 on a Chinese radio broadcast.

Reports quote Guangdong Province Deputy Governor Wang Pingshan saying: "The stipulation providing that either party, husband or wife, of those couples with two children must undergo a sterilization operation is an important technical policy laid down by the state Family Planning Commission."

A United Nations spokesman has said that if the reported program is going on, that

it would "cause serious problems for the U.N.," which bans such programs.

Reports in *EIR* and other Western publications have noted that forced sterilization is only part of China's population control program, which also includes forced abortions and economic reprisals against families with more than one child.

Long after this was known, the U.N. granted China an award for its population control program. China has announced that it intends to cut its population by hundreds of millions over the course of the next 100 years.

German ecologist welcomes crash of world economy

Jochen Mueller, who is credited with writing the West German Green Party's "alternative economic program," said in a discussion with a journalist that a "big banking crash" is a certainty, due to the "insoluble debt situation in the Third World." All efforts to solve the problems by means of IMF restructuring are doomed to failure because, as Mueller put it, "the political conditionalities called for by the IMF cannot be accepted by the Third World, or if accepted, [the situation] would even be worse than before. There are revolts against the conditionalities in many countries."

The main cause of the crisis is, according to Mueller, "the high-technology exploitation of the world" and the "absurd military build-up everywhere leading to massive inflation." Mueller welcomes the collapse because it will wipe out all illusions about the possible continuation of the industrial system and will pave the way for "a new world economic system based not on high, but on appropriate technologies," a euphemism for murderous austerity.

This kind of analysis of the world situation advocated by the greenies was discussed recently with a high-level delegation from Cuba, led by Dr. Dantiago Frayle, the president of the West European Studies Center in Havana. Dr. Frayle said that he "appreciated the emerging of the Green Party as the only political force in the whole industrial sector which is for the interest of the Non-Aligned movement."

Briefly

● **HELMUT SCHMIDT**, former West German chancellor, coordinated a Williamsburg "counter-summit" near Hamburg, West Germany in late May. Attendees included former World Bank president Robert McNamara, top officials of Royal Dutch Shell, and former Bank of Italy chief Guido Carli.

● **SPANISH COMMUNIST** Party representatives have just concluded meetings in north Africa with representatives of the Polisario guerrilla group, which Libya backs against the governments of Algeria and Morocco. Spanish Premier Felipe Gonzalez has been cultivating good relations with both of these governments.

● **POPE IGNATIUS IV**, the head of the Antiochan Orthodox Church, is making an unprecedented two-week stopover in France from late May to early June. The Antiochan Patriarchate is based in Damascus, Syria.

● **THE LIBERATION** struggle of Iraqi Kurds will be the subject of a week-long conference in early June in Bologna, Italy. A similar conference will be held in Paris in mid-June, sponsored by the International League for the Rights of Man.

● **VENICE** was the scene of a week-long conference on the theme "The History of Relations between Venice and China."

● **FORMER ISRAELI** Defense Minister Ariel Sharon left Israel June 1 for a special visit to Canada.

● **NICK VELIOTES**, and possibly even his State Department superior George Shultz, are rumored to make a career shift soon.

● **A MEMO**, little noticed at the time, was issued May 20 at Foggy Bottom, titled "Action To Control Rodents in New State," referring to the State Department's more modern office sectors. Next came the departure of Thomas Enders and Deane Hinton.

George Shultz and the back channels to Moscow

by Richard Cohen in Washington, D.C.

A high-level White House source has conveyed growing fears that President Reagan, under the coaching of some of his political and media aides and the intense lobbying efforts of Secretary of State George Shultz, may opt to support former British Foreign Secretary Lord Peter Carrington to replace outgoing NATO Secretary General Joseph Luns later this year. The contestants for this critical position are now said to be Carrington, who is Henry Kissinger's business partner, and former Belgian Prime Minister Leo Tindemans. Presidential support for Carrington may, according to these sources, be the "sweetener" for what several White House sources have told me is the President's adamant refusal to walk through a "back-channel" to Moscow, a channel being carved by Shultz and a clique of Kissinger followers.

These sources also insist that the President has no intention of renegeing on his commitment, made in a nationally televised address on March 23, to develop anti-ballistic missile systems and simultaneously pursue serious arms control negotiations without the 20-year doctrine of Mutually Assured Destruction (MAD) framework. The President, according to these sources, has no intention of bargaining away U.S. strategic rearmament to either the Soviets or the U.S. Congress. To emphasize this point, early reports are that the President will reject State Department plans and instead side with his Defense Department and National Security Council aides the second week in June when the full National Security Council meets to examine changes in the U.S. posture for the renewed START strategic arms-control talks. The President is prepared to back off from all verbal commitments made in late April and early May under the guiding hand of the Com-

mission on Strategic Forces headed by Brent Scowcroft, former Kissinger National Security Council aide and board member of Kissinger Associates, Inc., including the so-called "bulldown" tactic.

As a sop to his opponents for refusing to reverse March 23 and slink pliantly, hat in hand, to Moscow under the guidance of Shultz and Scowcroft, Reagan may support Carrington's bid. My sources see such a "sop" as dictated by a misguided sense of legislative imperatives. On the same track, the President reportedly asked a reluctant Scowcroft at a private May 23 White House meeting to maintain his Commission into the indefinite future, a move which is considered necessary if funding for MX missile development is to be forthcoming from Congress.

Since mid-April, forces associated with Shultz and Kissinger have dramatically escalated their bid to seize policy control within the Reagan administration. They have entered into increasingly open collusion with Soviet chief Yuri Andropov and the Soviet KGB for the purposes of constructing a "back channel" of negotiations under their supervision between Andropov and the White House. The immediate target of those "back channel" negotiations is the substance of the President's March 23 announcement, a topic upon which Andropov and his assets have made themselves quite clear. Indeed, FBI Director William Webster, a member with Shultz and Kissinger in the Mandalay Lodge of the Masonic Bohemian Grove cult, has kept silent on a massive influx of Andropov KGB operatives into the United States this month (see Editorial). The clear purpose of the KGB move is to profile the American people and government in order to as-



Mary Anne Fackelman/The White House

Shultz and Reagan in the summer of 1982 as the "faceless administrator" was beginning to set in place his special operations.

sess how Soviet blackmail might weaken Reagan politically at home, thus increasing Shultz's leverage at the White House.

Yet, however they may seize upon the President's legislative vulnerabilities, which were highlighted by the creation of the Scowcroft Commission, the Shultz gang will be solidly rebuffed by the President on their entire "back channel" operation, and it is by no means certain that they will get their important consolation prize of Presidential acquiescence to the Carrington appointment.

In mid-April, the Shultz forces escalated, identifying two other overlapping Reagan vulnerabilities to be manipulated. The immediate failure of the White House to construct without hesitation economic and foreign policy on the basis of the President's new strategic doctrine left the White House in a position to be blackmailed as they sought allies for their short-term policies in the Middle East and Central America. Secondly, manipulated disasters in those and other "hot spots" combined with a sharp collapse of the world economy by late 1983-early 1984—all reversible by the full implementation of the March 23 commitment—could be transformed into bludgeons in the 1984 presidential race, as I will outline next week.

AFL-CIO President Lane Kirkland, now on the public record as an opponent of the March 23 "Mutually Assured Survival" strategic policy, and Israeli Defense Minister Moshe Arens, both Shultz intimates, have been recruited for this task. They have been joined by a large supporting cast including former Ford administration Treasury Secretary and longtime Kissinger co-plotter Alan Greenspan, plus the four leading announced Democratic candidates for president,

Walter Mondale, John Glenn, Alan Cranston, and Gary Hart, all of whom have condemned Mutually Assured Survival.

The Shultz plan

On May 23, the same day Scowcroft met privately with Reagan, the general told the Washington press corps that the United States must "turn to a new kind of private discussion altogether out of public view" in negotiations with the Soviet Union. Scowcroft was echoing a call made earlier this year by his boss Kissinger in an interview in *Parade* magazine, a call for a "back channel" to the Soviet leadership to be arranged by the Reagan administration. Kissinger emphasized in the interview that it was under this cloak of secrecy that he established private contacts with the Soviet leadership in 1969-71 which ultimately led to "détente" and SALT I. The interview was conducted by Tad Szulc, a former columnist for the *New Republic* and colleague of its former editor Michael Straight, now a self-admitted KGB agent. *Parade* itself is reputed to be an outlet for anglophile elements within the CIA.

On May 26, the day after Kissinger had a private luncheon with President Reagan, Shultz dispatched former New York Governor Averell Harriman and an entourage including former State Department Soviet specialist and Harriman hand Marshall Shulman (who is also an official consultant to Shultz's State Department) to Moscow for four days of meetings with Andropov and Soviet Foreign Minister Andrei Gromyko. According to State Department sources, Harriman had maintained consistent contact with Shultz prior to his trip and will be the first official he reports to on his return.

However, well before the highly public Harriman trip, close associates of Shultz, Kissinger, and Carrington had entered into "back channel" negotiations with representatives of Andropov. For several months Helmut Sonnenfeldt, a consultant to the Secretary of State and Henry Kissinger's alter ego for a very long time, has been secretly meeting with Egon Bahr, the originator of "détente," chief adviser to former West German Chancellor Willy Brandt, and a communication link to the Soviet Politburo. It was Bahr whom Kissinger secretly met with in 1969-71 to establish his "back channel" to Moscow; reportedly, Bahr has acted as a channel for private discussions on intermediate-range missiles for Andropov and Sonnenfeldt's current boss.

In addition, earlier this year Kissinger Associates, Inc. board member and former Kissinger Undersecretary of State for Economic Affairs William D. Rogers joined one of Bahr's co-thinkers, Socialist International celebrity Anthony Wedgwood Benn, and current British Labour Party candidate for Prime Minister Michael Foote for meetings at the KGB front IMEMO in Moscow. Benn and Foote are in turn allied with two Carrington intimates, Scottish Freemasonic leader and Soviet-expert John Erickson, and Field Marshal Michael Carver, chairman of the Scottish-Soviet Friendship Society. Reportedly the discussion centered on an Anglo-Soviet separate deal on Euromissiles.

On the day Harriman left for Moscow, ABC correspondent John Scali broadcast that he had received confidential information reporting that the Soviet ambassador to the United States, Anatoly Dobrynin, is now personally heading up an embassy task force to gather information and assess for the Soviet Politburo the political state of the Reagan administration and the prospects for the 1984 American elections. While White House sources could not confirm the Dobrynin operation, they indicated that the Soviets have initiated a scaled-up profiling operation designed particularly to assess potential points of intervention against the President in the 1984 presidential election process.

In addition to those operations, during the week of May 23 high-level Soviet/KGB operatives flooded into Minneapolis to start a series of 33 meetings across the nation with the Washington-based KGB-linked Institute for Policy Studies (IPS). The institute is headed by Marcus Raskin and Arthur Waskow, radicals who as high level staffers in the Kennedy National Security Council rebelled against the President's handling of the Cuban Missile Crisis and later organized the "Days of Rage" siege against the Democratic Party Convention in 1968.

According to informed sources, the conference series form part of a psychological warfare campaign being orchestrated by the "Arbatov mafia" to influence U.S. popular opinion on the issues of the nuclear freeze, the defense budget, and Central America—in short, to set up the national apparatus to assault Reagan as a "warmonger" while the conflict in Central America heats up and the U.S. deployment of

Euromissiles draws near. An eyewitness at the Minneapolis event has reported that the focus of all 33 conferences will be a full-scale attack on the President's March 23 beam weapon development commitment.

Washington intelligence sources say that representatives from the Soviet Embassy in Washington, D.C. now meet every two days with representatives from IPS and the IPS-penetrated and -controlled American Federation of Government Employees (AFGE), the only AFL-CIO union supporting the presidential candidacy of Alan Cranston. Using IPS capabilities, the AFGE runs a massive snooping operation throughout the federal bureaucracy; it becomes a matter of interest that FBI director William Webster and Lane Kirkland have not whispered a word about this security threat.

'Project Democracy': from strategic consensus. . .

Soon after George Shultz assumed his position at State, last summer he initiated regular meetings at the State Department with an old acquaintance he had made during his tenure as Secretary of Labor, Lane Kirkland. It was those early meetings between the two which gave impetus to "Project Democracy."

Project Democracy is on paper a bipartisan global outreach program to be run through the AFL-CIO in coordination with Democratic and Republican Party committees and foundations.

The true purpose of Project Democracy, however, is to provide worldwide cover for espionage, propaganda and special operations directed by the State Department, the AFL-CIO, and Israeli intelligence. In short, under the banner of bipartisanship, the United States would gradually hand over to the anglophile State Department, to Kirkland, and to the Mossad, central control over various levels of foreign covert operations.

On the Hill, Project Democracy is strongly supported by the Democratic leadership, especially by Rep. Dante Fascell (D-Fla.) of Miami, a longtime asset of the Foreign Affairs division of the AFL-CIO and certain elements of the Zionist Lobby.

Shultz and his collaborators saw in the plan an opportunity to seize upon a glaring vulnerability in the Reagan administration's strategic approach. Reagan's initial strategic rearmament plan was aimed at closing a "window of vulnerability" which, unless the United States undertook strategic modernization, would give the Soviet Union widening military superiority in the 1980s. Yet even with fullscale modernization, the administration projected a period between now and the mid-1980s in which the "window of vulnerability" would still remain open. Administration strategists were also convinced that the Soviets would use this superiority to push insurgencies and press for concessions from the United States.

To counteract Soviet moves during the period of vulner-

ability, the administration undertook a policy of so-called "strategic consensus" aimed particularly at the Middle East, but with global application. "Strategic consensus" required the building up of regional fortress-like "anti-communist" alliances aimed at withstanding Soviet-backed pressures.

Kissinger and Shultz, in collaboration with Harrimanites in the Democratic Party, strongly opposed Reagan's strategic modernization program, piously invoking "fiscal restraint."

Thus, "Project Democracy" is a first step in getting the United States to hand over to Shultz, Kirkland and Arens centralized control over the mechanisms of "strategic consensus." With this in hand, they believed they could gradually contain a U.S. strategic buildup by redirecting military expenditures toward beefing up capability for Vietnam War-style low-intensity operations, ostensibly for use against Soviet surrogates, as Gen. Maxwell Taylor and former Defense Secretary Robert McNamara have hysterically demanded.

. . . to 'Project Lavie'

The Shultz plan suffered a mammoth blow on March 23 with the announcement of Reagan's new defense doctrine. Moving beyond initial attempts to contain the President through the creation of the Scowcroft Commission, Shultz consolidated his relationship to the new Israeli defense minister, Moshe Arens.

Thus in mid-April, alleging he was too busy with preparations for the Williamsburg summit, Shultz sat on his hands while war between Israeli and Syrian-PLO forces in the Bekaa Valley appeared imminent. The President urged Shultz to make an immediate trip to the region. Shultz, having gleefully watched the Israeli-Soviet rigged pressure build, told Mr. Reagan that in exchange for Israeli flexibility, he would require at minimum presidential approval for part of the centerpiece of Arens's new global Israeli military doctrine, the Lavie jet fighter. Reagan gave in, despite the objections of Defense Secretary Caspar Weinberger.

However, as described in detail in a new *EIR* multi-client report, Lavie is far more than a new advanced Israeli jet fighter. These sources report that Lavie is, in fact, the "hardware" component supplementing "Project Democracy."

First, Lavie is aimed at making Israel a center of "Western" arms shipments to "allies" in the Third World. Second, Lavie is aimed at promoting Israel as an intelligence and logistical reserve for low intensity counterinsurgencies and insurgencies in the Third World. Finally, under Lavie, Israel, and its central collaborator South Africa would use former West German intelligence bases in Zaire for high-tech military research and development—including the testing of intermediate-range ballistic missiles.

According to my sources, Shultz sought immediate implementation of Lavie in his shuttle negotiations with Arens. And, as part of the ostensible quid pro quo, he sought and obtained a more direct Israeli role in Central America.

Regarding the Middle East, national security sources in

the Pentagon and White House are privately warning that the Shultz orchestrated Lebanese-Israeli withdrawal agreement transfers U.S. prerogatives in the region to Israel and the Soviet Union. They agree that Syrian conditions for withdrawal from Lebanon would certainly be vetoed by Israel, putting the region on an even tighter hairtrigger—and leaving only Israel and Moscow with their fingers on the triggers.

In addition, individuals associated with the Washington-based Center for Strategic and International Studies (CSIS) and the British-front Heritage Foundation who are fierce supporters of "Project Democracy" and "Project Lavie" are reported by my intelligence sources to have recently put tremendous pressure on the government of Taiwan to invest their surplus foreign exchange in the new Israeli jet. In return, the Israelis would promise to become a larger, reliable supplier of arms to Taiwan in the future, particularly in the area of aircraft.

My source also indicates that these individuals have simultaneously joined the State Department in a covert campaign against Japanese Prime Minister Nakasone because his strategic and defense policies might provide an alternative to the Israeli Lavie in the region. The attack on Nakasone hit a snag, however, when the National Security Council staff in the White House on May 26 overruled a State Department handout for the Williamsburg summit that included an only slightly veiled attack on Japan for supposedly unfair trade practices. Summit documents were under the control of Shultz mentor Undersecretary of State for Economic Affairs W. Allen Wallis.

Lavie backers at Kissinger's Georgetown University have been deployed to Africa to oversee security for Israel, and are testing facilities in Zaire, according to intelligence sources. Reportedly these individuals have recruited the help of West German intelligence, the Belgian government, and troops from several French-speaking African countries, as well as South African military intelligence, to oversee Lavie security.

Weinberger has resisted the Lavie Project, while Sen. Paul Laxalt (R-Nev.), one of Reagan's closest confidantes and General Chairman of the Republican National Committee, was responsible for torpedoing temporarily "Project Democracy" in a Senate appropriations subcommittee vote during the week of May 23 (see *Congressional Closeup*). Such opposition will ultimately fail, if the President and his advisers miss the opportunity for immediately closing the "window of vulnerability" and replacing the compromise-forcing policy of "strategic consensus" with the full military, political, and economic breakthroughs possible through immediate action on the President's March 23 commitment.

Some people at the White House are sensitive to their predicament. In the late summer, an inter-agency task force will be initiated to study the full impact of the March 23 policy announcement, including its economic spinoffs. Others want to speed up the actual implementation of the new doctrine. All this may fall short if action is not immediate.

Averell Harriman: agent of the British-KGB alliance to undercut the United States

by Kathleen Klenetsky

Averell Harriman's end-of-May trip to the Soviet Union for meetings with Kremlin chief Yuri Andropov demonstrates whose interests the Democratic Party is actually serving by its vehement attacks on President Reagan's proposed new strategic doctrine of Mutually Assured Survival.

Since the President presented his directed-energy beam-weapon plan on March 23, it has been a tossup whether the Soviets or the Harriman wing of the Democratic Party have mounted the greater opposition. Now Harriman—who in a Jan. 20 *New York Times* op ed called the former KGB chief a “pragmatic” leader, seriously interested in negotiating with the United States—has increased the pressure on the President. By meeting with Andropov in such a well-publicized fashion, Harriman no doubt hopes to paint Reagan as the real obstacle to improved relations between the superpowers, setting the stage for an international mobilization against Reagan and his “warmongering” strategic policy.

If Harriman succeeds, he will be aiding and abetting the most fanatically anti-American tendency in the Soviet Union, the “Third Rome” cult whose ascendancy over Soviet policy was consolidated by Andropov's elevation last November. This cult is committed to conquering the world—including the United States—and establishing a new empire. Their policy is not based on any latter-day Marxist ideas, but stems from the 15th-century doctrine of the Russian Orthodox Church that the Czar, or Caesar, of Holy Russia would become the third and final heir to the Roman Empire (see *International*).

The economic power of the United States is the major obstacle to the “Third Rome.” Thus, for years, the Soviets have been conducting “back-channel” collaboration with the dominant political oligarchy in the West, through the likes of Averell Harriman, to gain leverage in undermining the United States.

Harriman has never believed that “communism” was the basis of the Soviet state. Like his British allies, he has always seen the Soviet Union as a new version of the old Russian imperialist state. Over the course of his 50 years as a “Soviet handler,” Harriman and his British allies performed a balancing act toward the Soviet Union. Committed to preventing rapprochement between pro-industrialist currents in the Soviet state and similar factions in the West, they encouraged the fanatically anti-Western Third Rome faction.

At the same time, they wanted to keep the Third Rome tendency in check, so that it could not threaten the existence of the Anglo-Saxon British empire itself. As World War II

came to a close, Harriman and Churchill initiated the Cold War to prevent further Soviet territorial expansion into Europe.

British imperialist in bed with the KGB

As the dean of American Soviet handlers, Harriman has played a crucial role during the last 40 years in shaping U.S. policy toward the Soviet Union and, consequently, U.S. military and strategic policy as well. He has wielded this influence directly, as ambassador to Moscow, disarmament negotiator, adviser to Presidents; and indirectly, through the large and highly placed network of Sovietologists, diplomats, and other “experts” that he has painstakingly built over the years. Almost every important official with input into U.S. Soviet policy in the post-World War II period was trained in the Harriman school: Cyrus Vance, Marshall Shulman, Charles Bohlen, George Kennan, William C. Foster, George Ball, and Llewellyn Thompson are a few of the influentials who figure in Harriman's “old boy” network.

Harriman's control over Democratic Party policy formulation ensures that most official party pronouncements will adhere to Harriman dictates. Harriman's influence in this sphere dates from the early 1950s, and is wielded today through official party channels, notably Democratic National Committee chairman Charles Manatt, and unofficial ones such as the Democrats for the '80s, a political action committee run by Harriman's wife Pamela, and the Center for National Policy, a Washington-based think tank headed by Cyrus Vance.

Though Harriman and his protégés have occupied positions of great influence in the United States government, they have emphatically not acted on behalf of American national interests. Harriman and his collaborators have operated as de facto agents of the British oligarchy, which shares one immediate tactical goal with the Third Rome imperialists in Moscow: the destruction of the United States as a great world power.

To this end, Harriman and his network have pushed economic and foreign policies aimed at turning the industrial and military infrastructure of the United States into a toothless “post-industrial” heap.

The Harrimanites oppose Reagan's directed-energy beam program (which alone can insure the survival of the United States as a powerful and sovereign republic) for the same reason they propose to implement the *Global 2000 Report's* formulas for mass extermination, formulas prepared by Harriman ally Vance for a Harriman-picked President, Jimmy

Carter—to ensure that the United States will never again be a superpower. As Harriman has said, he believes the United States should become a “cooperative economy” and that “our social and economic system [should work] toward the Swedish Socialist concept.”

The Moscow and London links

Harriman is the only American ever to have served as ambassador both to the Kremlin and to the Court of St. James. The American branch of the family was founded by a functionary of the British royal household shortly after the Revolutionary War, and continues to maintain personal and political ties to the British elite. After divorcing one wife and outliving another, old Ave managed to marry a British aristocrat. His present wife, Pamela, is the daughter of an English baron and the former daughter-in-law of Winston Churchill, Harriman’s longtime friend and political ally.

Harriman’s Soviet connections may not be quite so intimate, but they include a wider range of Soviet officials and others, and are probably longer-standing than those of any other American.

According to Harriman’s own testimony, his fascination with Russia dates back to his youth. In his 1975 book, *Special Envoy to Churchill and Stalin*, he says of himself that “as a young man, he was eager to see for himself what the Bolsheviks could accomplish in the way of transforming their vast and backward country.” It takes no prolonged reading between the lines to conclude that Harriman was deployed early by his family and related Anglo-American circles to profile the new Soviet regime.

Harriman’s first direct relations with the Soviet Union occurred in the early 1920s. As an up-and-coming international banker putting together large loans for such clients as Benito Mussolini, Harriman decided that, with the Soviets hungry for foreign capital, business would afford the best route into the Soviet power structure. In 1924, he participated in his first Soviet economic deal, a consortium arranged by the Warburg bank in Hamburg which bought up discounted Russian notes held by German manufacturing firms. In 1924, through his newly founded W. A. Harriman and Company bank, he became one of the few foreigners to be granted a concession under Russia’s New Economic Policy to exploit a large manganese deposit located in the Georgian Caucasus.

Two years later, in 1926, Harriman made his first of many trips to the Soviet Union. His special status enabled him to travel widely and to make contact with Russians both within and outside the bureaucracy. Among those he met with were Leon Trotsky, the British agent who at the time headed the Concessions Committee, and Trotsky’s principal assistant, a Bulgarian named George Andreichin, who had been educated with Crown Prince Michael of Bulgaria.

There is ample evidence to suggest that Harriman also used this trip to establish contact with the Third Rome faction, or at least the British intelligence networks trying to encourage its growth. Harriman made a special point of jour-

neying to Tiflis, location of the Armenian Orthodox Seminary where Anastas Mikoyan was educated. Mikoyan later became one of Harriman’s most important Soviet contacts. Harriman also began what was to become a long and intimate relationship with Alexei Tolstoy, relative of Count Leo Tolstoy, the Russian novelist who helped lead the Pan-Slavic “Old Believer” revival during the 19th century.

During the same 1926 trip, Harriman made friends with another American close to the Soviet secret police, the notorious Armand Hammer, who now shares control of Libya’s Qaddafi with the KGB. Harriman spent much of his time in Moscow at Hammer’s palatial residence, known as the Pleasure Dome, a gathering place for the various intelligence agents then scurrying around the capital.

In His Majesty’s service

Harriman returned to Moscow in 1941, shortly after Hitler launched his march to the East. By now, he was at least partially aware of the Third Rome belief structure and its significance for Russian politics. Appointed by President Roosevelt as his special envoy to Stalin, Harriman’s designated task was to assess the Soviet internal situation and to determine what aid the Soviets required from the West to fight the Nazis.

Harriman had just completed a tour of duty in London as F.D.R.’s expediter of the Lend-Lease program, during which time he had renewed his friendship with Winston Churchill. Harriman had first met Churchill in 1927 in Cannes, where they discussed the American’s trip to Russia.

Accompanying Harriman to Moscow was Churchill’s Minister of Supply, Lord Beaverbrook. The two worked as a team. One of their first actions was to persuade Stalin to name Maxim Litvinov—a British asset in whom, Harriman coyly wrote later, both he and Beaverbrook “had confidence”—as ambassador to Washington, on the pretext that the present Soviet representative was pressing too aggressively for Western aid. Although Litvinov had fallen into disfavor, Stalin acceded to the request.

Harriman has made little attempt to hide the fact that by the time he arrived in Moscow, if not before, he had completely aligned himself with British war aims. These at bottom included keeping the Soviets and Nazis at each other’s throats, until both collapsed, while maintaining the integrity of the Empire. The British strategy was to give Russia just enough aid to keep her from making a separate peace with Germany (which would free Hitler to deploy his forces against British holdings), but not enough to allow her to beat back the Nazi onslaught without being bled to death in the process. As Harriman, an avowed believer in Anglo-Saxon supremacy, later wrote, “To me, Hitler’s diversion to the East came as a most welcome relief.”

Thus, during the course of the wartime “alliance,” the British continually sabotaged the Soviet war effort, holding back convoys carrying vital arms and equipment and, more significantly, repeatedly overruling both F.D.R.’s and Stalin’s

request to open a second front in Europe against the Nazis. Although F.D.R. had pressed for a second front to be launched as early as 1942, it was not until two years later, after Hitler's "Operation Barbarossa" had been effectively turned back, that Churchill gave the green light to the Normandy landing. Harriman, whom as a nominal American Stalin apparently trusted more than the British, was constantly justifying Britain's perfidy both to the Soviet chief and to Roosevelt, tendering one excuse after another for British actions.

The net effect of Britain's machinations was certainly not the dissolution of the Soviet state. Rather, the British helped create the conditions which led a desperate Stalin, his back to the wall with Nazi troops pressing at the gates of Moscow, to make his fateful pact with the "Mother Russia" lunatics, an event which began the ascendancy of the Third Rome faction in the Soviet Union.

While Harriman was conspiring with the British to withhold materiel from the Russians, he was also attempting to loot the United States to aid the British war effort. As America's representative to the Combined Shipping Board and the Combined Production and Resources Board in London, Harriman sought constantly to divert U.S. equipment and technology to the British, who, in typically stupid fashion, had let their own defenses dwindle after World War I, confident that their Nazi creation would move only eastward. At one point, Harriman even attempted to transfer the construction of ships from the United States to Britain, a maneuver which enraged defense officials back home and earned Harriman a reputation as a British flunky.

Harriman's constant pressure on Washington to agree to Britain's demands for a joint military command, which some U.S. circles accurately considered a sly British way of taking over the American war effort (and overall military strategy as well)—did nothing to change that perception. When Harriman began criticizing the civil defense program in his home state of New York, arguing that it took away from resources needed by Britain, the lid came off. "Even close friends seemed to regard me as unduly pro-British in my attitudes" after that, Harriman later complained. "But I could not help feeling that our domestic priorities ought to be redirected."

Harriman's fanatic anglophilia was no secret to President Roosevelt. "The British," his son Elliott noted wryly in his *Rendezvous With Destiny*, "enjoyed a further advantage in the presence of Averell Harriman, whose London job as expeditor of lend-lease shipments brought him into Winston's orbit, to be courted, dined, and entertained for weekends at Chequers [Churchill's country retreat]. . . . Harriman could be relied on to push a Churchillian view."

Hooking up with the KGB

Harriman spent most of the war in Russia, first as F.D.R.'s special envoy and then as ambassador, a post he held until 1946. He made good use of the time to consolidate old contacts and make important new ones. He revived his friendship with Alexei Tolstoy—who briefed him on the significance of

the "Mother Russia" revival which resulted from Stalin's pact with the Orthodox Church—and with the Bulgarian, Andrei-chin, recently released from a Soviet political prison. Harriman took pains to cultivate a group of up-and-coming Russian officials, including Mikoyan, then Commissar of Foreign Trade.

One of the most important operations Harriman was involved in during this period was a plan that had allegedly originated in Washington to set up an exchange program between the United States Office of Strategic Services and the Russian NKVD, a KGB predecessor. Sold in the United States as a means of fostering "cooperation" between the two intelligence services, while also permitting the United States to penetrate the Russian spy organization, the proposal would have opened the doors to a virtual invasion of the U.S. intelligence apparatus by the NKVD. It is difficult to believe that a man with Harriman's access to information did not know this. Nevertheless, he bent over backwards to push that proposal.

In early 1944, OSS head William "Wild Bill" Donovan arrived in Moscow to work out the details of this "exchange" arrangement with his Soviet counterparts. With Harriman and his military aide, General Deane, acting as intermediaries, Donovan held several long sessions with top officials of the Soviet security apparatus, including Lt. Gen. P. N. Fitin, chief of External Intelligence, and Maj. Gen. A. P. Ossipov. Another Harriman aide (and future ambassador to Moscow), Charles Bohlen, interpreted. The Russians debriefed Donovan thoroughly about the OSS's structure and functions—without, of course, offering in return any comparable information about their own organization. By the end of the meetings, Donovan and the Soviets had agreed to a tentative arrangement to exchange intelligence, as well as liaison officers to be stationed in each other's capitals.

Roosevelt suddenly intervened and nullified the plan. This threw Harriman into a rage. He immediately relayed a message to the President demanding reconsideration: "We have penetrated here for the first time one intelligence branch of the Soviet government and *I am certain this will be the opening wedge to far greater intimacy in other branches*, if pursued. I cannot express too strongly my conviction that our relations with the Soviet government in other directions will be adversely affected if we close the door on this branch of the Soviet government after they had shown cooperative spirit and good faith [emphasis added]." Roosevelt was not moved by his ambassador's arguments, and the plan—at least as an official arrangement—died.

Harriman never forgave Roosevelt for blocking the deal. In his memoirs, Harriman recounts that he and General Deane "were deeply disappointed. . . . What possible harm could there be in a small [Soviet intelligence] liaison mission that would operate openly [in Washington], trading official information with the OSS? It seemed to me the height of stupidity. . . ."

To be continued.

Hashemi documents classified 'Top Secret'

by Edward Spannaus

The U.S. Department of Justice has just upgraded to "Top Secret" the classification of documents subpoenaed by *EIR* concerning Iranian terrorism in the United States. The new classification level—the highest possible—was revealed in a memorandum submitted to U.S. District Court in Washington, D.C. on May 23 by Special Assistant U.S. Attorney Lee Strickland.

Last November, attorneys for *EIR* and related publications issued subpoenas to five U.S. government agencies for documents concerning the involvement of Cyrus Hashemi and Bahram Nahidian in Khomeini-sponsored terrorism in the United States during the Iranian hostage crisis. Hashemi is an Iranian banker and arms dealer who was widely reported to have conduited funds to Muslim Brotherhood terrorists in the United States in 1979-80. Nahidian is one of the principal on-the-ground controllers of Khomeiniac terrorism in the Washington area.

Three agencies, the Federal Bureau of Investigation, the National Security Agency, and the Central Intelligence Agency, have admitted to possessing "a substantial body of material" responsive to the subpoenas. Affidavits classified "Secret" from the FBI and the Attorney General were previously submitted to the court which described the "highly sensitive" nature of the FBI documents and claimed that the documents were protected from disclosure by a formal claim of "secrets of state." The NSA claimed statutory exemption from disclosure; the CIA has agreed to release portions of four cables if the court determines they are not subject to Privacy Act withholding.

At a hearing on April 25, District Judge Charles Richey directed the government to submit a detailed index of the documents for which the government is claiming privilege, and indicated that he would probably conduct an *in camera* inspection of at least some of the documents in order to determine if they should be released to *EIR*. In response to this request, the U.S. Attorney submitted additional affidavits to the court May 23.

The accompanying memorandum states: "Inasmuch as the full-text documents and affidavits are classified to the level of *Top Secret Codeword*, the respondents respectfully request that the United States Attorney continue to maintain the documents as required by security directives of the originating agencies. . . . Consistent with the classified, highly sensitive nature of this material, the respondents further request that only the Court itself have access to the material

and that necessary security personnel be permitted to deliver and await return of the classified materials."

EIR lead counsel Daniel Aharoni remarked that "the Justice Department's after-the-fact upgrading of classification to a level of grave and imminent danger to the national security seems to be nothing more than a transparent ploy to intimidate the court and prevent disclosure of the subpoenaed documents. . . . Based upon the evidence at hand, the only damage which is likely to result from disclosure is the embarrassment of high-level Carter administration officials who appear to have unwisely protected Khomeini agents during the hostage crisis."

EIR's legal briefs submitted in support of their Motion to Compel Disclosure pointed out the irony that the U.S. government is withholding evidence of foreign-sponsored terrorism being sought by U.S. citizens who are being sued by an acknowledged agent of the Khomeini regime. The government's withholding of vital evidence needed by the *EIR* and related defendants jeopardizes their ability to defend themselves in the \$60 million libel suit brought against them by Hashemi.

Meanwhile, Hashemi himself has been sued once again for fraudulent business activity. Merrill Lynch Futures Inc. (MLF) brought a \$6 million suit against Hashemi on April 11, charging that he had defrauded MLF of almost \$600,000. Using two companies he is alleged to control, York House Trading, Ltd. (incorporated in England) and Grosvenor Credit, S.A. (incorporated in Panama), Hashemi opened accounts with MLF in Geneva, Switzerland. After persistent failures to meet margin calls, MLF liquidated the York House and Grosvenor accounts, leaving a debit balance of \$580,762. The MLF complaint charges that "Hashemi's conduct as herein alleged was gross, wanton, and willfully fraudulent, and demonstrated such wanton dishonesty as to imply a criminal indifference to civil obligations."

The Merrill Lynch suit is viewed by some observers as an in-house fight within the intelligence community, since both Merrill Lynch and Hashemi are reported to have extensive ties to certain U.S. intelligence agencies.

Meanwhile, Hashemi is still facing a motion to dismiss his case brought by the *EIR* defendants in federal court in Atlanta, Georgia, where the main proceeding in *Hashemi v. Campaigner Publications, et al.* is pending. The motion was occasioned by Hashemi's repeated refusal to appear for deposition by *EIR*, despite court orders directing him to do so.

Project Democracy set back in Senate

"Project Democracy," a proposal of Secretary of State George Shultz that the government fund "democracy-promoting programs" of such non-official institutions as Lane Kirkland's AFL-CIO, suffered a setback in the Senate May 26, when the Appropriations Committee rejected the administration's request for \$20 million in funding to be added to the FY1983 supplemental appropriation.

Senators including Republican National Committee general chairman Paul Laxalt objected to appropriating money for a controversial program that has not yet received proper authorization.

The House has appropriated \$15 million for the project in the supplemental appropriation, but the Senate is expected to delete the funds in House-Senate conference. Project advocates are redoubling efforts to get the program properly authorized and the money appropriated for fiscal year 1984.

According to Capitol Hill sources, Democratic Party pressure is being brought to bear to force the project through. Numerous Democratic Party leaders are said to be calling Sen. Fritz Hollings (D-S.C.) to overcome his resistance to the scheme. Hollings is the ranking minority member on the Appropriations Subcommittee on State, Commerce, Justice and the Judiciary. The Appropriations Subcommittee on the House side reluctantly approved only a tiny amount of funding; yet three weeks later reversed itself and voted up \$15 million.

Some opponents of Project Democracy object to the increased operational capability the program would give to private networks, including right-wing Social Democrats, the

AFL-CIO, and the League for Industrial Democracy. Others oppose the plan because its programs would be promoted as a substitute for a genuine military and economic recovery in the United States and allied nations.

Senators violate rules to pass IMF quota

In an effort to force the \$8.4 billion International Monetary Fund quota increase through an increasingly reluctant Senate, IMF supporters added the funds to the FY1983 supplemental appropriations bill which was reported out of the Senate Appropriations Committee on May 26.

According to Capitol Hill sources, the original game plan was to pass the supplemental appropriation, including the IMF funds, *before* the Senate passed an authorization bill renewing U.S. participation in the IMF.

This violation of Senate rules was planned in the hopes that the procedural constraints that apply to floor action on an appropriations bill would prevent IMF opponents from making amendments the IMF supporters are unwilling to accept. After being forced to accept the IMF funding in an up-or-down vote on the appropriations bill, the Senate would be presented with the authorization bill as a *fait accompli*.

The supplemental bill is scheduled for floor action on June 8. However, the gross violation of Senate rules (the passage of appropriations for an unauthorized bill) may have backfired on its perpetrators, including Senate Banking Committee chairman Jake Garn (R-Utah), the Senate leadership, and IMF supporters in the administration. It now appears that the IMF authorizing bill, S. 695, is being scheduled for floor action on June 6 or 7.

No matter how this parliamentary maneuvering resolves itself, the full

dimensions of the bankrupt monetary system may soon force themselves upon the Congress; Congress then might radically amend the bill or reject it, as representing no solution to the crisis. As one source put it, "I think someone looked at Brazil and counted heads and decided that we had better get this vote over with very quickly."

The Percy amendment mandating U.S. consideration of membership in the supranational Bank for International Settlements remains part of the bill.

Hearings scheduled on R&D for manufacturing

Members of the Subcommittee on Science, Space, and Technology of the Senate Commerce Committee have introduced legislation and scheduled hearings on how to strengthen U.S. manufacturing through technological and scientific advances. Led by subcommittee chairman Slade Gorton, Senators Goldwater (R-Ariz.), Tribble (R-Va.), Heflin (D-Ala.), Riegle (D-Mich.), Lautenberg (D-N.J.), and Tsongas (D-Mass.) introduced S.1286, the Manufacturing Sciences and Technology Research and Development Act of 1983, on May 16. Hearings are scheduled for the second half of June.

In a floor statement accompanying the introduction of the bill, Gorton said: "Major breakthroughs are possible in the productivity of manufacturing because of potential and existing advances in robots and other programmable machine tools, automated materials handling, industrial uses of computers, lasers, and other exotic sensors allowing degrees of precision, of automation, and of production flexibility which are impossible with conventional manufacturing methods."

The legislation mandates the sec-

retary of commerce to establish a research and development program for industrial science and technology in the Department of Commerce, a provision that could provide the foundation for improving the productivity of U.S. manufacturing processes and methods.

The sponsors propose that a sum of somewhat less than \$200 million be spent over the next five years on the program. The *Executive Intelligence Review* has offered to provide the committee with the results of its study of the impact of plasma technologies on the U.S. manufacturing base.

Democrats want to stop plutonium production

Democratic presidential aspirants Sens. Gary Hart (D-Colo.) and Alan Cranston (D-Cal.), supported by Walter Mondale, introduced the Nuclear Explosives Control Act of 1983, S. 1326, on May 18. The bill would halt the production and export of plutonium, highly enriched uranium, and related technology.

The sponsors justify this assault on international nuclear energy development with the claim that there is a danger that nuclear weapons can be fashioned with material diverted from energy production.

In the House, population-control advocate Rep. Richard Ottinger (D-N.Y.) has introduced an identical piece of legislation, H.R. 3058, with Reps. Ed Markey (D-Mass.), Moe Udall (D-Ariz.), Don Bonker (D-Wash.), Michael Barnes (D-Md.), and Howard Wolpe (D-Mich.) as co-sponsors. Ottinger also introduced a related resolution on June 1 calling for a "global freeze" on production and export of plutonium technology. He is calling his efforts an extension of the nuclear freeze movement.

Among the steps that the legislation would mandate would be "banning U.S. exports of enrichment and reprocessing technology"; establishing a moratorium on foreign reprocessing of plutonium from spent fuel originating in the United States; barring U.S. exports of highly enriched uranium as soon as foreign research reactors can use alternative fuels; and requiring an automatic cutoff of all nuclear and other assistance to nations that explode nuclear devices. Ottinger singled out India, Pakistan, South Africa, Argentina, and Brazil as nations that "are now testing the depth of the U.S. resolve to combat the spread of nuclear weapons."

In their attacks on the Reagan administration's alleged laxity on nuclear non-proliferation, sponsors made clear that their real target was halting nuclear energy development. Markey cited the fact that the administration had "eliminated the ban of the previous two administrations on *domestic* reprocessing of plutonium from spent fuel, and promoted reprocessing, plutonium use, and breeder development *at home* and abroad [emphasis added]." Ottinger claimed that the administration's commitment to "not inhibit" civil reprocessing and breeder reactor development "in nations with advanced nuclear power programs where it does not constitute a proliferation risk" was "self-contradictory and self-defeating" for efforts at non-proliferation.

Noticeably absent as a co-sponsor was Sen. John Glenn (D-Ohio), the author of the 1978 Nuclear Non-Proliferation Act and one of the most fervent advocates of non-proliferation. While some Capitol Hill observers speculated that Glenn might be shifting his stand to gain pro-nuclear labor support, Glenn staffers protested such suggestions.

Senate subcommittee only wants the 'little crooks'

The Senate Permanent Investigations Subcommittee (SPIS), which in February released a report titled "Crime and Secrecy: The Case of Offshore Banks and Companies," narrowed its sights in follow-up hearings on May 24. The February report was an exposé of certain aspects of the network of British- and Swiss-connected offshore (and onshore) banking havens and their role in laundering the financial flows of the international narcotics trade.

But in a staff statement summarizing the purpose of the May 24 hearings, SPIS revealed that it is primarily interested in the lower levels of the offshore networks, not the "legitimate" financial institutions which run "Dope, Inc."

The summary states: "We have found that the legitimate use of private banks [in offshore havens] is very limited and almost the exclusive province of major corporations and banks with their vast resources and long-established reputations. These owners are found primarily in established offshore financial centers such as the Bahamas, Cayman Islands, Panama, and Hong Kong. We are not particularly concerned with private banks which exist in these major offshore centers. . . . Offshore banking is vital to the international financial community."

The subcommittee, chaired by Trilateral Commission member Sen. William Roth (R-Del.), has chosen to ignore the activities of Dope, Inc. banks such as the Hong Kong and Shanghai Bank or the Bank of Nova Scotia, and instead is turning its attention to offshore banking havens such as Anguilla, Palua, Vanuatu, and the Northern Mariana Islands.

Time-Life features 'Destroying Missiles'

Recent high-level, open scientific debates at the national laboratories have featured Dr. Hans Bethe, IBM Chief Scientist Dr. Richard Garvin, and Stanford's Dr. Wolfgang Panofsky for the "nuclear freeze" faction, against Dr. Edward Teller and Livermore Lab scientists Lowell Wood and George Chapline. The debates are going badly for the anti-beam weapons network, all veterans of Bertrand Russell's 1950s "Pugwash conference" Anglo-Soviet disarmament campaigns. Reflecting the shift of this battle behind the headlines, Time-Life's mass-circulation popular-science magazine, *Discover*, carried a lengthy June feature entitled "Destroying Missiles With Energy Beams," based exclusively on interviews with scientists actually working on directed-energy weapons in the national laboratories. The article is detailed, accurate, and up-to-date, focusing particularly on the near-term potential of the "x-ray laser" and the longer-term promise of electron beams for ABM defense.

'Global 2000 attacks science itself'

Don Young (R-Alaska) has become the first U.S. congressman to attack the infamous *Global 2000 Report* for attempting to destroy science itself. *Global 2000*, prepared under the Carter administration, asserts that world resources will be utterly depleted by the turn of the century unless there are drastic cuts in present levels of consumption. The report claims that it will be necessary to reduce the world's population by 2 billion persons by that time.

"This document represents science of the worst kind—political science," Young said in a statement in the *Congressional Record* May 25. "By fabricating conclusions from sketchy data, by disregarding man's contin-

ual quest for creative solutions to problems, and quite simply, by ignoring some very well established facts, *Global 2000* went farther toward discrediting science than any other document since Lysenko's biological and genetic study or Galileo's recantation."

Young warned that "today in the United States, there is a growing political influence by those who practice . . . 'fudging' of scientific data and assumptions. The institutional environmental community—by that I mean those who earn their bread by creating controversy—in Washington and throughout the United States is systematically slanting data, fabricating ultimate conclusions from fragmented information, and scaring the American public out of their wits through 'scientific' studies with no basis in fact."

Peace movement, building 'third party'

Former Deputy National Security Adviser William Hyland, a Henry Kissinger protégé, and Leslie Gelb, a member of the Palme Commission on Disarmament and of the State Department during the Carter administration, led the "Women's Leadership Conference on U.S.-Soviet Relations," which also featured four members of the Soviet think tank IMEMO. The conference was held at Georgetown University in Washington, D.C. June 1.

Both Hyland and Gelb asserted that the policies of the Carter administration and the Soviet Union were responsible for the current crisis in U.S.-Soviet relations. The time was now ripe, Hyland stated, for the greatest improvement in U.S.-Soviet relations since the Eisenhower initiatives of 1953-55 after the death of Stalin. However, the President must act before the fall, while Andropov is still consolidating power and while the United States has the threat of the Pershing II deployment in Europe to force an arms deal with the Soviets.

Hyland stated that one of the main accomplishments of the Brezhnev era was a military build-up designed to ensure that the Soviets never suffer a humiliating defeat like

the 1962 Cuban missile crisis again. But, Hyland claimed, the Brezhnev build-up has so weakened the Soviets economically, Andropov must make a deal with the West.

Leslie Gelb stated that historically the problem in dealing with the Soviets has been that the United States is "psychopathic on the subject of the Soviet Union." Gelb said that the American attitude was exemplified by Reagan's statement after the Williamsburg summit that he held out hope for good long-term relations with the Soviets and that any short-term problems would be their fault.

"But," exclaimed Gelb, "there is hope. . . . We now have a new brilliant idea from the Scowcroft Commission, that in order get more arms, you must have arms control. . . . The idea [of the nuclear freeze movement] is to institutionalize a third-party presence in the administration. Most senior administration officials are not lovers of arms control, and the initiative will not come from within."

In response to a question from an *EIR* correspondent on the effect of President Reagan's March 23 proposal for U.S. and Soviet development of space-based defense against nuclear weapons, IMEMO spokesman Henry Trofimenko stated, "We don't want this. We don't want to militarize space." Trofimenko admitted that the Russians were doing work on directed energy ABM weaponry, but said they wanted to ban it.

Supreme Court rejects Abscam appeals

The United States Supreme Court has refused to hear the appeals of seven former elected officials convicted under the FBI's unconstitutional undercover sting operation, Abscam. Unless the Court agrees to hear remaining Abscam appeals, America's most fundamental 200-year-old axiom of "innocent until proven guilty" or the right to due process of law will have been abolished.

On May 30, the high court denied the appeals of former U.S. representatives Michael Myers and Raymond Lederer of Pennsylvania, Frank Thompson of New Jersey,

and John Murphy of New York. In addition, former mayor of Camden, New Jersey, Angelo Errichetti, former Philadelphia city councilman Louis Johanson, and lawyer Howard Criden were denied their appeals.

Abscam, authorized by Congress to stop stolen art trading and securities frauds, was used by the Carter administration Justice Department to target elected officials.

The FBI conducted Abscam by selecting targets and harassing them into compromising themselves. In addition, FBI special agents and their middlemen committed perjury and used forgery to convince their victims of the authenticity of their offers.

Abscam has been systematically upheld by the courts. In the words of one defense attorney, "this decision signals an ominous dissent from the principles of due process to uncontrollable manipulation in the hands of unelected, unaccountable law enforcement agencies."

Balanced budget drive attacking Constitution

"We are leading an insurrection against the elected Congress," David Keating, a spokesman for the National Taxpayers Union (NTU) told a journalist June 2. The NTU is doing the grass roots organizing for a constitutional convention on the balanced budget amendment. "We have the right to force changes in the constitution from below, if the Congress refuses to act."

Keating and the NTU have forced resolutions through 32 state legislatures. If 2 more states pass the resolution, a convention will be called, despite the fact that the Congress has refused to pass the amendment.

Keating says that chances are good that two states will pass the resolution sometime next year. Kentucky is the prime target, with California, Washington, and Ohio also targeted.

There are no procedures established for such a convention, because none has occurred since the original constitutional convention in 1787. Keating says that to make the idea of amending the Constitution

through this route more acceptable, he has secured "full cooperation" from various fundamentalist and New Right groups, including the Moral Majority, that they will not attempt to open up the convention to other amendments, such as the much discussed "right to life" or "school prayer" amendments.

Such single-issue national organizing could be used to build pressure for a systematic overhaul of the constitution, as proposed by the Sen. Edward Kennedy-linked Project 87, which calls the American constitutional republic "outdated." Project 87 spokesman Lloyd Cutler advocates a British parliamentary system. Keating predicted that the amendment process could become a vehicle for the "expression of radical religious-linked ideas to debate them as they impact on our government."

Carter pledges life to 'global environmentalism'

Former President Jimmy Carter keynoted the conference of the "Global Tomorrow Coalition," held in Washington, D.C. June 2. Carter announced his intention to devote his life to achieving the goals of global environmentalism, including the nuclear freeze movement. The coalition is an umbrella organization committed to carrying out such policies, as advocated in the *Global 2000 Report*.

Carter pledged that he and former President Gerald Ford, who Carter claims is also an active supporter of Global Tomorrow, will use their international connections to influence world leaders. Carter stated that he wanted to see the United States take world leadership in four areas: world peace, disarmament, human rights, and environmental quality. As when he was the Trilateral Commission's agent in the presidency, Carter not only failed to mention the scientific and economic leadership the country must take at this time, but also called President Reagan's directed-energy defense proposal "ill-advised."

Briefly

● **THE AFL-CIO** joined the post-industrial environmentalists in the Natural Resources Defense Council in a lawsuit to overturn 18 EPA decisions on pesticide manufacturing, in late May. The suit charges that these decisions showed favoritism toward chemical companies because they were arrived at in closed-door sessions between EPA officials and chemical company representatives.

● **WILLIAM RUCKELSHAUS** called the "explosion of the population and the pressure that this is putting on our resources" the most serious environmental problem facing the world today, in an interview with the *New York Times* May 30. He added that he thought rapid population growth did "not threaten the survival of man, but rather the survival of human freedom." Ruckelshaus also said he favors setting up a national commission that would devise universal ethical criteria that could be used instead of specific scientific criteria in determining environmental disputes. Such a commission should be composed of poets, historians, and philosophers, with at most a minority participation by scientists, Ruckelshaus said.

● **THE CALIFORNIA** State Senate voted up on May 27 a bill, 32-2, to give relatives or friends of terminally ill and unconscious patients legal authority to order disconnection of life support equipment. The measure was introduced by euthanasia advocate Sen. Barry Keene (D-Elk). According to the *San Francisco Chronicle*, the passage of the Living Will Bill is a direct response to the recent decision in Superior Court in Los Angeles to try two Kaiser-Permanente doctors for the murder of a brain-damaged patient there. The only opposition came from Sen. Ed Davis (R-Chatsworth), who opposed the bill on the grounds that it would "leave in the hands of some other human being the right to pull the plug and let the guy die," and Sen. Milton Marks (R-San Francisco).

Editorial

Hawks in doves' clothing

It was only last March that the U.S. Federal Bureau of Investigation issued a report announcing that Soviet intelligence "does not directly control or manipulate" the U.S. peace movement. Then, lo and behold, on May 24-28 in Minneapolis, 25 high-level Soviet intelligence agents were hosted at a meeting by leaders of the very same peace movement. For four solid days the Soviets gave marching orders to their American colleagues in the Anglican Communion, the Pugwash Conference, the Hubert H. Humphrey Institute for Public Affairs, the Institute for Policy Studies, and assorted "peace" groups on how to topple the Reagan administration in 1984.

Meddling in the internal electoral affairs of the United States is one thing, and a very bad thing indeed, which gives us the right to inquire whether the FBI's gaffe on the peace movement was not something worse than flagrant incompetence. But what is at stake here is even more serious, because the Soviets and their peace-loving friends in the United States want to manipulate the arms control and disarmament issues against the President, in a process that will ensure "one-world" rule of a Soviet Empire by the end of this decade.

The Minneapolis meeting was the flagship in a convoy of some 33 U.S.-Soviet meetings currently underway in the United States, all with the same aim: to sabotage President Reagan's declaration of a new strategic doctrine based on anti-missile defense systems, last March 23. Reagan's March 23 policy would achieve, through new technologies, precisely what the majority of the peace movement *claims* to want: to stop Soviet missiles from exterminating the populations of the United States and our European allies. It is from this standpoint that the current spate of anti-Reagan "peace" spokesmen must be viewed.

Helmut Schmidt: the former West German Chancellor worked with Henry Kissinger from 1977 onward

to impose the NATO "two track" decision that committed NATO to emplace Pershing missiles in Western Europe at the end of 1983, and defended the Euromissile deployment throughout his term in office. Schmidt has now put himself in the camp of the "peace" movement by sharply criticizing the Reagan administration for failing to control the arms race. Schmidt has propagated this particularly disgusting hypocrisy in a series of media interviews and made it the theme of his May 27 commencement address at the Massachusetts Institute of Technology.

Admiral Eugene Carroll: a former aide to Alexander Haig touring the current "peace" gatherings. At the "Peace with Justice Week" in Baltimore, sponsored by the American Friends Service Committee, the Society of Jesus, and Communist Party U.S.A., Carroll said that "The Pentagon is manipulating Americans with the fear of the Soviets" in order to build up its strategic arsenals.

The Institute for Policy Studies: Richard Barnet, a co-founder of IPS, the Washington-based think tank linked to terrorism is the coordinator of the 33 U.S.-Soviet meetings. He arrived at the Minneapolis meeting after conferring with Petra Kelly and other leaders of the neo-fascist Green Party in Germany to plan violent disruptions of U.S. missile sites in Europe in the planned "hot autumn."

The other IPS co-founder, Marcus Raskin, was singled out for in the Minneapolis meeting by Soviet spokesman Yuri Burlatsky, who was listed at the conference only as a reporter for *Literaturnaya Gazeta*, but is in fact a close friend of former Soviet KGB chief Yuri Andropov. Burlatsky said "I supported Marcus Raskin on such exotic arms. This is the most dangerous of all issues." The exotic arms are anti-ballistic missile defensive beam weapons, the basis of Reagan's "Mutually Assured Survival" doctrine.

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