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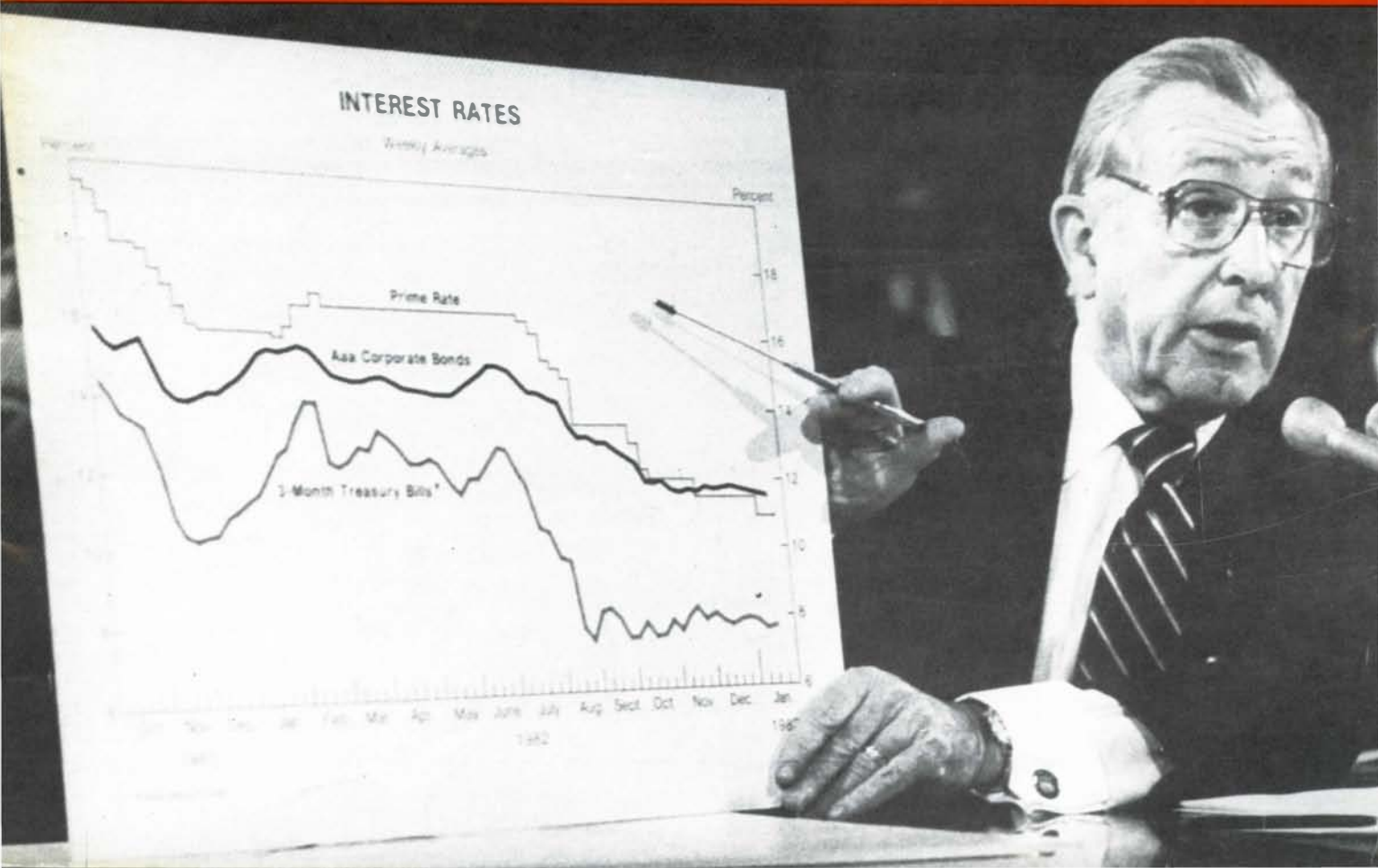
Executive Intelligence Review

February 21, 1984 • Vol. 11, No. 7

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Food irradiation could help solve the food crisis
When Kennedy blinked: the 1962 backdown

**Why Reagan's "demand-pull"
recovery is failing**



EIR Special Reports

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EIR

From the Managing Editor

Our special Washington correspondent, Tessa O'Dessa, had the following to say as we went to press:

"I suppose you've all heard; Moscow has finally admitted publicly that the missing Red Dictator, Yuri Andropov, is dead. The word is that a lot of bureaucrats at the State Department will be wearing their pantyhose at half mast at tonight's cocktail parties. The big question is: Will Henry Kissinger call Andropov's funeral 'a grave situation?'"

Another Washington development this month is indeed serious. It has to do with one of the figures on our cover, Donald Regan. EIR founder Lyndon LaRouche, a candidate for the Democratic presidential nomination, has been denied protection by the Secret Service. The eight other Democratic candidates have all been granted Secret Service protection by the Treasury Department.

LaRouche replied to the denial of protection in a press statement issued Feb. 7: "Every federal agency knows that my wife and I live under constant assassination threats near to the level of the threat to the President himself." Apart from hundreds of telephoned and written threats, LaRouche has been named in writing as an enemy in Soviet government publications, and in publications associated with Libyan and Iranian terrorist organizations.

Candidate Jesse Jackson was given Secret Service protection specifically on the basis of alleged threats to his life. The "Jackson standard" was flagrantly ignored in LaRouche's case.

"I would not accuse Donald Regan of personal malice against me in this matter; the poor Treasury Secretary is merely a fool who repeats whatever people like Paul A. Volcker instruct him to say, or signs whatever a committee instructs him to sign. Many of you know the type," commented LaRouche.

Our Special Report this week demonstrates one reason the U.S.S.R. considers LaRouche such a threat: he has developed an immediately workable policy for regenerating U.S. industrial strength and averting an international financial catastrophe, at a time when leadership on the economic front is so bitterly wanting.

Susan Johnson

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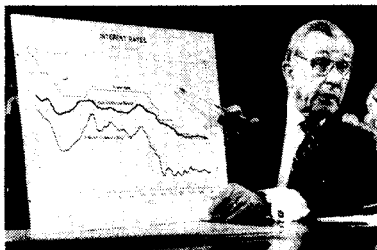
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Has the plug been pulled on the U.S.?

by David Goldman

Immediately before the Dow-Jones index of the New York stock exchange fell 24 points during the last hour of trading on Feb. 8, Fed chairman Paul Volcker informed the Joint Economic Committee that the plug had been pulled on American credit markets. In earlier testimony, Volcker had warned of a "sudden collapse of the dollar" resulting in higher inflation and higher interest rates. On this occasion, he emphasized that the United States had become accustomed to substantial capital inflows, which had financed the Treasury's deficits during the past two years. The era of such capital flows was now over, Volcker concluded. If Congress refused to chop down the deficit, higher interest rates were now inevitable. Higher interest rates, in turn, would prejudice the financial position of the developing nations, posing threats in turn to the banking system.

In testimony before the House Banking Committee Feb. 7, Volcker had offered a figure of \$50 billion as a significant budget reduction but hastened to add that "I'm not sure that much is absolutely required." Volcker would only characterize a failure to reduce deficits during 1984 as "a gamble" with the recovery, and admitted that inflationary expectations for this year were already built into the situation. Pressed by committee Democrats to target defense for cuts, Volcker excused himself as being "no judge of security needs." Rep. Henry Gonzalez (D-Tex.) concluded that Volcker's position was that he was "helpless" to break the interest-rate "gridlock" unless others took on the deficit.

Liberal Republican Stewart McKinney (Conn.) said he was having "nightmares" that the amount of foreign capital coming into the United States could lead to a foreign country "suggesting to the President or Secretary of State that they don't like our policies." Pointing to the potential setup,

McKinney noted to Volcker that "when you do decide that the dollar has to be readjusted, you're going to be powerless. You will have to go to the President with two choices: massive recession, or double-digit inflation and interest rates."

Denying that the situation was "quite so dramatic," Volcker agreed that this danger "underlies my statement."

Given that Volcker staged a financial-markets recovery (while publishing falsified figures concerning a still-prostrate real economy) on the basis of foreign capital inflows, his "fears" on the subject are an extreme case of *chutzpah*. His conclusion that the federal budget must be reduced in the range of \$50 billion immediately has obvious implications in the present military-strategic situation.

EIR reports on the stock market only for amusement. Various worshippers of the goddess Fortuna have spent the last three weeks waiting to sell out of a market they expect will collapse; at each point, they await the "rally" which will enable them to unload their paper onto less clever individuals before the "blowoff" occurs on the "downside." Each trading session of the week of Feb. 6, therefore, began with an attempt to "rally" the market, i.e. unload paper at a somewhat higher price than prevailing, and most ended with a further slump. Large foreign portfolios picked through the debris for stocks likely to benefit from a dollar collapse.

As *EIR* warned starting last October, an entirely new set of preconditions has emerged during the past month, in which a falling dollar coincides with higher interest rates and tumbling equity and bond markets. Of course, the movements apart from the 10% collapse of the equity market are still marginal: The dollar has fallen from DM 2.86 in early January to DM 2.73, about 4%, while interest rates have risen a fraction of a percent. No ruler-and-pencil projections will

capture the developments of the next several months; should the Soviets unleash their pet Shi'ite hordes into Saudi Arabia, or stage an incursion across the Elbe into Germany's northernmost state of Schleswig-Holstein, the West German mark and other European currencies will sell for nothing.

Nonetheless a basic change has occurred, and the United States has entered the third and last phase of the Volcker regime. Between October 1979, when the dollar stood at DM 1.7, and mid-1982, Volcker crushed American living standards and reduced industrial capacity. Between late 1982 and December 1983, the Volcker high-interest regime precipitated a flood of capital flight into the United States estimated at \$250 billion for the inclusive 1982-83 period. Now, as Volcker warned, there isn't any more where that came from. The dollar is set for a crash of at least 20% during the next six months. Any number of political events could interrupt the dollar's fall for periods of time. But the Volcker recovery hoax is finished.

Third World debt: the other shoe

In earlier Congressional testimony, Volcker announced a token reduction of monetary growth targets (which the Fed chairman in any case believes are irrelevant) from a band of 5-9% per annum to a band of 4-8%. This is simply a polite way of telling the administration what the Fed chairman has warned since his first statements after President Reagan reappointed him last July: that the Fed will not accommodate the budget deficit of the Treasury.

One Fed official explained, "We've got a problem on interest rates. You will start seeing more market pressure, predominantly expectational, but nevertheless very real. You're going to have a political problem for Reagan and the Republicans if you have falling Treasury bond prices in the summer of 1984. Volcker won't change his policy. If the deficit is high, and rates rise, Volcker won't loosen up. Volcker is putting Reagan in a box and he's going to have to find a way out of it, because rates will be way up in the middle of an election year."

As such, Volcker's monetary pronouncements had an effect on the markets starting with the 25-point Dow-Jones index drop of Feb. 6. But the actual development of Federal Reserve monetary policy is likely to be very different. Volcker hinted at this in his Feb. 8 reference to the problems of developing nations. The status of Brazil's debt position indicates that the Fed may be compelled to liquefy the banking system to a startling extent during the second quarter.

According to the leading Swiss daily *Neue Zürcher Zeitung* of Feb. 3, the \$6.5 billion supposedly raised by commercial banks to bail out Brazil may never be paid out. Banks put up the funds on condition that the industrial nations' governments shell out an additional \$2.5 billion in export credits. However, the Swiss paper notes, the British government has outright refused to put up the funds, the U.S. Eximbank has made its contribution conditional on all the others chipping in, and the French and Germans have said nothing. Thus any payments of the \$6.5 billion will be postponed

indefinitely.

Even if the export-import banks of the industrial nations were to come through unexpectedly, the major banks still have a foolproof escape clause. If the Brazilians do not live up to the economic terms dictated to them by the International Monetary Fund, the bankers need not disburse in any event.

If payments are not made before the March 31 bank regulatory deadline, banks will have to start writing off \$100 billion in Brazilian paper, triggering the crisis avoided by bookkeeping fraud during the Dec. 31 payments period. One sign of utter desperation is the Federal Reserve's announcement of new accounting rules for debt-service payments as of Feb. 1. The commercial banks may now accept such repayments in cruzeiros or bolivars, if their depositors and stockholders will stand for it.

The dollar's failure to rise as interest rates rose is not surprising, since the theory that high interest rates attract capital to the dollar has always been ludicrous. As Volcker indicated, the United States has been dependent on foreign capital inflows and has had to offer high interest rates in order to get them; but such flows are largely a matter of whim of large European and other fortunes, who might take their profits any Tuesday morning regardless of high American interest rates.

What is even more striking is the dollar's failure to display its properties as an alleged "haven currency" following the disaster in Lebanon. The implied strategic humiliation of the United States suggests a catastrophe for the dollar, combining an economic crisis with the strategic reverse.

Said a financial adviser to incoming NATO Secretary-General Lord Carrington, "If you look at the trade and current account deficits, they will be increasing on out as far as the eye can see. The economics of it are inexorable. But as for what will trigger the actual turnaround in the market, this will be a non-economic event. I steadfastly refuse to forecast timing. But I am thinking of something like, hypothetically, if the President were to announce tomorrow that he wouldn't run for re-election.

"If no adverse political development occurs, the dollar can remain on a plateau for some time, or bump further upwards. But the history of these things shows that something else always happens—an oil crisis, an assassination, a war, or something like that. What is tricky in this case is that the dollar is a haven currency, and some developments like this would be good for the United States, and lead to a stronger dollar in the short term. So it has to be something damaging to the United States, raising questions about U.S. economic policy."

The Soviets, as *EIR* has reported, still have a \$30 billion short position against the West German mark and French franc which they have not yet covered; this alone could knock the dollar, and the American markets, down a long way further. An organized march out of the dollar has already begun, and represents a formidable weapon in the Soviets' arsenal to defeat an American President with whom they have sworn never to negotiate.

Reagan slashes ABM budget to appease the Congress

by Robert Gallagher

President Reagan ordered his staff to cut in half his planned increase in funding for research and development on strategic anti-ballistic missile (ABM) defense systems in the new budget from \$560 million to \$250 million "to avoid presenting a large target to Congress in budget hearings," according to *Aviation Week and Space Technology* magazine Jan. 31.

This action followed halving the \$1 billion increase recommended by the conservative Fletcher Commission. The originally planned doubling of the ABM budget has become an election year casualty. The President retreated when he had the opposition outnumbered and outflanked. His March 23, 1983 speech calling for overthrowing the doctrine of Mutually Assured Destruction (MAD) by developing an ABM shield against nuclear missiles has received more support from the American people than any other administration program.

But the President has deemphasized the pace of ABM program, especially in development of deployable ABM hardware. For example, he has cut the budget for deployable conventional ABM systems, anti-missile missiles, from \$539 million in 1983 to \$469 million in 1984 and to \$356 million in the new budget. On the other hand, he has provided support for a vigorous research program at national laboratories, such as Lawrence Livermore. These have become a wellspring of ideas for directed-energy ABM systems and the work does not require much funding to make considerable progress as a research program. Typical of the program's weakness is that the President has yet to appoint a director.

Responding to this policy, Edward Teller—the leader of the laboratory research programs—recently warned that a U.S. retaliation against Moscow for a Soviet nuclear attack would not get through because Moscow's extremely effective SH-04 and SH-08 ABM interceptors are armed with neutron warheads. The United States itself could rapidly deploy such a defense system, he emphasized.

Reagan's refusal to fight now has made the remaining 17% increase in the Strategic Defense Initiatives an easy

target for the press. In coverage of the \$305 billion budget authority for defense, the *Washington Post*, *Boston Globe*, and *Baltimore Sun* all zeroed in on the \$1.7 billion ABM request.

Budget little greater than Carter's

The overall defense budget is in worse shape than that for ABMs. Congressional budget cuts since 1981 have "de-fanged" the President's five-year buildup plan. In 1981, the President proposed a plan that would have spent \$116 billion more than Carter's five-year plan by 1985. Now, the administration plan is only \$12.3 billion greater than Carter's, Defense Secretary Casper Weinberger testified before the Senate Armed Services Committee the week of Jan. 30.

Nonetheless, alleged ultra-conservative John Stennis (D-Miss.) whined to the secretary: "When you passed the \$300 billion mark you left me somewhere out in the void." Sam Nunn (D-Ga.), a proponent of Henry Kissinger's build-down proposal for unilateral U.S. arms reductions, predicted that Congress will cut \$13 to \$18 billion from the budget request, reducing its real growth from the 13% requested by the administration to 5% and its total figure to below the 1981 Carter plan for 1985. Then Carl Levin (D-Mich.) outrageously asserted: "How we can reverse a decade of neglect [in defense] with only \$12.3 billion is beyond me, unless there wasn't much neglect."

John Tower (R-Tex.) attempted to set the record straight: Rage against the defense budget is "misdirected," he said. "The American people ought to be outraged that the Soviet Union has from 1960 to 1980 established numerical superiority over the U.S. with regard to virtually all weapon systems [and] that our nation moved from a position of nuclear domination in 1960 to nuclear inferiority by 1980."

The accompanying chart shows how this happened. U.S. defense spending was still 40% of the federal budget when Henry Kissinger became head of the National Security Council in 1969. Defense then tumbled to 22% of the budget over

10 years. In this time period, the U.S. Navy has fallen to second place and the nation has become vulnerable to a Soviet pre-emptive strike. The administration's defense program has yet to restore defense spending to even 30% of the total budget.

Overall, the President's program is built around modest steps in the direction of plugging the numerous holes in our defenses that have appeared since the adoption of MAD. In general, the administration is doing "too little." Democratic Party leader Lyndon H. LaRouche, Jr. has called for a \$500 billion dollar defense budget to clear all such problems out of the way. Among them are:

1) Command, control and communications: When Reagan came into office, it was highly probable that a Soviet pre-emptive nuclear attack could destroy the means of a U.S. President to order retaliation before that order could be given, or destroy the entire U.S. chain of command. There was no means of communicating in an emergency with our submarine force on station at their operating ocean depths.

The Carter administration had killed the Navy plan to build an extremely low frequency (ELF) radio transmitter whose transmissions could penetrate hundreds of meters below the surface of the ocean to the U.S. ballistic missile submarines force. The Reagan administration has reactivated this plan and is building an ELF system that will permit some communications with the subs but is only a fraction of the size of the system required. The administration is also taking measures to harden existing command and communications networks against the effects of nuclear attack. Lastly, six new NAVSTAR satellites for improving the targeting of our ballistic missile submarines will be procured.

2) Air defense and early warning: In 1980 it was pos-

sible for a bomber to fly from the Soviet Union to the central United States without being detected because of "gaps" in the early warning radar network of the North American Aerospace Defense Command (NORAD). There were no surface-to-air missiles (SAMs) deployed on U.S. soil to stop such a bomber, and the United States had only 269 aging interceptor aircraft (compared to the Soviets 2,550).

Gaps in radar systems for detection of submarine launched ballistic missiles (SLBMs) could enable Soviet submarines firing from the Atlantic to strike U.S. command and control centers without warning—since the two early warning satellites over Central America and the Atlantic are vulnerable to destruction and in any case, cannot provide enough data to enable ground-based systems to pinpoint SLBM targets.

The Reagan budget includes funds for:

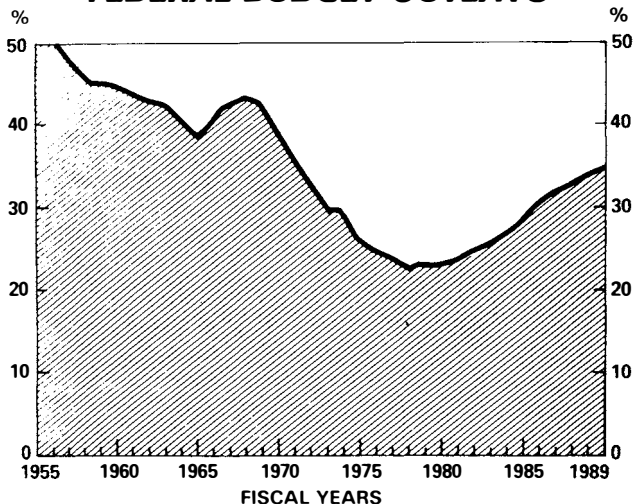
- deployment of new early-warning satellites;
- construction and activation of two additional PAVE PAWS phased-array radars in Texas and Georgia to close gaps in radar detection of SLBMs;
- construction of new microwave radars and gap-filler radars to replace the antiquated Distant Early Warning radars; and
- construction of eight Over-the-Horizon Backscatter radars for warning of bomber attack on the United States from all altitudes.

This program will not close gaps in radar systems for warning of missile or bomber attack until 1988. Furthermore, the Soviet Union will deploy next year bomber-launched supersonic cruise missiles that can penetrate even most of this barrier. Clearly, the President's defense plan is "conservative." It calls for no serious surface-to-air missile defense of the United States and little improvement in interceptor squadrons.

3) Naval Warfare: In 1980, the Soviet Navy had 643 major surface combatants, almost twice the United States' 345. (Major surface combatants are aircraft carriers, cruisers, destroyers, frigates, and submarines.) The Soviets have a formidable anti-submarine warfare capability in waters close to the Soviet Union, while the U.S. capability is largely non-existent due to the lack of sufficient numbers of surface ships, submarines, and aircraft to cover Soviet submarine staging areas. The new budget makes steps to improve U.S. naval capabilities, but, again, nowhere near what is required for defense against Soviet ballistic missile submarines is proposed. It would authorize:

- The first three TAGOS anti-submarine warfare ships to tow long-range hydrophone arrays for detection of Soviet submarines—closing down existing "sanctuaries" for these submarines. However, the vessels will not be operational for years. Meanwhile, Soviet submarines can function in northern Canadian waters free from detection.
- Four new Los Angeles-class attack submarines for seeking out and destroying Soviet submarines in the event of war. These new subs are being modified to operate under the

DOD SHARE OF FEDERAL BUDGET OUTLAYS



ice against Soviet ballistic missile subs.

- Reactivation of a third Iowa-class battleship. Reactivation of the New Jersey occurred in 1983; reactivation of the Iowa will be complete by early in 1984.

Strategic defense initiatives program

The new budget will be the first for the new Strategic Defense Initiatives Program that President Reagan called for on March 23, 1983. The program brings together research and development for conventional anti-missile systems, directed energy, battle management, and early warning and assessment technologies required for interception of Russian missiles in their boost phase, or for launching U.S. missiles on warning of a Soviet attack.

In addition to the \$1.78 billion requested by the Defense Department for the SDI program, the Department of Energy—which funds Lawrence Livermore, Los Alamos, and Sandia national laboratories—is requesting \$210 million for the program for work at the labs. Sources in Washington report that wholly one-fifth of Lawrence Livermore's budget is devoted to directed energy weapons. This would be about \$150 million for the current fiscal year or 75% of the publicly known Energy Department SDI budget—indicating that additional classified funds are allocated.

The breakdown for the Defense Department's share for FY85 follows (figures given in millions of dollars):

Category	Amount
Surveillance, acquisition, tracking	\$721
Directed energy	489
Kinetic kill (conventional ABMs)	356
System concepts, Battle management	99
Support programs	112
Total Defense Department	1777

The reorganization of the directed-energy program corresponds to the state of the technology as reported in *EIR* (see *EIR*, July 19, 1983). This program has been divided into:

1) *Space-based lasers*. The Defense Advanced Research Projects Agency program to develop a space-based chemical laser—\$237 million.

2) *Ground-based lasers*. This new program brings together work on two excimer laser technologies emphasized by *EIR* and the Fusion Energy Foundation: the free electron laser and the krypton-fluoride laser—\$199 million.

3) *Space-based particle beams*. The U.S. Army program to develop a neutral particle beam for boost phase intercept of ballistic missiles in space—\$46 million.

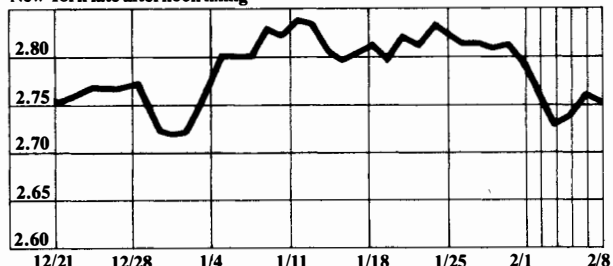
4) *Nuclear-pumped lasers*. In addition to Department of Energy funding—\$7 million.

In addition, because administration technicians believe that ABM applications of electron beams are far, far away, the Navy and DARPA still control this program at Lawrence Livermore (the Advanced Test Accelerator) and elsewhere.

Currency Rates

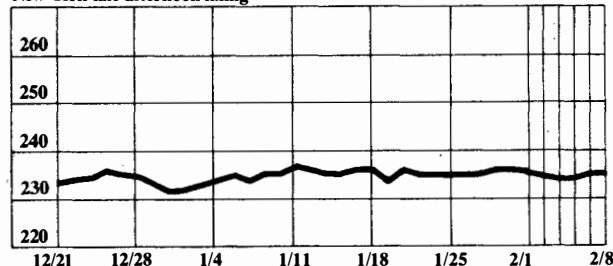
The dollar in deutschemarks

New York late afternoon fixing



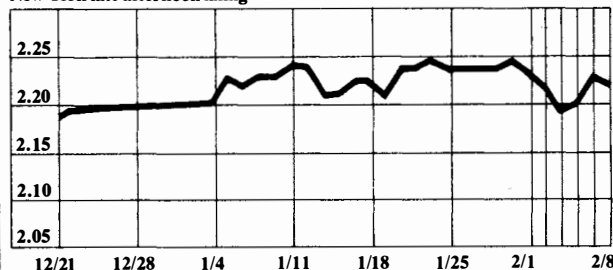
The dollar in yen

New York late afternoon fixing



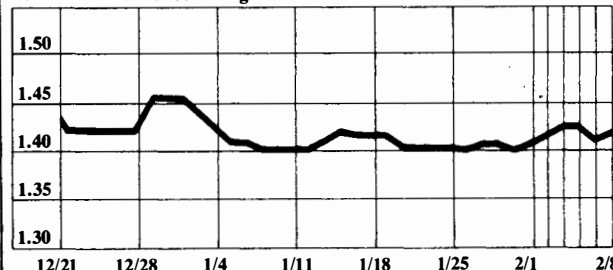
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Bankers worrying about Venezuela

by Mark Sonnenblick

The International Monetary Fund (IMF) is concerned about one of new Venezuelan President Jaime Lusinchi's first acts of office, the signing of a joint communiqué with Argentine President Raul Alfonsín. The Feb. 5 communiqué states, "debt service must conform to the real possibilities of its payment in the long term, and whatever austerity and rationalization measures are necessary must not significantly affect economic development plans nor social policies benefiting the population."

The two presidents pointed out that grinding austerity forced by creditors on all the Ibero-American countries has threatened democracy itself in a way not understood by the countries of the North. Since the creditor countries are equally responsible for the problem, they should sit down and discuss it with Latin America, the two newly elected presidents insisted. Until then, Venezuela and Argentina "will harmonize the policies of our governments for greater protection and defense of our respective interests."

The statement echoed the commitments for coordination made by Ibero-American leaders at the end of their Jan. 9-15 economic summit in Quito, Ecuador. The IMF is warning that Argentina and Venezuela might become the first countries to coordinate their debt strategies. A senior congressional staffer specializing in finances noted that "nobody in Washington knows what to expect from Venezuela—"They have real power sometimes. They did form OPEC, you know. They could get this debtors' cartel going. . . ."

A New Orleans banker observed, "If they get together, they could dictate terms to the New York banks, which would not have much of a choice but to accept them." The repeated failures of the Ibero-Americans to show the courage needed to break the austerity stranglehold, however, have bred widespread skepticism about their doing it now. A Pennsylvania bank analyst told *EIR*, "Venezuela talks a lot but tends to act very little, as they showed last year. Unless they can get a majority of Latin America, they won't do anything."

Venezuela could have considerable political weight with its \$43 billion debt. Last year it simply refused to pay \$8 billion in debts coming due. Practically nothing owed abroad by the private sector has been paid, or even rescheduled, since Feb. 18, 1983. And Venezuela is "a couple of months in arrears on interest," according to New York banking sources.

Lusinchi promised to announce his economic program

within the first nine days of his term, and "everyone is sitting back and waiting for the new government to make its move," a banker declared. Speculations—and wishful thinking—abound. The real uncertainty is how Venezuela will respond to creditor efforts to convert worthless debt paper into control over its internal economy. Such battles over the terms of bankruptcy liquidation are going on throughout Ibero-America. Venezuela and its creditors could not agree on renegotiation terms last year precisely because its two-party democratic political structure would not abandon national sovereignty as easily as the more dictatorial countries of the region.

The *Wall Street Journal* of Feb. 9 insisted on starting with a sharp devaluation of the currency. A devaluation would have no effect on Venezuela's exports, which are almost entirely oil, nor on imports, which were halved last year to below survival levels by making dollars unavailable to importers. Devaluation would just give foreign creditors an opportunity to snap up domestic assets pegged in bolivars at give-away prices.

There is an open fight in Venezuela over whether such denationalization will be tolerated. The Caracas press suggested Feb. 10 that Lusinchi might punch a hole in the present laws restricting foreign ownership of national industry according to the common standards set a dozen years ago by Decision 24 of the five-nation Andean Pact. If Venezuela yielded on this point, it probably would lead each of the five competing nations to sell off its properties to prospective asset-strippers.

During the presidential campaign Lusinchi pledged austerity without the IMF surveillance usually required by the private bankers. Rather than confront a united polity on this point, the banks' advisory committee has agreed to renegotiate Venezuela's debts without the IMF. These negotiations will drag out until September, according to several U.S. banking sources. In the meantime, the banks will compel Venezuela to burn up its \$5.5 billion in foreign reserves by withholding new credits. Venezuela's presently strong negotiating position will evaporate along with the reserves, its creditors hope.

In testimony before the House Banking Committee Feb. 8, Federal Reserve chairman Paul Volcker singled out Venezuela for condemnation for its reluctance to submit to "necessary reforms" under the surveillance of the IMF. Volcker did not reveal how Venezuela would be muscled into line.

Food irradiation: a technology ripe for a production boom

by Marjorie Mazel Hecht

A long-awaited revision in the U.S. Food and Drug Administration regulations is soon expected to launch a booming new industry here—food irradiation.

The benefits of food irradiation are astounding. Food processed with gamma irradiation eliminates insect infestation, retards spoilage, prolongs shelf life, ensures purity, and permits shipping and storage of meats without refrigeration. Once the new FDA regulation is in effect, Americans can expect to have available:

- fish and shellfish that stay fresh in the refrigerator for up to three weeks;
- chicken and other meats that are sealed, treated, and shipped to stay fresh for months without refrigeration;
- pork products guaranteed to be without trichinosis-causing microorganisms;
- onions and potatoes that won't sprout for months;
- mushrooms, strawberries, and other produce that stays fresh when refrigerated for three or more weeks;
- citrus and other fruits disinfested of fruit flies and other insects at the point of production so that the produce can be shipped insect-free; and
- grain stores that are preserved insect-free for human and animal consumption rather than for bugs.

Above all, the technology of food irradiation brings the promise of nearly *doubling* the food available for consumption in the world, not by producing more food, but by ensuring that current food supplies are not lost to insects, rodents, or fungi. At present, an estimated 50-60% of the food shipped to or produced in much of the developing sector never reaches the intended consumer because of insect infestation and spoilage. In terms of grain alone, the amount lost to insects, rats, and fungi yearly is 33 million tons—the equivalent of the agricultural production of 12 million acres of land, or enough to feed the U.S. population for a year. The National Academy of Sciences estimated 1985 food losses of at least

107 million tons at a value of \$11.5 billion.

Food irradiation is also cheap, when compared to present methods of food preservation, like canning and chemical treatment. Initial cost estimates put the cost as low as one-third that of conventional methods.

A proven technology

The technology of food irradiation is not new, although it has not yet been commercialized in the United States. Scientists began investigating the usefulness of nuclear irradiation right after World War II, and it has undergone nearly 40 years of rigorous testing for safety and wholesomeness, coming out with a clean bill of health. As the U.S. Atomic Energy Agency put it in 1970, food irradiation has been “more thoroughly tested than any other method of food preservation.”

Given these outstanding benefits, the obvious question is: What has prevented this technology from being commercialized in the United States, the country that led the world in civilian nuclear development?

The answer is one that even veterans in the nuclear technology field puzzle over. In the early 1950s, in the spirit of President Eisenhower's Atoms for Peace program, the United States was gearing up to commercialize food irradiation under joint government and private management, at first for use by the U.S. Army to produce food for the troops. But just as construction was confirmed for what the Department of Defense called “the first and most comprehensive pilot production-size food radiation facility in the world,” in Stockton, California, Congress killed the emerging technology outright by classifying irradiation as a “food additive,” instead of a process. The 1958 Food Additives Amendment to the Food, Drug, and Cosmetic Act classified as a food additive “any substance and any source of radiation intended for use in producing, manufacturing, packing, processing, preparing,

treating, packaging, transporting, or holding food.” Further, the law stipulated that “A food shall be deemed to be adulterated . . . if it has been intentionally subjected to radiation, unless the use of the radiation was in conformity with a regulation or exemption in effect.”

This classification stopped commercialization of food irradiation, putting those interested in promoting the technology in the position of applying for clearance to the FDA product by product, with extensive testing to prove safety and wholesomeness. According to one authority, this required spending at least \$250,000 for each item to conduct three years of tests in which the three to five generations of animals eat the particular food under consideration for 30-40% of their daily diet. The FDA procedure resulted in an enormous amount of excellent research on all aspects of food irradiation, but in 26 years, the only products that the United States has permitted to be irradiated are potatoes to prevent sprouting, grain to prevent infestation, and, most recently (July 1983), spices. Petitions to permit irradiation of many other foods were turned down by the FDA, despite extensive government and industry testing that showed safety and wholesomeness.

What prompted this strange amendment in 1958? One noted old-timer blames the Jane Fonda of her day, actress Gloria Swanson, a food faddist who lobbied for elimination of all potentially “cancer-causing” additives to food.

In the years of plentiful energy and booming agricultural productivity, there was little pressure to change this situation. However, for the developing sector—countries where often the majority of a postharvest crop is lost to pests or fungi—the effect of this U.S. slowdown in research and development was measured in terms of starvation and death. As A. Sreenivasan, a scientist at the Bhabha Atomic Research Center in Trombay, India, told a 1973 conference on food irradiation in Vienna sponsored by the International Atomic Energy Agency: “Perhaps the greatest negative input that can be singled out for its adverse impact on food irradiation programs around the world has been the action of the U.S. Food and Drug Administration in withholding clearance for radiation-sterilized ham and in revoking that given earlier to radiation-sterilized bacon. . . . The action of the U.S. FDA has resulted in a misunderstanding in some quarters over the safety of irradiation procedures for food preservation as a whole.”

At present, the FDA is expected any day now to finally grant clearance for the irradiation of food up to 100 kilorads (a rad is a measurement of radiation energy absorbed) without any further toxicological evaluation. This low level of radiation is sufficient to inhibit sprouting in onions and potatoes; to eliminate parasites and insects in meat, grains, and soft fruits; and to delay ripening of perishable foods. But it is far less than 1980 regulations set by the Joint Expert Committee on Food Irradiation, an international project involving 25 countries, sponsored by the Food and Agriculture Organization, the World Health Organization, and the International

Atomic Energy Agency. This committee established that any food irradiated to a dose of up to 1,000 kilorads was toxicologically safe for human consumption. A year later, in 1981, the Codex Alimentarius Commission of FAO and WHO supplemented this with a list of recommended international standards for individual irradiated foods.

Reportedly, the FDA has under consideration the international recommendation of 1,000 kilorads, but the action expected shortly concerns the 100 kilorad level. This has been under review at the FDA for three years—since March 1981—and according to a spokesman for the Health and Human Services agency, which is participating in the review process, final approval has been delayed while a compromise is worked out on the question of labeling the irradiated products. Most experts believe that since the process is so safe, so thoroughly tested, and leaves absolutely no radiation in the product, such labeling is unnecessary and would simply provide a target for anti-nuclear environmentalists. The flavor of such environmentalist opposition can be seen in the remarks of the director of the energy project of the Ralph-Nader-connected antinuclear group Critical Mass, who told the author of a May 1983 *Baltimore Sun* feature on food irradiation: “We haven’t had time yet to fully research the issue of irradiated food, but I have an instinctive negative reaction. . . . We oppose on principle the commercialization of nuclear material—whether it’s Three Mile Island or smoke detectors. And I basically see this as a way of further legitimizing the weapons business.”

Used in 28 countries

The rest of the world has not stood still while the United States reviewed and researched the technology of food irradiation. Most countries have worked out their own regulations, many in line with the international recommendations cited above. More than 40 different food products have been cleared by 28 countries, with some countries, such as the Netherlands, approving 20 foods and Japan, a nation that has pioneered in nuclear technology, irradiating everything from seafood and seaweed to spices. In addition, Canada is aggressively pursuing the lead in exporting food irradiation technology, having built 60 of the 100 or so facilities now in use worldwide for food irradiation and supplying 90% of the radiation source, cobalt-60, worldwide, including that used by the American firms to sterilize medical supplies. (About 30% of all medical supplies are sterilized by this irradiation method.)

Ironically, when the FDA regulations are finally announced, the United States may be in a position of importing food irradiation technology. This was the conclusion of Rep. George Brown (D-Calif.) who recently visited nuclear technology facilities in India, the developing sector nation that has pursued high-level research and implementation to increase its food supply and the wholesomeness of food products.

(A future article will explain how irradiation works.)

The truth about the deficit

Government borrowing is not a problem—and more government spending on defense, not less, is urgent.

About \$150 billion in paper value of stock-market equities has been wiped out since mid-January, most of it since Feb. 1, when President Reagan announced his budget message.

Wall Street's vultures, already circling above the administration's finances, want to link the two events in the public minds. They are linked, but not in the way Wall Street believes.

Except to the extent that the federal budget has been used as a vehicle for economic fraud, the budget deficit announced by President Reagan represents, in itself, no problem whatsoever. Fed chairman Paul Volcker, Presidential adviser Martin Feldstein, and their Wall Street cheering squad are either lying on this subject or abominably stupid.

The facts of the matter are straightforward. The major Wall Street investment houses know that both this year's and last year's budget were a genial hoax on the part of the Treasury and Federal Reserve. The hoax took the form of diverting massive subsidies to the consumer sectors of the economy to the "off-budget" column of expenditures, which is not officially counted in the federal deficit. The actual deficit for both years is closer to \$300 billion than \$200 billion as stated.

In order to buy the appearance of economic recovery in the United States, in the form of an auto and housing bubble, former bond salesman Donald Regan and Paul Volcker shoved an additional \$86 billion on top of last year's federal budget. The \$86 billion in "off-budget expendi-

tures," largely in the form of a subsidy to the market for home mortgages, bought an anemic improvement in a housing industry that used to produce 2.4 million units per year in good years, but only 1.7 million during last year's "boom."

This year, the Treasury will add an additional \$89 billion to the proposed consumer bubble.

Regan, whose former specialty at Merrill Lynch was legally questionable means of depriving the Treasury of tax revenue, added an additional 50 percent to the government's borrowing requirement to do this. Volcker used the boomlet in auto and housing to fake the industrial production index, as *EIR* founder Lyndon LaRouche documented in a Feb. 4 television report, to show a physical production recovery where none existed.

The difference this time around is that while Regan has offered a federal budget based on a projected consumer bubble once again, Volcker has stated bluntly that the scam cannot be financed a second year in succession.

Volcker was informed of this circumstance by the Bank for International Settlements, the Swiss-based central bankers' mafia, at the BIS meeting in mid-January.

As we reported last week, the budget data just made available by the administration (buried in section F-5 of the *Special Analyses* of the budget) show that the administration plans to increase the rate of such off-budget subsidies from \$88.5 billion in 1984 to \$94.8 billion in 1985.

The notion that a budget deficit,

by itself, represents a drain on the economy is ludicrous. If private individuals borrow to improve industrial technology and enhance productivity, no one but a few maniacs like Milton Friedman suggest that this represents a problem.

If the federal government borrows from the public in order to finance research and development on a scale that private individuals cannot afford, e.g. space or military technology, the same result is accomplished.

For this reason, the least inflationary, least problematic side of the budget is the President's defense budget. The only weakness in the Pentagon funding plan is that it is much too small.

Apart from the \$2.1 billion slated for beam-weapon development, the Pentagon should be spending at least \$20 billion more per annum in its "industrial base" program, to propel the new technologies such as lasers which are associated with beam-weapons development into the defense industrial sector.

An investment of this scale would increase the productivity of the American metalworking industry five-fold during the remainder of this decade, *EIR* showed in a comprehensive study published in May 1983. Volcker et al., as we describe this week (see article, page 4), are using the deficit bogey against the potential for a defense-generated industrial renaissance. This is the same Volcker who has publicly said that what America needs is a permanent reduction in living standards, and whose policies since 1979 have done so much to obtain that result. The same goes for the Democratic liberals who have suddenly discovered the merits of fiscal conservatism, as a cheap wedge against the President, at a time when the nation's defenses require every effort to achieve adequate war-fighting capabilities.

The track record of *EIR's* Alert Service

by David Goldman

Executive Intelligence Review has, since February 1983, conducted a program entitled *Confidential Alert Service*, which has two facets. First, we send flash bulletins by an agreed-upon means of transmission whenever breaking news warrants a bulletin. Secondly, *Alert* participants have unlimited access to our specialists and bureaus for inquiries.

The *Alert* service has an unparalleled record of accuracy in such areas as currencies, interest rates, and precious metals, as well as developing-sector debt issues, banking developments, and military and strategic questions. We do not orient to short-term trading considerations but to important strategic changes which change the ground rules underlying such markets.

For example, we wrote on Oct. 27, 1983, after two months of continuous U.S. dollar weakness on the foreign exchange markets: "Big trouble in Brazil, Argentina, and now the Philippines implies *another round of dollar liquidity crisis*. Fed officials say their big fear is deposit outflows from heavily-exposed money center banks. This will hit the Western European banking system directly, *since Western European banks owe about \$100 billion net to American banks*. Any problems for big U.S. banks will immediately force liquidation of European currencies to meet dollar-denominated obligations.

"*Conclusion*: the time for the long-term investor to begin hedging dollar positions was *last summer*, as we warned in an *Alert Bulletin* June 27: 'Potential for a major dollar crisis is emerging. This is not, repeat, *not a recommendation to sell*. We are still talking of *potential*.' The dollar weakness of the past weeks shows the potential, but a vicious snapback is still possible. Weakness in the gold price during the past three weeks, likely to continue, shows the *deflationary* nature of the present liquidity crisis.

"Long-term investors will look for opportunities to hedge dollar portfolios, but a dollar snapback is more than likely between now and Christmas, depending on the evolution of the Ibero-American debt crisis."

Of course, the dollar snapback occurred with a vengeance, despite an otherwise dominant forecast of continuing dollar weakness.

We alerted subscribers Dec. 17, 1983, to the following:

"The dollar's continued rise during the past 11 days was aided by an estimated \$13 billion in Soviet purchases, mostly through sales of West German marks. The Soviet Union's deployable assets for international foreign exchange and interbank market operations are estimated by private financial sources to amount to \$100 billion, a huge sum. These foreign exchange assets take two basic forms: actual cash, and unsecured lines of credit provided by others banks on the interbank market, against the assumed assets of Soviet banks in the West. The West German mark has been a special target of such Soviet deployments.

"The same Soviet resources may turn against the dollar early next year, with March as the most likely point of reference for timing." The dollar proceeded to reach all-time highs during the succeeding two weeks.

On March 3, 1983, when most reports foresaw lower interest rates, we warned subscribers:

"The bunching of short-term payment dates affecting developing-country borrowers in the second half of March will be traversed only with great difficulty . . . Coincident with very heavy Treasury funding requirements, the rollover pressure will contribute to liquidity pressures in money markets, e.g., an upward move in short-term interest rates."

The federal funds rate proceeded to rise 150 basis points during March. We alerted subscribers on April 5, 1983: "Interest rates continued rising pursuant to our expectations through the end of the first quarter, including an impressive jump to an 11 percent Federal funds rate at the end of the week.

"The Fed can no longer lean strongly against rising interest rates, as we saw during March. It is very difficult to predict the near-term behavior of money markets. However, the decided likelihood is that interest rates at the end of the third quarter will be higher across the board than at the end of the second quarter."

This view, of course, was borne out. Since June, *Alert* bulletins have pointed out that heavy capital inflows into the United States have suppressed what would otherwise be a rising interest-rate trend, warning that interest rates will rise once these capital outflows turn around. In this context, *Alert* bulletins warned accurately of precious-metals price weakness.

Regarding the recent plunge of the Dow-Jones average, we warned on Feb. 1: "Top-level Washington sources are worried that the long-awaited turnaround in capital inflows to the U.S. may have already begun. Today's drop in the stock market (as of 11:00 a.m.), the \$382 London early gold fixing, and the weakness of the dollar suggest the possibility. . . . Normal logic would have dictated that higher budget deficits = higher interest rates = a strong dollar. . . . On the contrary, since the U.S. has been *dependent on capital inflows*, high interest rates have been the risk premium the U.S. has had to pay for such inflows. A turnaround now will, as we have emphasized, will mean both a collapsing dollar and rising interest rates, especially on the long side."

Business Briefs

U.S. Industry

National/U.S. Steel merger will curtail output

The announced buy-out of National Steel's three major plants by U.S. Steel could well mean further sharp cutbacks in steel production by U.S. Steel, the nation's largest producer. Since much of National's production is of consumer-oriented flat rolled steel, which is what U.S. Steel produces, the Justice Department is expected to object to the merger on anti-trust grounds. If this is the case, U.S. Steel will be very likely to shut down a portion of its capacity to reduce its market share of consumer product steels.

At the end of 1983, the Morgan Bank-controlled U.S. Steel announced the permanent closing of 25% of its output, about 5% of America's steel-producing capacity. National Steel will become after the merger a "financial services" company with subsidiary aluminum operations.

The Justice Department is expected to act shortly on the September 1982 announcement of a merger between Jones & Laughlin Steel and Republic Steel, which will also entail shutdowns of "redundant" capacity. The mergers are seen as a realization of the 1980 Carter administration plan to reduce U.S. steel output by 50% in the coming years.

U.S. Steel, which purchased Marathon Oil for over \$3 billion in cash in 1981, and claimed a \$1.1 billion loss in 1983, will pay \$395 million in cash and over \$600 million in stocks and debt assumption for the assets of National Steel.

Debt Crisis

Swiss report Brazil bailout a fraud

According to the leading Swiss daily *Neue Zürcher Zeitung* of Feb. 3, the \$6.5 billion supposedly raised by commercial banks to bail out Brazil may never be paid out. Banks put up the funds on condition that the industrial nations' governments shell out an ad-

ditional \$2.5 billion in export credits. However, the Swiss paper notes, the British government has outright refused to put up the funds, the American Eximbank has made its contribution conditional on all the others chipping in, while the French and Germans have said nothing. This means that any payments of the \$6.5 billion will be postponed indefinitely.

If payments are not made before the March 31 bank regulatory deadline, banks will have to start writing off \$100 billion in Brazilian paper, triggering the crisis avoided by bookkeeping fraud during the Dec. 31 payments period.

Black Economy

Swiss banks fund Middle East terror

Lebanese and Israeli sources in Europe indicated on Feb. 5 that the banking institutions of Switzerland are the center of a conspiracy to destroy the nations of the Middle East through war and terrorism. These banking institutions, with substantial ties to the Soviets, conduit funds for the Nazi International.

According to an Israeli source with extensive Swiss connections, the Swiss banks are trying to do everything in their power to encourage the continuation and expansion of the Iran-Iraq war, to make sure that oil production in these countries does not come back on line.

"My Swiss banking sources tell me that there will be an international economic crisis on an unprecedented scale if oil production goes back up and oil prices go down with a crash. This would mean that the oil producers, who still have 60-70% of their money in short-term deposits in Western banks, will start recalling the sums. Added to the problems with the international debt situation, this would be disastrous. . . . They believe that it would be disastrous for either Iran or Iraq to win the war, so they want it to keep going, so that neither country can produce oil at a higher level."

He added: "The Iran-Iraq war has become the center of the destabilization of the

entire Arab world. All the major intelligence services involved in this area, as well as the Arab Gulf states, want the war to continue for as long as possible. No one wants to face the consequences of one side winning, primarily for the reasons the Swiss, and some of their banker friends in London, are warning about."

A related story came from a Lebanese diplomatic source, who reported that the funding of "left" and "right" terrorism in Lebanon "all comes from the same source: numbered bank accounts in Switzerland." He indicated that investigations into this Swiss angle in destroying Lebanon are being launched.

West Germany's *Süddeutsche Zeitung* has recently reported that Geneva, Switzerland has replaced Beirut as the main banking center for Arab banks' financial transactions. This provides some new insights into the question of "who benefited?" from the destruction of Lebanon engineered by Henry Kissinger and his allies beginning in 1975-76.

Credit Markets

European banks renew loans to the East

Western circles allied with NATO General Secretary-designate Lord Peter Carrington are currently launching a campaign of revival of East-West trade, including the granting of credits to the Soviet Union.

The formal announcement Feb. 3 of a \$150 million loan to the Soviet Foreign Trade Bank was greeted by "friendly Western bankers" with a "warm welcome," according to the *Financial Times* of London. The loan is the first major syndicated loan to the Soviet bloc in over two years.

Granted by the British Lloyds Bank International, the West German Dresdner Bank, and the French Credit Agricole together with leading banks from Austria, Finland, Sweden, Canada, and Italy, the loan to the Soviets is described as a key step forward in thawing banking relations with the rest of Eastern Europe, which had been frozen after the Soviet invasion of Afghan-

Briefly

istan and the Polish debt crisis.

In a related development, it was also announced on Feb. 3 that Occidental Petroleum Corp. and the government of Yugoslavia have signed an \$800 million-a-year trade agreement—the first ever of its size between a U.S. company and Yugoslavia.

International Trade

Commerce tightens control on high-tech exports

The Commerce Department announced in late January that it wants new rules to tighten its program of distribution licensing of U.S. exports. The proposal is the result of a review of export procedures controlling shipments of high-technology, military related goods.

The new rules would exclude from export semiconductor devices and production equipment, lasers, and electron beam recorders under a distribution license which allows exporters to make multiple shipments over an extended period. They will also restrict use of distribution licenses to firms with proven compliance, and require lists of expected end-users and tighter controls on reexporting overseas.

On Jan. 30, Commerce temporarily denied all U.S. export privileges to Sven Olof Hakanson, a Swede who is suspected of dealing with an individual previously charged with illegally reexporting U.S. goods to the U.S.S.R.

Hakanson is suspected of dealing with Richard Mueller who was denied all export privileges until May 31, 2001 because he failed to answer Department charges that he illegally reexported U.S. commodities to the Soviets. The Commerce Department suspects that Hakanson will attempt further transactions in U.S. commodities and technical data.

The Mueller-Hakanson incident involved the attempted reselling of a Vax computer, Digital equipment's most modern computer, to the Soviets via a Swedish firm. The Swedes had purchased the computer from a German company.

The *Financial Times* of London report-

ed that the Trade and Industry Department was very much opposed to the U.S. rules. The Department complained Feb. 4 that "the U.S. was needlessly blocking the flow of commercial and scientific information to friendly countries." Britain's Trade and Industry Secretary Norman Tebbit is expected to raise the issue when he visits Washington in mid-February.

The British are particularly disturbed about a regulation requiring British companies to get licenses when reselling advanced U.S. computers to customers in the United Kingdom.

Southeast Asia

IMF team renews talks in Philippines

Only after the International Monetary Fund is satisfied with a rescheduling and economic program agreed to by the government will the commercial banks be prepared to provide the nation fresh funds, according to a report from Hong Kong in the *Journal of Commerce* Feb. 8. Foreign exchange rationing, the Philippine Central Bank has announced, will continue much longer than originally expected. Central Bank governor José Fernandez has asked a joint committee which will include the private sector to help draft a longer-term, more equitable means of allocating foreign exchange. The Central Bank announced that GNP had plunged to an all-time low last year, and inflation hit a high of 25%.

The Philippines has approached Australia for an immediate \$90 million loan for raw materials imports, of a total \$200 million sought from that country. Japan has already been approached for an unspecified amount of credit and approval to convert a project loan into a commodity fund.

The U.S. Export-Import Bank reportedly has granted \$105 million in two guarantee facilities for import financing. And Economic Planning Minister Vincente Valdepenas reports that \$95 million will come through First National Bank of Chicago, Crocker National Bank and its Pacific Overseas Finance Corp subsidiary for 180 days.

● **A JAPANESE LASER** research group at Keio University in Tokyo has developed a hydrogen-fluoride chemical laser which has an output of 4.4 kilojoules, exceeding the previous world record of 4.2 kilojoules achieved in the United States in 1976. The group plans to improve the laser to output 5 megajoules so that it can be used for nuclear fusion, cancer treatment, and other functions, said group leader Prof. Tomoo Fujioka Feb. 9.

● **YASUHIRO NAKESONE**, Prime Minister of Japan, stated Feb. 8 that his cabinet will try to retain the current ceiling of spending 1% of Gross National Product on defense. Nakson was responding to a question by Japanese Socialist Party chairman Mashasi Ishibashi on the FY84 defense budget, which is 6.55% higher than that for FY83.

● **BERNARDO GRINSPUN**, Argentina's Economic Minister, told David Rockefeller's Council of the Americas' Winter Conference in New York Feb. 3 that, as a matter of national honor, Argentina will not allow the International Monetary Fund to revise its budget. But when he was asked during the question period if he expected the IMF to go along with Argentina's non-negotiable budget, Grinspun replied: "We have no doubt that the IMF will accept our budget. We are preparing it in accordance with IMF guidelines. . . . Our fiscal deficit and our rate of inflation will be lower than that accepted by the IMF from the previous military government."

● **THE CLUB OF LIFE** will hold a conference on "An Emergency Program to End the World Food Crisis" in Rome, April 3 and 4. The conference will focus on immediate measures to save the nations of black Africa from continued starvation and famine. The Club of Life is proposing to double world grain production.

Why Reagan's 'demand-pull' recovery is failing

by Lyndon H. LaRouche, Jr.

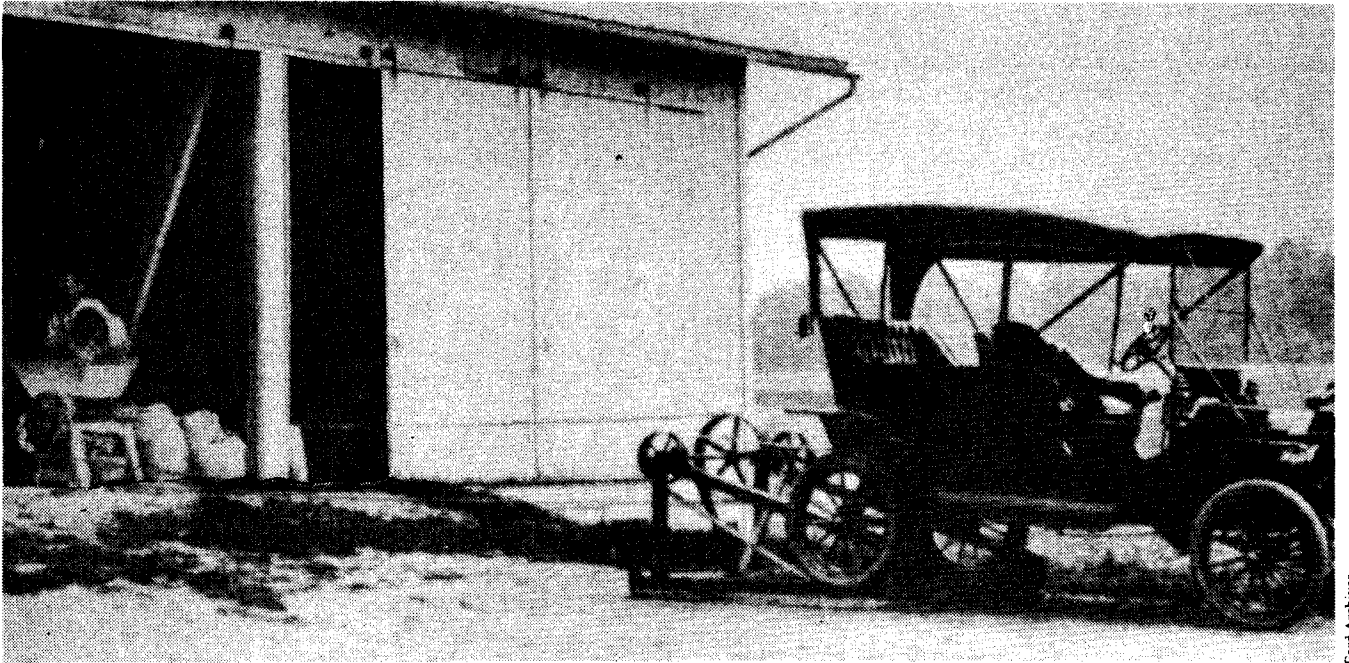
During 1983, through collaboration between the Reagan administration and the banking-system, cheaper credit was funneled into promoting credit-sales of automobiles, and to a lesser degree in prefabricated housing. A significant spurt in auto sales resulted, and also a temporary spurt upward in a few sectors of housing-starts. However, the level of physical output of the U.S. economy as a whole dropped by about 4%.

The Reagan administration had made the same kind of mistake the Eisenhower administration had made in launching the consumer-credit expansion of 1954-56—the expansion which pushed the U.S. economy into the deep 1957-60 recession, and elected Democrat John F. Kennedy President. The idea that funneling cheap credit into two or three key sectors of consumer-goods sales, including auto, will exert a multiplier-effect on the economy as a whole, is unfortunately one of those popularized myths of “barber-shop economics” which leads us back to new disasters each time some government puts them into practice.

This particular piece of “barber-shop economics” is sometimes called “demand-pull” dogma. The argument, briefly, goes more or less as follows.

“If more people are buying automobiles, then the automobile manufacturers are buying more from steel producers and other suppliers. The combined re-employment caused by the increased sales of auto manufacturers and those manufacturers’ suppliers of materials, parts, and services, increases the total amount of wage-earners’ income in the economy. More people will now buy more consumer-goods in all categories. In this way, a self-feeding upward spiral in the economy occurs.” That’s the general dogma behind the illusory economic recovery of 1983: a 4% drop in physical-goods output. That’s the same general dogma which pushed the U.S. economy into the deep recession of 1957-60.

The “demand-pull” doctrine is fairly compared to the argument that if a cow produces more manure, it eats more, which creates a demand for more grain-production: Therefore, the way to revive agriculture is to cause cows to produce more manure. Some Harvard professors might admire that sort of “logic,” but so far Mother Nature continues to be stubbornly unconvinced by any such Harvard-



Ford Archives

Before the "demand-pull" economists took over the auto business, a car was considered a "consumer capital purchase" and was built to be functional and to last. The Model T Ford could be jacked up and used for farm chores, such as grinding grain, shown here.

style sophistries.

Let's look at some of the highlights of the way Arthur Burns lured President Eisenhower into organizing the 1957-60 recession. Let's look at these first-hand, as this writer predicted the 1957-60 recession from his work as a management consultant during the 1954-57 period. One of this writer's management-consulting specialties then was automobile marketing; let's concentrate here on that part of the 1954-57 picture.

The financial accounting-hoax of 1954-57

During that period, all franchised retail automobile dealerships were required to use standardized financial accounting procedures specified by the auto companies; this was part of the contractual franchise agreements. Although these required financial-accounting procedures differed slightly from auto-company to auto-company, in basic principles, they were pretty much the same.

Over the course of the 1954-57 period, from about 1955 onwards, highly successful automobile dealerships, in case after case, were losing money on their new-car sales, but making profits on their repair-business and used-car sales. The standard financial accounting statements appeared to show exactly the opposite effect; the worst financial accounting was Robert S. McNamara's Ford Motor Company. So, although dealerships were often losing money on new-car sales, they increased their new-car sales-push, because misleading financial statements said that the new care sales and repairs were the successful parts of the business. Briefly, it worked as follows; I cite the not-untypical Ford dealership

case from that period.

First, when a dealership sold a new car below list-price, it usually wrote the sale up in the following way for financial-accounting purposes. The new-car sale was shown on the books at list-price; the discount allowed on the sale was buried in the used-car inventory, by inflating the value of the used-car trade-in.

In other words, if a \$200 discount was given on the new-car sale, this \$200 was added to the inventory-value of the used-car trade-in on that sale. The result was that the used-car was shown on the books at \$200 above the price the dealership could have purchased an identical used-car on the wholesale used-car market at that time. So, when the dealership sold the used-car, it often sold the used-car below the price the used-car was paid for, according to the books.

Second, some "flagship" Ford dealerships came up with a trick designed to fool new-car buyers. They offered the new car at a price which was actually \$100 or more above the standard list-price for the automobile. To create the illusion, the new car was packed with various optional accessories, and the value of these accessories was manipulated in a way intended to hide the inflation of the price from the prospective buyer. General Motors, Chrysler, and other dealerships felt compelled to copy this practice. This inflation of listed new-car prices was called then a "packed price."

It didn't really work. Competitive shoppers for new cars soon learned to ignore prices, and to concentrate on the amount they actually paid, after deducting the trade-in allowance on their used car from the price of the new car. So, the discount of the "packed" part of the listed price was simply added to

the discount, below true list-value, on the new-car sale. As a result, the faked values of used-car inventories on dealership-books simply zoomed by an additional \$100 or more, over the inflation of used-car inventories before the "packed-price" nonsense had been introduced. On the dealership's books, the losses on used-car sales zoomed.

Third, while this financial-accounting hokery-pokery was driving the dealership industry to the edge of insanity, a second bit of lunacy was running amok in the dealership industry.

In the first case, fraudulent methods of dealership financial-accounting, it was the automobile dealer who was hoodwinked by fellows such as Ford's Robert Strange McNamara. In the second aspect of the 1955-56 automobile-sales boom, it was the consumer who was successfully hoodwinked.

Henry Ford wouldn't have kept a fellow like Robert McNamara around his executive offices a single week.

The foolish customer, discovering that listed automobile prices really didn't mean much, concentrated on two points of the sale he as an ordinary buyer thought he could understand. The prospective new-car buyer asked himself two questions: "What is my cash down-payment? What are my monthly payments?" The result was the appearance of the 36-month financing of new-car sales. In numerous cases, the buyer's first 35 monthly payments were relatively low, but the last payment, the 36th payment, was a lalalooza, perhaps hundreds of dollars! The "sly buyer" who accepted such a contract thought somewhat like this: "Since I trade in my car every two years for a new car, that last big note will be swallowed up in my trade-in of this car for my next new car."

A fourth factor was at work, back in the automobile factory itself.

The mid-1950s were the beginning of an auto manufacturer's policy which we called "value analysis" back during the 1950s and 1960s; the same policy later became known as "cost-benefit analysis." The McNamaras who pushed this policy upon the 1950s auto industry, later pushed it into our Defense Department; in both cases, the result ruined the product.

There was a once-famous comic poem on the subject of the "Deacon's One-Horse Shay." According to the poem, the carriage (the shay) was "built to last for one hundred years and a day." In the poem, the Deacon who purchased this

horse-drawn vehicle was riding in it at the time the vehicle's warranty ran out; the vehicle fell apart. Fellows like the accountant McNamara brought the idea from this poem into the automobile industry back during the 1950s—but they shortened the warranty considerably; after a few years, the Detroit specimen would come flapping into your neighbor's driveway like a B-24 returning as lone survivor of a bombing-raid during World War II. Don't put anything into the car which will outlive the first major mechanical breakdown, if at all possible; this was called "value analysis."

The automobile dealership which sold a new car delivered from the factory (say in 1955) without spending up to \$100 a car in make-ready repairs might have had a very unhappy new-car customer coming back into the show-room badly bandaged and held up on his left-side by his neighborhood lawyer.

In the case of the new-car buyer who purchased a car on a 36-month financial plan, it was increasingly the case that, after about the first 24 months, the buyer owed more on the unpaid balance of the new-car purchase-loan than the price of a comparable used-car at the nearby used-car lot. In other words, the new-car buyer had a "negative equity" in the vehicle on the open market.

Such were the glories of the 1954-57 consumer-credit boom in the U.S. economy. This is broadly the "barber-shop economics" which the Reagan administration has been misled to confuse for a 1983 "upswing in the economy"—which, in fact, never really happened.

Henry Ford versus Robert McNamara

Henry Ford wouldn't have kept a fellow like Robert McNamara around his executive offices a single week. Ford rightly defined his Model T and Model A as a "consumer capital purchase." The old Model T, an owner could ride to town, or jack up one of its hind wheels and use it to power a saw or run a piece of farm-equipment: a lot of owners did. The Model Ts were a lot tougher to "kill" than most of the types produced during the postwar period.

Then, General Motors came up with the policy of style-marketing, an idea pretty plainly borrowed from the Seventh Avenue ladies'-garment manufacturing business. Under pressure of General Motors' success, Ford began to shift to selling "the sizzle, not the steak," and even stubborn, engineering-minded Walter P. Chrysler was whipped into line. Rockefeller talked Ford into establishing the Ford Foundation, and letting Bertrand Russell's sidekick, Robert M. Hutchins, head the Foundation for a while. Things changed very much for the worse, and that's how Robert S. McNamara became a Ford executive.

Even so, during the first decades of the postwar period, the automobile executive running the production-side was an engineering-minded official, who either came from an engineering background, or had picked it up coming up from the

ranks through the tool-shop or the production-line. The diseases ruining the industry then came from the sales and accounting departments. The production executives would dig in their heels, but the fellows from Wall Street would point out to the company's directors that the important thing was maintaining a strong price-earnings ratio on the stock market, if the corporate raiders were to be kept at a distance; the production men grumbled, but gave in. Gradually, the kooks trained at places like Harvard Business School moved in to replace them.

The result? Recently, Japan's Toyota issued a report comparing the changes in investment-efficiency in U.S. and Japan auto production over the past 30 years. At the beginning of the period, U.S. auto-production was about eight times as efficient as Japan's; a dollar invested in U.S. auto-production would turn over about eight times as fast as in Japan's. Today, a dollar invested in Japan's auto-production turns over eight times as fast as in U.S. auto-production.

Now, the Harvard Business School types from Detroit are lobbying desperately in Washington, demanding that the U.S. punish Japan's auto industry for not being as incompetent as the current crop of U.S. industrial mismanagement.

Over the past period, U.S. Steel, for example, has not been investing much of its cash throughput in steel-production improvements. They've been doing such things as buying up coal mines that are not currently producing, plunging into other kinds of real-estate speculation, and so forth. They have been milking industrial production to pay for these outside speculative investments. In Japan, for example, the companies have been investing in production improvements, investing in exactly the new technologies which U.S. Steel and others have refused to use. Now, these U.S. mismanagers complain "Japan is unfair."

If those fellows at our major corporations had read the Bible, instead of wasting their time and money at places such as Harvard Business School, they would have learned better economics without leaving the Sunday-School classroom. There are better economics in the Book of Genesis, for example; then, Jesus Christ himself warned against foolish fellows such as these Harvard types in the parable about the investment of talents. There is just no excuse for what American mismanagement has done to our economy over the past decades.

Throughout the U.S. economy, consumers are getting less and less value in the new products they buy in most categories. Don't start arguing off-hand; follow a little simple reasoning.

Let us take the consumer's market-basket of needs for an average family-household. Next, take the total family-income available, after taxes and interest-payments are deducted. Now compare each product purchased, according to that market-basket, with the percentage of the total family-income which must be spent to buy that product. What are

you getting for that percentile of your income?

You say: "The product has been improved"? Let's take a closer look at that.

The total cost of a product is not only the purchase-price; you must add the cost of operating and maintaining that product over the product's useful life. This is the true price of possessing that product as a percentile of your total family-income.

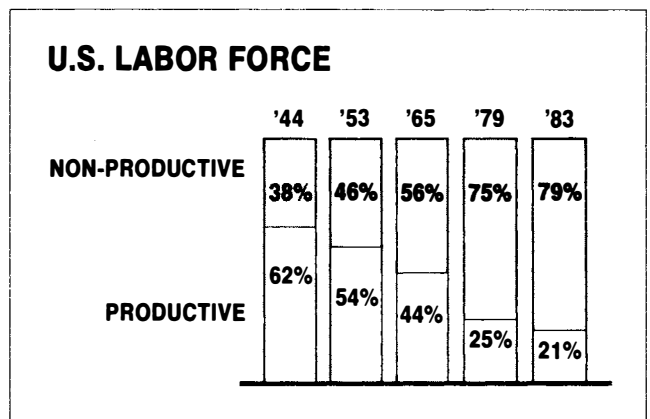
Now, how many years of use do you obtain from that product, compared with the similar product your family bought earlier?

Add in other considerations: Would your family have a better chance of surviving in a Detroit automobile purchased in 1972 or the typical compact purchased today? How far would you go on the spare tire sold with a 1972 car, as compared with the spare tire sold with a 1983 or 1984 compact?

Correlate all these obvious features of the cars according to Henry Ford's definition of his Model T: a consumer capital-good. Do the same for other "consumer durables" purchases. Compare this with the percentile of your family-income required to "possess" that category of product, in the past and now.

Now, let us look at this same fact in another way. Let us look at the total market-basket of consumer-requirements for all U.S. households. Let us compare the percentile of the total labor-force employed in producing each category of physical product included in that market-basket. Let us compare the total wages of the households purchasing those products.

Go a step further. Production of goods depends upon what is best called "basic economic infrastructure." This includes items which are traditionally supplied by economic activities of the federal, state, county, or municipal governments. Transportation, energy-production and distribution, fresh-water management, sewage systems, and basic urban infrastructure, including mass-transit systems, hospitals, schools,



police protection, fire protection, and so forth. Ignoring the services-component of basic economic infrastructure, considering only the tangible elements, the United States today is suffering at least a \$3 trillion deficit in infrastructure: About \$3 trillion would be needed to put the economy in the same shape as approximately 1969-70. Our economy is falling apart.

This means that there is an invisible cost buried in the price of everything purchased: That invisible cost is the proportional price of everything that is not being done to maintain infrastructure, farms, and manufacturing facilities—the price which would have to be added to the price of goods if we were paying to keep the economy from collapsing around us. Add that price into the price of the market-basket goods. You then begin to see the way in which the U.S. economy has been collapsing at an accelerating rate since Johnson introduced the swindle called his “Great Society” package. Johnson said it was to help “poor people”—how much has this policy improved conditions in the slums of our cities, how has this program reduced the percentile of poor in our population? It has been more than 15 years of swindles and foolishness.

The product you buy today is bigger and better than in 1967? Either you don't remember, or you are not thinking very clearly.

‘Post-industrial society’

To get into the bare fundamentals of the problem—the reason the “demand-pull” dogma is absurd, keep your attention on the total U.S. labor-force. To arrive at a correct estimate of the costs of the physical goods in our market-basket, we must focus attention on the percentile of the total labor-force required to produce these goods.

Experience in teaching economic science shows that the easiest way to get the point across to any intelligent farmer, small-industry entrepreneur, or trade-union official (for example), is to ask them to think of the entire national economy as if it were a consolidated agro-industrial enterprise: one big agro-industrial firm. In that case, it is clear that the portion of the labor-force directly employed in production of physical goods (i.e., agricultural or industrial operatives), plus operatives employed in transport of goods and labor-force, add up to that part of total employment which corresponds to the direct costs of production. The rest of employment (plus unemployment) is “overhead expense” for the economy as a whole.

We should study the “overhead expense” of an economy as a whole in a way very close to the way one should study the overhead expenses of a firm: *indirect costs* of production services and direct supervision of production; *general management costs* of operations of production; *selling and related costs*; *unavoidable expenses*, which have no direct relationship to activities of production and selling, such as legal expenses; and expenses properly classed as *wasteful*, such as

unemployment. The problem is to keep the overhead expenses as a whole in line with production costs.

Since 1955, especially since about 1965, the U.S. economy as a whole has been guilty of almost criminal mismanagement of the growth of “overhead expense” as a whole. At the end of World War II, 62% of the labor-force was employed in the category of *operatives*; today, about 21% are employed so. This means that the overhead-expense factor in total employment has risen from 38% to 79% of total employment. In other words, the ratio of “overhead expense” per employee producing physical goods has risen from 38/62nds (61%), to 79/21sts (375%). This is without considering the burden of financial charges such as growth of interest-payments and increases of rental payments on account of purely-speculative appreciations of rents. More than 610% increase in overhead-expense burdens per operative: *This is only the rate of inflation caused by overhead-expense mismanagement alone!* To this we must add the inflation of prices caused by financial and ground-rent charges per-capita. No wonder inflation has zoomed over the past 16 years since Johnson's shift in U.S. policies.

We are not going to escape from this inflationary downward-spiral until the entire financial system collapses, as it did under President Herbert Hoover, or until we reverse the drift into “post-industrial society.”

It will accomplish nothing, attempting to sweat additional productivity out of a shrinking percentile of the labor-force employed as operatives. We must reverse the past decades' trends, and concentrate on increasing the percentile of the labor-force employed as operatives in industries and farms investing in advanced technologies of product-design and productive methods. This requires, chiefly:

1) Shutting down easier capital and credit flows into “overhead-expense” categories, excepting highly-skilled professional or semi-professional medical, scientific, and engineering services. This requires:

a) Large flows of credit for medium- to long-term investments, at low interest rates, into technologically-advanced production and production-capacity in agriculture, manufacturing, construction, transportation, and energy-production and distribution systems. Large volumes of such credit must be earmarked for either this or loans to development of other basic infrastructure by federal, state, county, and municipal governments.

b) The tax-burden must be shifted to fall heavily on speculative forms of non-production-related capital gains and ordinary income, away from households, farms, and industry.

c) “Federalizing” the Federal Reserve System, in conformity with Article I, Sections 8 and 9 of the U.S. Federal Constitution: The Fed is no longer allowed to control the creation of currency or credit; issuance of currency must be gold-reserve currency (at about \$750

per ounce of gold), and the Fed's inflationary "Keynesian multiplier" must be shut down.

2) Emphasizing investment in capital-goods production, rather than consumer-goods production. *Wage-earners' increased purchasing-power should be increased in the capital-goods and basic-infrastructure sectors.* Improved capital goods will improve the productivity of consumer-goods industries, meaning an increased supply of better-quality, more durable consumer-goods at reduced average social cost of producing those goods.

3) Markets for sale of high-technology capital-goods must be increased, by means including international monetary-system reforms designed to increase world-trade in capital-goods.

In other words, we must dump the "barber-shop economics" of "demand-pull," and shift to a "technology-push" approach. Some rule-of-thumb targets for national policy-making should include:

1) As rapidly as possible, employment in the overhead-expense (indirect cost) of research and development should be pushed up to about 5% of the total labor-force's employment.

2) By the end of the century, the percentile of the U.S. labor-force employed as operatives in agricultural, industrial, and basic-infrastructure categories of employment should be pushed back to the vicinity of 50% of the total.

In other words, double the average productivity of the economy solely by means of increasing the ratio of labor-force employed as operatives, and at the same time push investments in capital-goods based on high rates of R&D employment to between 7% and 10% increased productivity annually in operatives' categories, for a combined increase in average U.S. productivity of between four and five times by the close of the present century.

"Demand-pull" is trying to increase milk-production by concentrating on the wrong end of the cow—which may be normal for Harvard graduates, but is terrible in the real world.

The excessive growth of certain categories of overhead-expense should be treated as a cancer: Starve the cancer and nourish the healthy tissue, using selective credit and selective taxation policies of government to steer the flow of investments (and employment) in the needed directions.

The auto industry in particular

Hoping for a recovery sparked by auto sales is foolishness on other grounds as well.

The need for private automobiles is determined by the number of family households in the market, and also by the number of family members in the average household. The rate of family-formation is down (in net of marriages and divorces, and rapid growth of homosexuality), and similar causes reduce sharply the birth-rate per female of child-bear-

ing age. The present inventory of automobiles in use represents a market which has already been saturated. The market-potential is therefore limited approximately to production of sufficient cars to provide needed replacements.

Additionally, from the standpoint of the health of the economy as a whole, it is insanity to produce automobiles designed to become relatively uneconomical to operate and maintain after a few years' use. We must get back to Henry Ford's Model T policy: End this mania with style-changes, and produce a high-quality, durable vehicle, relatively cheap to maintain, and also easily and economically adapted to incorporate improvements in accessories and replacement parts over a projected ten-year or longer lifetime of ordinary usage. This means producing fewer, and much better vehicles, a true "consumer capital good."

Instead of patching-up existing designs, as the lunatic "air-pollution" legislation and bureaucratic decrees of the past decade have forced auto manufacturers to do, produce a power-plant which is inherently more efficient, inherently far less polluting.

If we proceed sanely, the gasoline-diesel power-plants as now known will be out before the end of the present century. The alternatives are well known, and their general and economical application is merely a matter of developmental work.

This signifies that the unit-capacity for private vehicles' production by our automobile industry must level off at a lower level of output of units per year. This means, therefore, that we must concentrate now on a sane reorientation of the production capacity of the auto and associated industries, and of the labor-force of localities traditionally associated with that industry. High-technology mass-production of things badly needed in large quantities on a domestic and world-market scale is the general formula obviously to be applied.

Pumping up the auto-industry's sales, as a presumed "demand-pull" gimmickry for stimulating the economy as a whole, is just one more dose of the same old medicine which made the patient sick since the 1950s dosage with this poison.

The total amount of stimulant supplied by pouring new volumes of new-car-sales financing into the auto industry's sales is less than the amount of the added stimulant supplied. There is no "multiplier" effect under present conditions.

Meanwhile, the benefit of the upturn in 1983 auto sales has been widely exaggerated. By producing a poorer quality of vehicle at increased prices, and selling those vehicles in increased numbers, the auto firm's profits are temporarily increased significantly *one time*. The auto firms are helped a bit—temporarily—in this way, but the economy as a whole suffers. It is the lunacy of the Burns period under President Eisenhower repeated again, as farce. It merely makes the looming economic collapse bigger when that crash hits.

The graphs appearing in this Special Report were used by Mr. LaRouche in a Feb. 4 nationally televised broadcast, and were provided to EIR by The LaRouche Campaign.

How America's metal-working sector is being destroyed

by Leif Johnson

In the period from 1979 to the present, a catastrophe hit American industry. The event was known to few Americans and the protests made fell on deaf ears in Congress and the White House.

America's metal-working industry was being gutted. The industry that produces the machines, the forgings, the dies, the stampings, and the very nuts and bolts was wasting, its skilled labor power scattered and lost, its engineers and designers dismissed, its companies bankrupted.

Economist Lyndon H. LaRouche, Jr. emphasized in a nationally televised broadcast Feb. 4: "Now this seems to be a fairly small industry, employing about 100,000 operatives in 1981, and much less today. You say it's not very important. But without the machine-tool industry, my friends, the United States is out of business."

The affected industries complained loudly:

The National Machine Tool Builders Association, in a petition filed with the Commerce Department for relief from import competition, tells us that in 1977 imported machine tools represented 16.5% of all sales in the United States. By 1983, only six years later, 36% of machine tools sold were foreign, with over 50% of the most sophisticated five-axis and numerically controlled machines of foreign origin.

The Forging Industry Association informs us that half of its workforce has been dismissed in the last three years. The industry has the oldest tools of all American industry, with over 50% over 20 years old.

The Fasteners Institute, the trade association for the makers of nuts, bolts, and screws, complains that since 1978, 40% of the industry's production has been eliminated; employment is down by half, and 40 major plants have closed their doors in the last two years alone.

And because of this, the die-makers, the highly skilled craftsmen who make the critical shaping part used in all forgings, have suffered 10% of their shops bankrupted and 30% of capacity lost in the last three years.

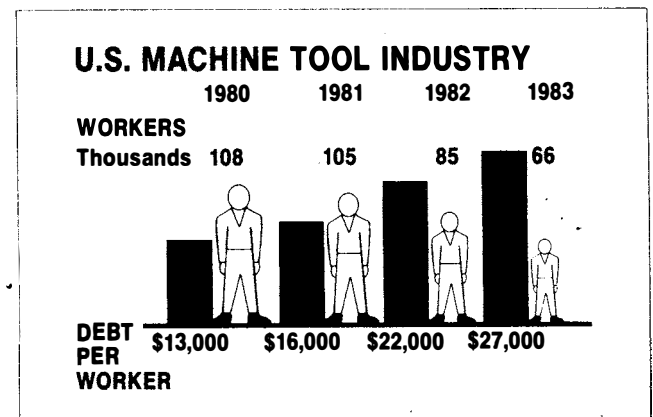
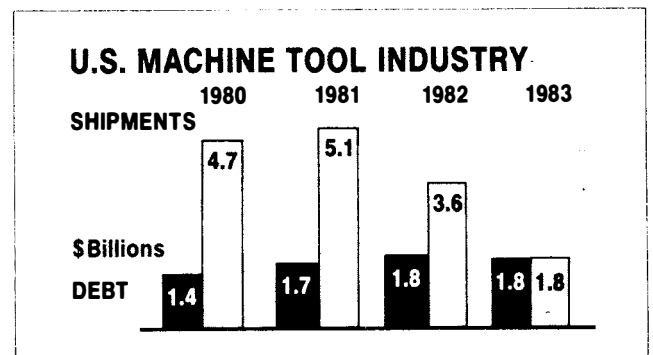
How could such a debacle occur? Was it because of the flood of imports that has hit every sector of the metal-working industry, or is it the worldwide depression begun when Jimmy Carter's newly appointed Federal Reserve Board chief Paul Volcker raised world interest rates to a level of universal usury not known since Biblical days?

Both played a role, but it is the purposeful "shaping" of the disaster by the conscious advocates of a policy of deindustrialization that must be examined. The steel industry had a key role to play.

The Trigger Price Mechanism

Since steel is our most basic engineering material, the ability to shape and machine it is the basis for all other industrial processes. Even industries not engaged in output of steel or other metal products must use capital goods made of steel and other metals to operate.

In 1978, President Jimmy Carter, because of the complaints of the steel industry, instituted a protectionist measure known as the Trigger Price Mechanism. It established a minimum selling price of imports at the Japanese selling price, taking the Japanese industry as the most efficient.



All things being equal, this method would tend to encourage American steel companies to modernize to compete with Japanese prices, while keeping out less productively produced steels that were being dumped on the U.S. market.

But nothing was equal. The U.S. steel industry—from which the Japanese acquired much of their technology, but which the U.S. industry generally refused to employ domestically—was a cartel formed in the first decade of the 20th century by the Morgan and Mellon banking empires, with the participation of the Rockefeller-connected Hanna mining and metals group. As a cartel created by New York and Pittsburgh banking interests, the industry was characterized from the first by a desire to restrict production and to subordinate actual steel-making to financial activity.

During World War II, the industry defied the President's demand that it increase output, arguing that its concern was not the war effort, but the prospect of "overcapacity" after the war.

In 1961, U.S. Steel, the industry's largest company, precipitated a brutal showdown with the just-inaugurated President John Kennedy over plans to rationalize and shrink the industry by greatly increasing prices and substituting cheaper foreign steel.

By 1980, the steel industry was meeting in Jimmy Carter's "Tripartite Committee"—a form borrowed from the corporatist bodies of Italian fascist dictator Benito Mussolini—and discussing plans to reduce steel output in the United States by 50%, a plan that is now going into effect with the shutdown of 20% of U.S. Steel's output and the merger of major steel makers.

The steel companies, despite their protests over imports, were in fact not concerned with imports or with the health of the domestic industry. They were operating on a general plan, coordinated with the "de-industrializers" of Europe, such as the European Community's Viscount Etienne Davignon, to reduce world steel output.

This deindustrialization policy was shown by a comparative study of American and Japanese capital investment in steel-making from 1956 to 1976. The American companies were found to have spent nearly 30% more than the Japanese for capital plant and equipment, but the Japanese built virtually their entire industry, from 12 million tons to 144 million tons, and the American industry wound up technologically far behind the Japanese.

The Trigger Price Mechanism did little for the industry, but it did have a profound impact on the metal-working industry worldwide. First, it established a more or less permanent and stable market for the Japanese. Inhibited by the Trigger Price Mechanism and the threat of further protectionist measures, the Japanese moved in two ways: first, to sell more valuable specialty steels like tool, stainless, and alloy steel to U.S. markets. Second, as they built their capacity to ship such more valuable steels, but as these too became subject to protectionist measures, the exporters began to ship their steel as semi-manufactured and then fully manufactured

goods.

When it became difficult to ship tool steel or alloys, U.S. imports of machine tools, forgings, transportation and construction equipment assemblies, fasteners, and other items soared. Typical of these operations by foreign governments was the decision by the Canadian government to sell its forging-grade steel at 30% under cost to a Canadian forging company which then sold its forgings in the United States at well below U.S. prices. Forgers claim that now the entire undercarriage of Caterpillar bulldozers is imported.

All of this occurred as the vise of depression crushed the world's machinery and metal-working industries. The nations of Europe in particular used any device or price to maintain sales of steel and steel products and machinery, lest their manufacturing companies be closed down under the provisions of the European Commission's Davignon Plan for dismantling heavy industries.

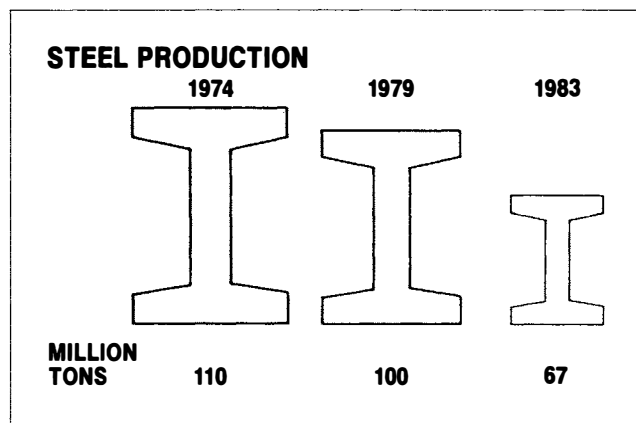
The table on page 24 of grades of U.S. steel imports shows the progression from imports of carbon steel to higher grades of alloys and stainless, including tool steel, and then the collapse of alloy imports in 1983. That steel nonetheless entered the country—in the form of forged products and machine tools.

The steel industry had made preparations early for the shutdown now in effect. In the 1980-81 period major steel companies, U.S. Steel in particular, began a clearing out of experienced production managers, replacing them with Harvard and other business school-trained managers.

Besides converting steel companies into "financial services" and other types of companies, exemplified by U.S. Steel's \$6 billion purchase of Marathon Oil, the Harvard boys blamed the workforce for the wretched state of the industry, demanding large wage give-backs.

'Rationalization' of the auto industry

Noticeable in the pattern that has led to the dire conditions in metal-working, is the role of the auto companies. In 1979 a General Motors senior vice president addressed a meeting of machine-tool builders with promises of orders that would keep the industry at full production through 1983, the final



year of an \$80 billion promised retooling of the auto industry.

Thirty billion dollars later, much of that spent for "rationalizations"—such as Chrysler's reduction in output by 40%—the retooling of the Morgan bank-controlled industry came to a halt. The machine tool industry, that had been promised years more of steady auto orders, was multiply devastated as suddenly, under the shock of Federal Reserve chairman Paul Volcker's usury, the aerospace and oil-drilling sectors began to dry up.

Worse, at the same time the Carter administration negotiated a "standstill" agreement with Japan, limiting the number of auto imports, which had the same effect as the steel imports curbs: Imports of auto parts, including castings, forgings, and fasteners of all kinds, and even spark plugs flooded in.

No relief for metalworking

While the Carter administration granted relief to the steel and auto industries—which the Reagan administration continued—no relief was granted to the essential metal-working industries. In 1977 the Federal Emergency Management Agency (FEMA) undertook an investigation of the huge import penetration of industrial fasteners (large nuts, bolts, screws, other fasteners) and its relation to U.S. defense preparedness. In 1970 24% of domestically consumed fasteners were imported. By 1977 it was 43% (today it is over 65%) and the Departments of Commerce and Defense concurred that relief was necessary.

In his rejection of the FEMA petition, then Secretary of the Treasury Michael Blumenthal not only misrepresented the nature of fastener production, but posited that the next war will be over in 18 minutes in any case and that any defense-related need for fasteners was therefore moot.

In early 1982, when business conditions were approaching disaster in the industry and 30 major producers had been eliminated, the Fastener Institute held high hopes for a new investigation initiated by Secretary of Defense Casper Weinberger. The Defense and Commerce Departments presented completely convincing cases, only to be squashed by State.

Using a Carter administration National Security Agency scenario of a European land war with the Soviets, the State Department argued that although the Atlantic shipping lanes might be shut down, there was no threat to the Pacific lanes

and that Japan, the major supplier of fasteners, was politically reliable. Only Blumenthal's 1978 argument could have been more absurd.

Protectionism no answer

The sabotage from the State Department does not excuse the political impotence of the metal-working industries themselves. While they recognize the necessity of their industry for defense, and indeed for the entire civilian economy, they insist on relief against imports rather than restoring the industry itself.

The necessity is not redistribution of extremely depressed tool and metal-working orders among existing producers. Protectionism in a world depression never saves the domestic industry, since depression is itself a financial war against industrial production of all nations.

In May 1940, as the Nazis overran the European continent, but 18 months before Pearl Harbor and at a time when the United States was not directly threatened with war, President Roosevelt issued a declaration of national emergency. The government issued Certificates of Necessity which allowed tool companies to buy machinery and equipment as part of the sales contract and write it down in a year.

The result was dramatic. From \$440 million in deliveries in 1940, the machine tool industry was able to deliver \$775 million in 1941.

In 1942, the first full year of America's involvement in the world war, the machine tool industry shipped \$1,320 million worth of tools, an output eight fold greater than only five years previous.

Harold Vance, then in charge of planning for machine tool production testified in 1956:

"It was the summer of 1940, when the defense effort prior to World War II commenced. Of the funds originally provided by Congress for defense preparedness prior to World War II, a very large portion was devoted to the creation of capacity. . . . It was the most fortunate thing to have had happened, because when Pearl Harbor occurred and we got into the war, we had the advantage of the year and a half . . . and we were able to build planes, guns, and other equipment much quicker than we otherwise could have done."

Today, without a similar declaration of national emergency, our metal-working industries will sink into oblivion.

Carbon, alloy, and stainless steel imports 1978-1983

(thousands of tons)

Sector	1978	1979	1980	1981	1982	1983
Carbon	20,181	16,621	14,784	18,616	15,372	16,344
Alloy	753	725	559	1,092	1,084	536
Stainless	199	169	153	191	203	190

Steel imports have fallen as a result of the Trigger Price Mechanism and the shift from carbon to high-value alloys. Imports of alloys collapsed as imports flooded in as steel parts, semi-manufactures, and whole machines.

Source: American Iron and Steel Institute.

Industry depends on metalworking

The industries that make the parts and ultimately the tools of industry from metals, of which steel is primary, are the metal-working industries. They lie at the base of all industry; without them, nothing is manufactured.

Castings: This metal-working process, easily 4,000 years old, is the simplest way to make metal parts. Molten metal, most commonly steel, is poured into a mold, commonly made of sand. The metal cools, leaving a hardened surface and softer interior. Castings have an immense variety of uses, from auto and appliance parts, to heavy steel shapes used by railroads, to highly sophisticated skins for the cruise missile.

Dies: These are the alloy steel "patterns" into which metal is either poured to produce castings or forced under great pressure and heat to produce castings. The number and skill of a nation's tool and die makers is a measure of its industrial and military capability. Most die companies are small, family-run.

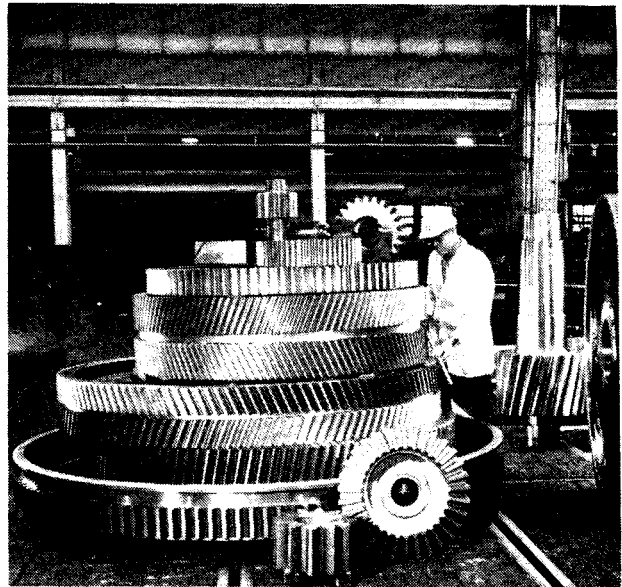
Fasteners: The nuts, bolts, large screws, and other kinds of fasteners are commonly known items, but the 400,000 different kinds of fasteners in use demand great diversity of manufacturing capability. Fastener-producing machines can be large, complex machines requiring highly skilled operators.

Forgings: In this process, steel or some other metal is deformed under heat and pressure, producing a part with a fibrous structure giving it great strength. Forgings include auto crankshafts, aircraft parts, valves, pressurized

container vessels, and numerous military items including the drive shafts of submarines.

Machine Tools: There are two basic types of machine tools: cutting and forming. The former shapes metal or other materials by turning (lathes), boring, drilling, cutting, grinding, and polishing; the latter forms metal by punching and shearing, bending, and stamping. Metal-forming machines include forging and diecasting machines. Great advances have taken place in the industry through electronic controls (numerical control), greatly amplifying a machine tool's capabilities and speed.

Stampings: Here the metal is shaped and punched by mechanical action, with relatively light metal used. Most steel consumer products, from auto bodies to beer can openers, are stamped.



Documentation

'This industry will be out of business in a year'

James Gray, president of the National Machine Tool Builders Association, discussed with EIR's Leif Johnson the crisis in his industry. The Association has filed a 232 petition with the government—seeking relief from import competition on national defense grounds.

Gray: The administration had better approve our 232 petition or the whole industry will move offshore. If they do to us what they did to the fasteners industry, [whose 232 petition

was denied last year], two things will happen. In fact, not *will* happen; they're happening right now. First, the machine tool industry will go offshore. It can produce in Taiwan, Japan, Italy and from there it can export to the East bloc, which is now half the world market. Every tool company is sourcing something overseas.

Second, the conglomerates are dumping their machine tool subsidiaries. Machine tools are rated one of the lowest-profit industries by the market analysts.

Do you know what we will do? We will sell to the Russians. I'm not soft on the Russians; I am a conservative, but if our own government will not back us up and restrict imports, we have no choice.

I was at the Kama River factory [in the Soviet Union]. They had three assembly lines producing red, white, and blue cars, just for our visit. But they were only producing at 25%

of capacity because the U.S. was blocking sales of spare parts for American machine tools at the factory. Only 6% of the machine tools are American, but if they are not functioning, the whole line breaks down.

If we don't sell the parts, the Russians will rip out the machines and put German machines in and we will be permanently shut out of the market.

We're going to the trade fair in Moscow at the end of March. We'll spend a day there and then four days touring with top Soviet tool people. They tell us they have their shopping lists ready.

Later, they will send a delegation to this country again with their shopping lists.

EIR: What is the capacity of the industry to tool a defense mobilization?

Gray: A defense mobilization? This industry doesn't have the capability to tool a civilian surge, much less a military surge. This industry is in involuntary liquidation. If there is no relief, this entire industry will be out of business in a year. Think of the great machine builders of World War II—Bullard, J&L Turning—they are no longer there. Look at Warner & Swazey—they sold all their turning machine tool capability and are now sourcing in Japan and Italy and just assembling these machines in the U.S.

I can't off-hand think of one apprenticeship program in the industry. Worse, we have lost our engineers and designers. Once they leave, we don't get them back. . . .

We are making one last try. Ten of our top execs will meet with Commerce to tell them why we need the 232. You have to understand that as much as 40% of U.S. machine tool sales were foreign tools in 1983. Over 50% of the most sophisticated tools, the five-axis and the numerically controlled turning machines are foreign, mostly Japanese.

The Japanese don't care how many tools they sell the East. The average price of an NC [numerically controlled] tool sold the Soviets by the Japanese is \$1.5 million; the average price of Japanese NC machines to the rest of world is \$2-300,000. So you get a good idea what kind of tools they are selling the Soviets.

Do you know that the Japanese licensed five-axis tools [tools used for aircraft and missile production] to Hungary in 1979 and to the Romanians in 1978? In 1975 the Norwegians sold sophisticated COCOM-listed controls [COCOM is the NATO committee that proscribes export of military-related goods to communist countries—ed.] directly from their arsenal. It was sent through dummy companies in France.

We must have exports or our industry dies. We have the largest foreign trade section of any trade association in the country. When the Jackson-Vanik amendment [restricting exports to the Soviet Union] was passed, the companies began to invest in foreign plants to ship to the East bloc. That hurt our R&D and destroyed our lead in technology. You must understand that if you control the NC and machining centers markets, you control the level of world technology.

'If we take work, we lose money'

EIR's *Leif Johnson* asked a leading spokesman for the die-makers industry to describe the situation his shops face.

In the last few years, there has been a major shift in our industry. As a result, at least 40 die shops have gone out of business, 50% of our skilled labor has been lost, and I estimate 40% of all forging capacity [for which most dies are made] has been lost. We have only five apprentices in the federal indentured apprentice program in our industry.

Right now, in our industry, if you take work you lose money. The buyers demand: How low a price can you quote us—and then how soon can you give to us? These are long-established contacts. For example, a buyer who eight years ago bought a die for \$5,000 might now ask one of our shops to produce the same die for less.

If our companies take the work, which they must do to keep their skilled workers, they lose on the sale and then may wait three to four months to get paid. Forty percent of our invoices are over 90-days overdue.

What is so dismaying is all the new technology, like CAD/CAM and numerically controlled machine tools, is there, but our shops cannot finance it. How can a shop of 30-40 men afford a half-million dollar machine if it doesn't have guaranteed orders? We need long-term commitments from the forging industry.

As far as imports go, the worst offenders are the big companies like GM, Chrysler, International Harvester, Clark, and John Deere, who began buying offshore ten years ago. Since then it has gotten progressively worse. Caterpillar is probably the largest foreign buyer. Then look at the steel companies that buy offshore and stamp their names on it! The tool companies do the same.



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How Moscow Plays the Muslim Card in the Middle East

In the past year, have you. . .

Suspected that the news media are not presenting an accurate picture of Soviet gains and capabilities in the Middle East?

Wondered how far the Khomeini brand of fundamentalism will spread?

Asked yourself why the United States seems to be making one blunder after another in the Middle East?

If so, you need *EIR's* new Special Report, "How Moscow Plays the Muslim Card in the Middle East." The report documents how Zbigniew Brzezinski's vision of Islamic fundamentalism spreading to break up the Soviet empire is upside down. Instead, using those Islamic radicals, the Soviets are poised for advances on all fronts in the Middle East, from diplomatic ties to conservative Gulf States, to new outbreaks of terrorism, to creating client states such as "Baluchistan" (now part of Pakistan) on the Arabian Sea. The "arc of crisis" has turned into a Soviet "arc of opportunity."

This ground-breaking report covers:

- **History and Mideast policy of the Pugwash Conferences**, whose organization by Bertrand Russell in 1957 involved high-level Soviet participation from the beginning. Pugwash Conferences predicted petroleum crises and foresaw tactical nuclear warfare in the Middle East.
- **The Soviet Islam establishment**, including Shiite-born Politburo member Geidar Aliyev, the Soviet Orientology and Ethnography think tanks, and the four Muslim Boards of the U.S.S.R.
- **Moscow's cooptation of British intelligence networks** (including those of the "Muslim Brotherhood"—most prominent member, Ayatollah Khomeini) and parts of Hitler's Middle East networks, expanded after the war.
- **The U.S.S.R.'s diplomatic and political gains in the region since 1979**. Soviet penetration of Iran as a case study of Moscow's Muslim card. The August 1983 founding of the Teheran-based terrorist "Islamintern," which showed its hand in the Oct. 23 Beirut bombings.

\$250.00. For further information, call William Engdahl, Special Services, at (212) 247-8820

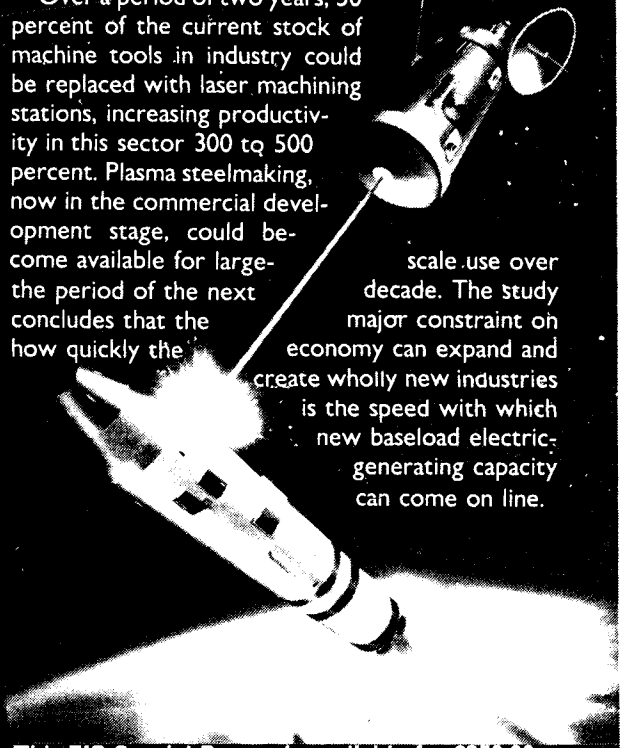
The Economic Impact of the Relativistic Beam Technology

A unique study of the impact of the new defense-related technologies—high power lasers, particle beams, and fusion—which will become available to basic industrial production as the March 23 defensive strategic doctrine proposed by President Reagan is developed. The report is a computer analysis incorporating the LaRouche-Riemann model, which examines the little-discussed revolutionary civilian economic "spinoff" effects of the new beam weapon development program.

The study reveals that with rapid introduction of new laser and related technologies into the civilian economy, the growth of the economy would be so rapid that:

- an estimated 4 million highly skilled industrial jobs could be added to the economy per year;
- the U.S. trade deficit could be eliminated in two years; and
- the rate of growth of real GNP could approach 25 percent per annum.

Over a period of two years, 50 percent of the current stock of machine tools in industry could be replaced with laser machining stations, increasing productivity in this sector 300 to 500 percent. Plasma steelmaking, now in the commercial development stage, could become available for large-scale use over the period of the next decade. The study concludes that the major constraint on how quickly the economy can expand and create wholly new industries is the speed with which new baseload electric-generating capacity can come on line.



This *EIR* Special Report is available for \$250.00. Contact: William Engdahl, *EIR* Special Services, (212) 247-8820.

Tip O'Neill aids and abets Moscow in Lebanon

by Criton Zoakos

Soviet moves in Lebanon are merely the epicenter of a global squeeze play designed to progress to a thermonuclear confrontation, probably by the spring, in which the stakes will far surpass those involving the destinies of Lebanon, the Middle East, or even Mideast-dependent Western Europe, as *EIR* founder Lyndon H. LaRouche, Jr. warned in his nationally televised half-hour address on Jan. 21.

Soviet Politburo member Geydar Aliyev is orchestrating the squeeze play from the ground in Damascus. The intended collapse of President Amin Gemayel and the intended proclamation of an Islamic fundamentalist republic of Lebanon is supposed to be the initiating point for a rapid-paced Islamic fundamentalist takeover in Saudi Arabia, Iraq, Jordan, Egypt, and the Persian Gulf as a whole, amid chaotic eruptions, bloodshed, and suspension of the last remnants of civilized life.

In turn, the fall of the Middle East, pivoted around the fall of Lebanon, is designed to be the opening phase of a fast-paced Soviet political-military assault against Western Europe. In the end, those persons are to rule Western Europe who like Kissinger believe in reducing the United States to a third-rate power, limited to about 25 percent of its present status and influence. The Soviet command has prediscussed the risk of an actual thermonuclear war in scheduling this objective for some time this year, before the U.S. election and most probably before the summer party conventions.

Are you surprised that the United States is about to be handed its hide in the Middle East and in Europe as a result of what is now happening in Lebanon? Had you watched LaRouche's Jan. 21 national television broadcast, as Speaker

of the House Tip O'Neill did, you would not have been surprised. In fact, had you been Tip O'Neill, you would be overflowing with pride over the unique contribution you made to this now unfolding national debacle.

During the Jan. 21 broadcast on CBS-TV, LaRouche, a contender for the Democratic presidential nomination, warned against precisely the kind of debacle now in progress. In putting forward his bid for the nomination, he identified the main source of this country's problem as the appeaser faction of political figures exemplified by those Democrats grouped around Chuck Manatt's Democratic National Committee such as Tip O'Neill, Averell Harriman, and Walter Mondale. In the 10 days following the LaRouche challenge, a flurry of countermeasures was launched by Manatt's Democratic National Committee (DNC), the KGB-riddled Mondale campaign, Henry Kissinger, and members of the Democratic congressional leadership, especially Speaker O'Neill. The goal was to silence LaRouche and thus facilitate an international intrigue to torpedo President Reagan's electoral campaign by a major international debacle.

The first of February was a busy day for O'Neill. He began it by breaking his own tradition and endorsing a presidential candidate before the Democratic convention—Walter Mondale. Part of that busy day was also devoted to putting in the "fix" to deny LaRouche the customary Secret Service protection afforded to candidates; the remainder was spent organizing for the infamous Democratic caucus resolution calling for the immediate withdrawal of the Marines from Lebanon. The following day, Feb. 2, the inflated Speaker of the House remarked publicly that he had succeeded in causing

Secret Service protection to be denied to LaRouche, and then went off to lead a Democratic Congressional Caucus meeting which, under the glare of cameras, overwhelmingly approved a draft resolution calling for the speedy withdrawal of the Marines from Beirut. This resolution, as "Topsy" knew, was a signal to be picked up by the Soviet command and translated into specific marching orders for the Soviets' surrogates, the Syrians and the Druze and Shi'ite warlords in Lebanon.

Within a day, all hell broke loose in Lebanon. With Tip O'Neill's green light, backed by the KGB-tainted Mondale campaign, and by Henry Kissinger's behind-the-scenes drive to take over day-to-day foreign policy making in the Reagan administration, fresh Syrian and Druze artillery batteries appeared on the hills around Beirut. Hafez Assad of Syria issued assassination threats against the members of the Lebanese cabinet, in some cases accompanied by actual assassination attempts. The moderate Muslim leaders of Lebanon received similar assassination threats, and were ordered to the Syrian capital. Under Syrian coercion, and with Tip O'Neill's faction resolved to deny them U.S. protection, Lebanon's moderate Muslims resigned from the Lebanese government, and many issued calls to Muslim members of the Lebanese Army to desert from their ranks.

Within three days of the O'Neill-sponsored Democratic Caucus draft resolution, the government had collapsed, the army had collapsed, and most of the capital had fallen into the hands of over 10,000 heavily armed Khomeiniac terrorists bent on proclaiming Lebanon an Islamic republic. The British, Italian, and French military contingents of the Multinational Force were ordered out by their governments. Simultaneously, these governments issued calls to introduce a Soviet-approved and perhaps Soviet-sponsored United Nations peacekeeping force in Lebanon.

What is going on around Lebanon while the media try to persuade the public that what is at stake is merely the presence or absence of the Marines at the Beirut International Airport?

Moscow's own NATO secretary

Poor Topsy O'Neill may have believed for a moment that he was doing something very clever with that withdrawal resolution, something which might pin down President Reagan in an impossible foreign crisis, cost him his re-election, and thus allow Tip's choice, the KGB-tainted Walter Mondale, to win in November. For all we know, Mr. O'Neill may not even believe that Mondale is KGB tainted. Having heard the charge, he probably dismisses it as mere campaign mudslinging from LaRouche. "Topsy" is either too drunk or too lazy to look at the damning evidence. Or, most likely, one of the KGB-tainted boys is brandishing a thick blackmail file before the eyes of the Speaker of the House.

The pettiness and corruption of our Congress, as aptly illustrated by the Speaker, the KGB influence over the Democratic National Committee and its hand-picked stable of candidates, the treacherous collaboration of Secretary of State Shultz with Henry Kissinger, a cabal deeply sunk in personal

corruption, greed, betrayal, and blackmail have all combined to play out this monstrous Lebanon gambit for stakes which go far beyond poor, shattered Lebanon. The United States is about to be felled as a world power under the triple blows of the Moscow-allied Islamic fundamentalist movement, the creature of a deeply embedded alliance of old Nazi and communist intelligence networks, of the Moscow-allied Pugwash arms control elite, and of the Moscow-allied sponsors of a "neutral" *Mittleuropa* political entity in Europe.

All three of these political coalitions are in agreement with the current imperial Russian leadership that the power, influence, and alliance commitments of the United States worldwide should be reduced to about a quarter of their traditional extent. Emerging from the current explosion in Lebanon, the governments of France, Italy, and Great Britain are engaged in an intensive effort to bring the Soviet Union into a U.N.-sponsored negotiating forum as a partner in a "crisis management" exercise whose object is to dislodge the United States from the entire Middle East.

The diplomatic bureaucracies under Foreign Ministers Claude Cheysson of France, Giulio Andreotti of Italy, and Geoffrey Howe of Great Britain are working in coordination under the supervision of Lord Peter Carrington for the purpose of accomplishing this objective. The British Foreign Office has been coordinating its Lebanon and Middle East policy with Moscow since at least last September, when it was settled that Lord Peter Carrington would be appointed the next secretary-general of the North Atlantic Treaty Organization. On Feb. 9, 1984, the French cabinet announced that Cheysson, on behalf of the entire cabinet, had been coordinating its Lebanon policy with Foreign Minister Andrei Gromyko of the Soviet Union. As for Andreotti, he is known to operate under the coercion of Soviet KGB blackmail files which are periodically waved under his nose.

The finishing touches for the Lebanon debacle were put in Stockholm on Jan. 17, as we warned at the time, when Howe and Gromyko met under the watchful eyes of Lord Peter Carrington. What appears to have been discussed during that session were not tactical details but rather the principles of operation and the redistribution of influence which are of special interest to Carrington, the inspirator of a "New Yalta Agreement" in which the power of the United States is to be reduced drastically in world affairs. Henry Kissinger, a business partner of Lord Carrington, has mounted an effort to take complete control of the entire foreign-policy machinery of the Reagan administration, with the willing aid of George Shultz. Kissinger's takeover effort is facilitated by the ever-growing Soviet military threats and by the coordinated activities of the KGB-tainted circles of the Democratic Party such as Tip O'Neill's congressional leadership, the Mondale campaign, and the DNC. The squeeze play has left President Reagan misinformed and disoriented.

In these circumstances, the mentors of Speaker O'Neill know better than the average informed citizen of the vital importance to their planning of silencing Mr. LaRouche and his campaign. The stakes could not be higher.

'The British seek revenge for Suez': London's new moves against the U.S.

by Mark Burdman

"The British government, with the help of some people in Paris, is doing everything it can to undermine the position of the United States in the Middle East. People here are calling it 'Britain's Revenge for Suez.'"

This evaluation was given to *EIR* Feb. 9, three days after the capture of West Beirut by combined Syrian-backed Shi'ite Lebanese and Druze forces, by a Lebanese source in Paris. The evaluation sums up an extraordinary mobilization by British Foreign Office assets across Europe, in league with the Kremlin, to drive the United States out of the Middle East and to come to a general accord with Moscow to divide the Middle East and Persian Gulf oil-producing regions into respective spheres of influence—a "New Yalta."

It might appear that this arrangement went into effect after Feb. 7 with the announcement by the British government that it was pulling its 100-man force out of Lebanon and with the anti-American venom launched in the British Parliament by opposition leader Denis Healey and others. In truth, the deal went into effect much earlier, no later than Jan. 19-20, when British Foreign Secretary Sir Geoffrey Howe had an extensive private session with Soviet Foreign Minister Andrei Gromyko in Stockholm. They decided to make the Middle East a focal point of European-Soviet "crisis-management" agreements to undermine the Reagan administration and enable the Mondale-Kissinger forces to take control of U.S. policy.

But the British are not acting alone. Their collaborators in the Quai d'Orsay in Paris, in the Italian foreign ministry, and in the Willy Brandt-Olof Palme wing of the Socialist International are on a *tous azimuts* mobilization to destroy U.S. power across the globe, beginning with the Middle East.

One, two, many Neville Chamberlains

The predominant mood in Western Europe in the hours after the Feb. 7 Lebanon debacle was making one's deal with the devil, the Byzantine imperialists seeking to make Moscow the seat of the "Third and Final Roman Empire." Moscow has threatened, through relevant diplomatic channels and by mobilizing its arsenal of Nazi International terrorists, to destroy the nations of Western Europe if they do not force Reagan to back down from a strong national defense policy based on the development of laser ABM defense. Most Western European governments have kowtowed.

When the Amin Gemayel government collapsed in Beirut, the Quai d'Orsay dispatched a special team to Washing-

ton under the direction of foreign office specialist Bonnefous. According to *Le Monde* and other French press, these officials "strongly disagree" with the U.S. attitude toward Syrian President Hafez Assad, believing (as does Henry Kissinger) that a deal can be struck. According to one British insider with good French connections, "[French Foreign Minister] Cheysson leads a school that believes that the U.S. perspective on Syria is all wrong. The French believe they are in a special position to change things in Damascus."

Jacques Huntziger, head of the international department of the French Socialist Party, reportedly shocked the normal run of appeasers in Paris with his response to Lebanese Druze warlord Walid Jumblatt's statement on France's Radio France International Feb. 5 that Gemayel should be killed. Huntziger said that Jumblatt's statement was "excessive," but that "in essentials, Jumblatt is absolutely right" in demanding that the Lebanese government be changed!

Cheysson, in league with Giulio Andreotti, Italy's foreign minister, is pushing a plan for the Western multinational force in Lebanon to be replaced by a U.N. contingent. Since such arrangements must first be subject to a U.N. Security Council vote, the Soviets will veto anything not to their liking.

Andreotti himself has been up to some very nasty tricks. He spent the first days of February consorting with Libyan madman Muammar Qaddafi in Tripoli, proposing that Libya join the European Community. At that moment, Qaddafi was issuing press releases announcing that all Libyans abroad opposed to his regime would be assassinated in the next months. Qaddafi was also putting into motion new plans for terrorism throughout the southern Mediterranean, targetting Andreotti's own country because Italy had agreed to the stationing of American cruise missiles at the Comiso base in Sicily.

Andreotti raced from Libya to Yugoslavia, where he reportedly held private discussions with Syrian Foreign Minister Khaddam, putting forward Italy as the mediating nation to bring Europe closer to Moscow's surrogates in Damascus and Tripoli. Simultaneous with Andreotti's arrival, the Yugoslav government announced that it had signed a \$800 million barter deal for energy resources with U.S. magnate Armand Hammer, one of the prime Western tools used by Moscow for its global imperialist ambitions.

But the depths of appeasing the Soviets have been plumbed by Greek Prime Minister Andreas Papandreu. Papandreu

announced before an international "peace conference" in Athens Feb. 7 that the United States which was to blame for the huge Soviet intermediate-range ballistic missile buildup in Europe. Reports from "peace movement" sources in Vienna and London are that this Athens conference was seeded with liberal amounts of money from Colonel Qaddafi and that it would be the first in a series later covering Rome, Madrid, and other southern European countries, all with the aim to get the United States militarily out of the Mediterranean and Middle East and to strengthen the Soviet position.

'Kissinger is right'

The public signal of British appeasement was a Feb. 7 editorial in the *Financial Times* of London, the voice of former Foreign Secretary Lord Carrington and the City of London. The "distasteful alternative" for the Reagan administration of further military action in Lebanon "is the road to Damascus. . . . As Henry Kissinger demonstrated after the 1973 Middle East war, it is possible to negotiate and strike a lasting deal with Mr. Assad. It is along that path that the European contributors to the multinational force should be urging Mr. Reagan."

A British insider close to Kissinger told a caller Feb. 9: "The dangers in the Middle East and the Persian Gulf oil regions are now greater than ever, but there is also a positive side to all this. We can now consider a conference of the major powers in the Middle East and bring the Soviets in in a crisis-management capacity. . . . The French and Italians would support this idea, the French have a sophisticated idea of Assad's real ambitions. . . . We need sufficient 'carrots' to tempt Assad into a deal, maybe offer him a revision of the Lebanese constitution to the detriment of continued Christian power there. . . . This could catalyze a necessary reappraisal of policy in the U.S." He stressed that the British Foreign Office was busily opening channels into Syria, particularly through the offices of one Mr. Edgerton, a senior Arab Bureau official.

Lord Caradon, the controller of the Foreign Office Arab Bureau and the brother of former British Labour Party head Michael Foot, told a caller Feb. 8: "The only option for the United States now is to pull out of Lebanon. Clearly this situation strengthens the Soviet position. Britain can take a prominent part in shifting the situation. It may not be a 'New Yalta,' but we could call it a new agreement built on the opportunities emerging out of the current shambles of U.S. policy."

With the exception of a small group of anti-appeasement leaders centered around Parliamentarian Julian Amery, who argued that the pullout from Lebanon would greatly damage Western interests throughout South Asia and the Persian Gulf, the Caradon line was repeated to *EIR* by British military strategists who dropped their usual anti-Soviet posture. One such figure shouted: "Any effort to confront Syria will start World War III. . . . The Western nations should get the hell out of Lebanon! The Muslims have won . . . and we should

all get out!"

Laying the ground for abandoning the Middle East was the announcement Feb. 3-4 by Britain's leading oil companies that they would be increasing exploration, development, and production in new oilfields over the coming months. The British are preparing to ride out an oil blowout in the Gulf. West German government officials told *EIR* on Feb. 8 that West Germany was calm about the prospects of an oil blowout "since we can get the oil we need from Britain and the Libyans."

He might have added: from the Soviets as well. Germany is daily becoming more and more energy-dependent on the East. Foreign Minister Hans-Dietrich Genscher, a protector of Iranian terrorists in Europe, is the go-between. "If we wanted to arrange new deals with the Soviets behind public channels," a London source said, "our best bet would be to work through Genscher."

Genscher has been identified as one of the key Soviet-allied point men in organizing Western Europe to sabotage beam weapons development by the West. Under the direction of his friends in the British Foreign Office Arms Control and Disarmament department, efforts were escalated in early February with the release by senior British military and scientific personnel of *Diminishing the Nuclear Threat*, published by the British Atlantic Committee. This book denounces ABM development as a "fantasy" and as "economically ruinous." The book's co-author, former Ministry of Defense scientific adviser Sir Ronald Mason, is the chief organizer of a Feb. 9-10 conference sponsored by London *Economist* magazine focused on countering the beam-weapon development option. A featured speaker is U.S. Ambassador to NATO David Abshire, a close ally of Kissinger who tells callers to his Brussels office that *EIR* founding editor Lyndon LaRouche, the catalyst of the U.S. beam-weapon policy, is a "crackpot and a troublemaker" and that the Reagan administration "has made no commitment to any ABM system beyond scientific research."

The Nazi angle

A crucial instrument in concretizing the New Yalta arrangement is the terrorism capability of the Swiss-based Nazi International.

Leading Swiss Islamic-Nazi Ahmed Huber, based in Berne, told a caller on Feb. 7 that "the events in Beirut are wonderful!" Laughing uproariously, Huber said, "America will now have to get out of the whole Middle East. . . . The Islamic movement is growing. . . . In Saudi Arabia, too, there will be changes sooner than anybody thinks. . . . Western influence will end. Islam will come again." He continued: "The Enemy Number One is America! America will see more and more trouble." Asked about what effects this would have on the political future of Ronald Reagan, he commented: "As the president of the Parliament of Iran recently said, 'Allah will decide if President Reagan lives or becomes President again!'"

Small steps taken on Kampuchea issue

by Linda de Hoyos

The former prime minister of Thailand, Gen. Kriangsak Chamanan, returned on Jan. 25 from a 10-day visit to Vietnam to announce that the communist regime had offered new proposals for a resolution to the regional crisis posed by the Vietnamese occupation of Kampuchea. What these proposals were Kriangsak did not say, but in the press, news has emerged of several small but important steps taken by Vietnam, Thailand, and Laos that could ease the hot political climate in the region.

First, a tentative agreement has been reached whereby the Red Crosses of Kampuchea and Laos would work with Thailand in the repatriation of refugees from the Indochinese countries.

Also, for the first time progress was registered in talks between Thai and Lao officials on the development of the Mekong River. As proposed in Lyndon LaRouche's Pacific Basin development program, the Mekong River Basin, if properly controlled, could produce up to 37 million tons of food a year. The initial project agreed upon by the two countries would provide for the digging of sandbars along the river to prevent flooding. The Mekong Committee of Thai and Lao officials is studying a hydrographic survey of the river to plan further projects.

General Kriangsak, who led a Thai delegation of 20 parliamentarians to Hanoi and Ho Chi Minh City, has been instrumental in achieving growing cooperation between Thailand and Laos, nations alike in culture and family. In December, the Thai government announced agreement on the construction of a "hot line" between Bangkok and Vientiane in case border disputes should arise; the line will be installed by the Mekong Committee. At the same time, the Lao government made a concession on the issue of U.S. servicemen missing in action, and granted a U.S. request for a three-day visit to the country.

The hope is that these measures will stand all countries concerned in good stead if international pressures produce an explosion of conflict in the area.

Soon after General Kriangsak had left Hanoi, the conference of foreign ministers of the three Indochinese countries issued a communiqué stating their agreement with the "5-2 formula" for negotiations set by the ASEAN countries—Thailand, Malaysia, Indonesia, the Philippines, Brunei, and Singapore. Under that notion, Laos and Vietnam would ne-

gotiate for Kampuchea, thereby obviating the need for ASEAN recognition of the Heng Samrin regime.

But without such talks, the communiqué warned, "Disagreements between the two groups of countries will be aggravated, thus possibly leading to an explosive, uncontrollable situation that China could take advantage of to provoke a large-scale war in Southeast Asia." Given that the ASEAN countries also demand a withdrawal of Vietnam's 160,000 troops in Kampuchea, Thai Foreign Minister Siddhi Savestila declared that the Vietnamese warning was "a clear message that either ASEAN prepares to engage in regional dialogues in the manner prescribed by Vietnam or face the consequences of Vietnam's military escalation beyond the Cambodian border."

According to Vietnamese Foreign Minister Thach, in his discussions with General Kriangsak, there will be no "dry season offensive" by Vietnamese troops in Kampuchea this year, unless there are provocations from the Khmer resistance forces. Right on cue, the Chinese-armed troops of Pol Pot, whose regime of genocide was ended by the Vietnamese invasion of Kampuchea in 1979, staged their biggest attack yet Jan. 27, temporarily taking the important supply town of Siem Reap in western Kampuchea. The Pol Pot forces managed to kill 50 Vietnamese soldiers and destroy military and government installations before retreating back toward the Thai border.

So far the Vietnamese have not responded in kind, but the major concern of Thai security officials is not the intentions of Hanoi but of Moscow, which has turned Vietnam into a near satellite. The Soviets, reported Thai National Security Council chief Prasong Soonsiri at a Pacific Security Conference in Seoul, Korea, Jan. 21, "are giving private assurances to several ASEAN leaders, that the Soviet Union is capable of controlling its client [Vietnam]." Moscow's strategy in Southeast Asia, Prasong warned, parallels its strategy in Western Europe: to drive a wedge between the Western allies through the use of "peace campaigns" while at the same time building up Soviet military strength.

According to Prasong, the Soviets have expanded the American-built port of Cam Ranh Bay. Four Soviet Bear-D (reconnaissance) and Bear-F (anti-submarine warfare) aircraft have been there since 1980 and were joined in November by 10 TU-16 bombers. The number of Soviet naval vessels ported there has increased steadily from 7 in 1980, to 10 in 1981, to 24 in 1982.

"Cam Ranh Bay has become the center for rapid operations of the Soviet fleet in the area from the South China Sea to the Indian Ocean," Prasong stated, and Soviet naval forces can now reach the strategic Malacca Straits in two to three days. The Soviet takeover of Cam Ranh Bay coincides with the build-up of the Soviet Pacific fleet—from 60 vessels in 1975, the year the United States withdrew from Indochina, to 720 vessels now. Given this relentless drive for strategic superiority in the area, Prasong concluded, Southeast Asia will become "the site of a stepped-up struggle for influence and domination and increasing conflict."

KGB exposé foils appeasers in Norway

by Clifford Gaddy

Last month's exposure of a high-level KGB mole within the Norwegian administration may signal a crucial turning point in Norway's policy within NATO and trigger a sorely needed reinforcement of the vulnerable "Northern Flank" of the Alliance. The determining factor will be the extent to which public outrage over the "Treholt Affair" dissuades Norwegian politicians from their appeasement tendencies toward the Soviet Union and forces the country's defense establishment to confront the reality of the Soviet build-up in northern Europe.

Arne Treholt, a 42-year-old official in the Norwegian Foreign Ministry and a highly influential figure in the left wing of the Norwegian Labor Party, had been a Soviet agent for at least 15 years before his arrest Jan. 20. The son of a former cabinet member, Treholt had apparently been recruited to Soviet service in the late 1960s, during his days as an activist against the right-wing Greek junta.

The sparse information so far released from Treholt's interrogation by Norwegian security police reveals that he held the rank of colonel in the Soviet KGB. However, Treholt is no ordinary spy. Rather than merely passing military secrets to the Russians, Treholt's role was to shape national policy; for over 10 years he acted to decouple Norway from the Western Alliance and ensure that Norway would yield to Soviet pressure.

Thus, in the early 1970s, Treholt was one of the leaders of the campaign to keep Norway out of the EC, and he had been all along an avowed opponent of the country's membership in NATO. More recently, Treholt was the author of the plank in the Labor Party's platform calling for a nuclear weapons-free zone in Scandinavia—a long-standing Soviet demand.

As the No. 2 man in the Norwegian Ministry of Maritime Law in the late 1970s, Treholt had been such an important figure in the Soviet-Norwegian negotiations on the rights to the militarily sensitive Barents Sea that observers in Oslo remarked after Treholt's exposure that "the Soviet Union was in fact sitting on both sides of the negotiating table" when an agreement—patently favorable to the Russians—was finally signed.

Quisling syndrome

In Norway, popular reaction to the news of Treholt's betrayal of the country to the Soviets has been outrage—at

Treholt himself, of course, but perhaps no less at the Norwegian elites who had not only tolerated Treholt but even lionized him as the "Golden Boy" of Norwegian politics. Norway bears the stigma of having produced one of history's most notorious traitors—Vidkun Quisling—during World War II, and nothing is more painful to the average Norwegian today than the idea of having his country again achieve the notoriety associated with national betrayal.

The experience of the Second World War produced a sort of "Quisling syndrome" in Norway—an attitude of "never again!" which has shaped national consciousness since that time. Norway's history in the 1930s and 1940s was a tragic one: Having been disarmed during the 1930s by a cowardly leadership terrified of Hitler, Norway was militarily helpless on April 9, 1940, when the Nazis did invade. A citizenry that wanted to fight was denied the real chance to do so and had to pay the humiliating price of living under Quisling's puppet government. Participation in a fierce anti-Nazi resistance movement was a way for many Norwegians to reassert national pride.

Norway's postwar membership in NATO was also a result of the wartime experience. Norwegians had learned that neutralism and pacifism do not work. As a visitor to Norway quickly learns today, that is still the opinion of an overwhelming majority of the population.

Yet compromises have been made in that commitment to national defense, and looking at Norway today, one can get the eerie sense of seeing history repeat itself. Undeniably, Norway has made some of the same mistakes it did in the 1930s. Under Soviet pressure, Norway has imposed a number of limitations on its own defenses and on its membership in NATO. Norway, for instance, declared at an early stage that it would permit neither foreign bases nor nuclear weapons on its soil in peacetime except under the imminent threat of an attack. The country has pursued a policy of virtually total demilitarization of its own northernmost province of Finnmark.

All of these measures have given the Soviet Union a tremendous military advantage over the West on the Northern Flank, with profound implications not only for Norway, but also for the strategic balance between the United States and the Soviet Union. The key factor is the huge Soviet naval complex around Murmansk, only 100 kilometers (60 miles) from the Norwegian border. Murmansk is the biggest concentration of military force anywhere in the world, owing mainly to its status as home base for 60% of the Soviets' strategic nuclear submarine fleet. Thus, self-imposed Norwegian weakness in the north has in effect given the Soviets a sanctuary for their submarine force which is targeted on the United States.

The exposure of Arne Treholt as a KGB officer has a direct bearing upon this situation. Norwegian parliamentarians have already demanded that Norway revoke the Treholt-negotiated Barents Sea agreement. But more broadly, there is discussion of revising the policy of "low tension" vis-à-vis the Soviet Union altogether.

Kissinger strategy gains ground in Central America

by Donald Baier and Mary McCourt

The first stage of Henry Kissinger's policy for Central America—laid out in the report of his Bipartisan Commission issued Jan. 11—is already in effect. State Department officials said that El Salvador's upcoming national elections, scheduled for March 25, would result in an expanded civil war, regardless of the outcome of the vote. While Secretary of State George Shultz, who visited El Salvador on Jan. 31, was saying that the United States would support whoever won the elections, unnamed officials in his entourage leaked to the *New York Times* of Feb. 2 that "the balloting might lead to a confrontation of political leaders on the left and right that could set the stage for a military coup."

If rightist candidate Roberto d'Aubuisson, one of the two leading contenders, wins, "it will polarize El Salvador's civilian leadership," increase human-rights abuses, and strengthen the cause of the leftist guerrillas. Conversely, if the other front-runner, Christian Democrat José Napoleon Duarte, is the victor, the military will rebel and stage a coup, the unnamed Shultz officials told the *Times*.

Once El Salvador deteriorates even further, then the second phase of the Kissinger plan takes effect, when Kissinger himself, or one of his mouthpieces, announces that the problem cannot be solved without reference to Moscow, and then launches "negotiations" with various fronts for the Soviet Politburo along the Middle East model—that will leave the United States in the same untenable situation it now faces in Lebanon.

This second phase for Central America—a program which Kissinger has so far been able to use to escalate conflicts from Vietnam to Lebanon—is subsumed in "the New Yalta Plan." According to this scheme, initiated by Kissinger's business partner, Britain's Lord Carrington, the Central America conflict is to be tied in with all the other regional wars in a grand global "spheres of influence" deal with the U.S.S.R., a second version of the 1945 Yalta agreements.

Of course, what Carrington and Kissinger have in mind is nothing so generous as a 50-50 split. Some of their colleagues in the liberal Eastern Establishment leaked some of the details in the latest issue of the Morgan banking interests'

left-wing journal, *The New Republic*.

The leak is an article by Costa Rican Social Democrat Luis Burstin, who has been used as a go-between by the Soviets and the Cubans to negotiate with the United States. If the United States grants diplomatic recognition to Cuba, and implicitly agrees not to intervene in other places the Soviets consider within their sphere of influence, Burstin suggests, the Soviets would agree not "to sabotage the security of the United States in the Caribbean area." The Soviet Union, said Burstin, would also agree that it "has an obligation to help towards world peace and this they will not obtain by meddling, directly or indirectly, in an area which the United States considers vital to its security."

This proposal is reminiscent of the statements made by Soviet President Yuri Andropov in a 1983 interview with the German magazine *Der Spiegel*, in which he implied, with reference to the Soviet intervention in Afghanistan, that if the United States would acknowledge the Kremlin's "right" to military intervention in Asia and the Middle East, the Soviets would recognize the U.S. "right" to intervene in Nicaragua or other Central American countries.

The Eastern Establishment makes its allegiance clear. The "New Yalta" will give the Soviets control of Europe's and Japan's Mideast oil supply, and the United States will be left enforcing the "drugs and equity for debt" policies which Kissinger and the International Monetary Fund have decreed for Latin America.

Ibero-America reacts

Clearly the United States will not win "peace" south of the border by these means, whether or not the Soviets actually pull out of the U.S. "backyard." By wholeheartedly endorsing the Kissinger Commission's line that U.S. strategic interest gives it the "right" to intervene militarily against sovereign governments in this hemisphere, the Reagan administration is destroying its relations with the nations of Ibero-America. Almost every country in Ibero-America has rejected the report because of its emphasis on U.S. "gunboat diplomacy and Hong Kong-style economics."

In Caracas, Venezuela, on Feb. 2 seven Ibero-American presidents and Spain's Prime Minister Felipe González signed a declaration reaffirming their support for the efforts of the Contadora Group—Mexico, Venezuela, Colombia, and Panama—to establish conditions for a negotiated settlement.

Mexican President Miguel de la Madrid blasted the Kissinger report for failing to note that most of the arms in the hands of the leftist guerrillas have come from among those shipped by the United States, and criticized Kissinger's recommendation that U.S. aid be conditional on an ideological "purity" test. At a Feb. 7 press conference, de la Madrid contrasted Kissinger's efforts to increase bloodshed in the region with the efforts of the Contadora group, which "does not believe economic and social development can be achieved through war or could be aided by heightened international tensions and resentments among the populations."

State Department driving Egypt and Israel into Soviet orbit?

by Muriel Mirak

The extent to which the U.S. State Department is cultivating Soviet interests directly against those of the United States and its allies emerged recently as visibly and boldly as crocuses in springtime. Those responsible for nurturing these "flowers of evil" number among the cohorts of Henry Kissinger, a man who, despite his pretenses to being "Jewish" and a mediator for a lasting Middle East peace, is exposing himself as strictly allied to Soviet and Syrian forces fast intent on taking over both key nations of the area—Egypt and Israel. To uproot Kissinger's insidious objectives and preserve these Western-leaning allies, urgent White House action is required.

Egypt and Israel are the two nations who benefit most from U.S. foreign aid, and for good reason. Together they enjoy 30% of all financial aid from this country. Currently, both nations' financial needs are being discussed in Washington, with Kissinger's State Department cronies in the forefront of a move designed to use upcoming aid packages as blackmail.

Debt-strapped, crisis-ridden Israel has been negotiating an aid package since Prime Minister Shamir's December trip to Washington, during which the broad outlines for a \$2.6 billion grant were drawn up. This figure compares with a total \$15.2 billion foreign aid budget projected by the Reagan administration for fiscal year 1985. Since then, the figure for Israel has been whittled down to \$1.3 billion for military expenditures and \$900 million for the civilian economy.

State Department demands 'belt-tightening'

During hearings held by the House Foreign Affairs Subcommittee on Europe and the Middle East, the State Department "experts" demanded that such aid be conditioned by a series of "belt-tightening measures," allegedly designed to help face Israel's burgeoning \$22.5 billion foreign debt. In the words of the Deputy Assistant Secretary for Near Eastern Affairs Robert Pelletreau, "Israel is living beyond its means . . . [and] . . . is going to have to take difficult steps to meet the problems head on. Israeli government and private expenditure . . . is simply too high." Claiming that Israel's problem is that its consumption outstrips production in terms of real economic growth, instead of seeking out means to

promote the latter, Kissinger's cronies prefer to cut the former. What this boils down to in the concrete is an across-the-board slashing of living standards, beginning with wages. Finance Minister Yigal Cohen-Orgad, in compliance with State Department and Treasury Department demands for an \$800 million cut in Israel's budget, is promoting a revised cost of living escalator arrangement in Israel, whereby the 1984 average gross wage would be cut down to less than last year's, thus effecting a reduction in real wages down to the level of 1981-82. The overall aim earlier voiced by Kissinger ally Shultz is to reduce living standards by 9%.

The effects of such incompetent economics, the same austerity policies effected by Hitler's Finance Minister Hjalmar Schacht, will be an unraveling of the Israeli economy, currently being held together by a thread. In the absence of productive investments in basic industry and an upgrading of labor power through increased consumption, inflation will become unstoppable. On the social plane, such measures will have an immediate, devastating effect on employment, bringing the current 4.5% jobless rate to a full 7%. Socially, this means emigration. Clearly, if qualified Israeli workers cannot make ends meet in that country, they will leave. According to reports in the *Jerusalem Post*, Israeli officials have informed Washington of this danger, as well as of the potentially explosive effects increasing unemployment will have on social tensions boiling among the Sephardic community, most hard hit by the collapse.

Forced to turn to Russia?

What is not said in published accounts, but is an open secret in Jerusalem as well as Washington, is that if Israel is hit by emigration, there is only one place it can direct its gaze in hopes of attracting massive influxes of new immigrants: the Soviet Union. The question then arises: Is Henry Kissinger consciously setting Israel up to become dependant on the Russians for its domestic workforce? Is Kissinger consciously maneuvering to use the big stick of economic warfare against Israel so as to make the carrot of Jewish immigration from the U.S.S.R. an attractive bargaining chip in a deal over the Middle East?

The same question must be posed regarding Egypt. Egypt too is being discussed by State Department pundits, who allege that the military aid package of \$1.1 billion for 1985 be reviewed, considering Egypt's being behind in recent debt repayment installments. Commenting on the visit of Egyptian Ministers of Economy and Industry who travelled to the United States in order to discuss aid conditions, the *London Times* stated outright, "The visit by the ministers seems ill-timed and ill-conceived since the Senate Foreign Relations Committee has repeatedly said it will not write Egypt a blank check." Does this mean that Egypt is about to get the "Israel treatment?"

Behind what appears to be bickering over finances lies a major political fight. President Mubarak has just completed a tour of Africa, visiting Zaire, Kenya, Tanzania, and Somalia, during which he strengthened the role of Egypt as the vanguard economic force for continental industrial development. Following the trip, Mubarak planned a trip to Washington, in order to attempt to revive the peace process in the Middle East. In order for a durable peace to be reached in the region, as Democratic presidential candidate Lyndon LaRouche has emphasized, the broad outlines of the "Reagan Plan" must be respected as a starting-point. According to reports, Mubarak's intention is indeed to capitalize on the positive developments towards dialogue among Egypt, Jordan, and the Palestine Liberation Organization (PLO), so as to bring Israel into negotiations. It should therefore be in the interests of the U.S. government to support Mubarak by all means possible, emphatically including economic aid. But such support Kissinger's State Department honchos would rather withhold.

Passing up the opportunity offered by President Mubarak now would be tantamount to genocide, not only for the Middle East but also for Africa. And that is the deeper political issue involved. Egypt does not only represent the first dialogue partner in the Arab world for Israel, but constitutes the first nation in Africa whose economic potential, advanced labor power, and ambitious industrialization projects make it a natural partner for technology-rich and scientifically advanced Israel to take on the joint task of industrializing the entire African continent. It is, in fact, uniquely through the combined, programatically oriented collaboration of the industrial and human resources of these two nations that the Middle East and Africa can be developed, and that, consequently, a durable peace can be rooted in the mutual self-interest of reciprocal economic and cultural progress.

To date, among American politicians, Lyndon LaRouche has been the only one to articulate such a perspective. It should come as no surprise therefore that LaRouche's development policies are at the center of discussion among both Egyptian and Israeli elites. That is another leading reason why Henry Kissinger and his friends in Moscow have targeted Mr. LaRouche. It also explains why Kissinger's State Department cohorts are putting the squeeze on both Israel and Egypt.

Reagan dumps the

by Richard Cohen

For more than a decade before Ronald Reagan took office, U.S. Asia policy was dominated by the so-called China card—using the threat of a U.S. strategic opening to China to force Moscow to make arms-control and other deals with Washington, while Henry Kissinger was locking the United States into ever-widening strategic inferiority vis-à-vis the Soviet Union. The first article in this series outlined how Peking has junked the "China card" for its current commitment to economic modernization.

By the time of Ronald Reagan's inauguration in January 1981, the China card policy was in shambles, following the calamities that began with the late 1978 invasion of Kampuchea by Vietnam and the subsequent Sino-Vietnam border war. For both the United States and the People's Republic of China (P.R.C.), the effectiveness of "playing" the other nation as a political card had been called into question.

In 1980, with the relatively final consolidation of factions associated with Deng Xiao Ping in China, a long-term policy of border pacification and industrial-technological development was put into motion. This Chinese policy, along with the election of Ronald Reagan to the U.S. presidency in November 1980, essentially voided the possibility of reviving the China card. Reagan's election began a process of eschewing the "China card" as a strategic military policy for one based on U.S. national military strength.

The foundations of U.S.-Asia policy had been shattered by the time of Reagan's election. The Johnson administration's escalation of the Vietnam War in 1965, under the direction of Defense Secretary Robert McNamara and National Security Adviser McGeorge Bundy, and finally the Carter administration's desperate play of the China card at the insistence of National Security Adviser Zbigniew Brzezinski, had dangerously eroded the U.S. strategic position in Asia. Many of Reagan's closest foreign policy advisers traced their political descent to a group of military/intelligence experts from the Asian theater in World War II, who were antagonistic to the Atlanticist group which dominated Asia policy in the United States from Bundy to Brzezinski.

The Chun-Lee Pacific Basin proposal

Under immediate pressure to prevent future disasters in

China card

the area, President-elect Reagan met during the 1980 transition period with President Chun Do Hwan of the Republic of Korea, his first meeting with a foreign head of state. According to informed White House sources, at the top of the Reagan-Chun agenda was a proposal which Chun would later make public in July 1982, for the creation of a Pacific Basin dialogue that would be centered on an annual regional heads of state summit.

The summit was intended to tackle the critical questions of economic modernization for the region, in which basic points of North-South contention would be resolved, the White House sources reported. The plan, reportedly offered by Korean Foreign Minister Lee Bum Suk—who later lost his life in the barbaric October 1983 Rangoon terror bombing—was already being promoted by those key Reagan advisers who were almost destroyed politically during Secretary of State Henry Kissinger's reign over the Vietnam War.

The Chun-Lee proposal would undercut an alternative Pacific Basin "dialogue" launched in 1980 under the joint auspices of Japanese Prime Minister Ohira and Australian Prime Minister Malcolm Fraser. The Ohira-Fraser clique held their first meeting of think tanks and private Asia specialists in Canberra in 1980 and later held similar meetings in Bangkok and Bali.

The Ohira-Fraser plan rejected heads of state meetings; the intention was to prevent governments from dominating the dialogue. Their program—first advanced in 1979 by Sen. John Glenn's subcommittee on Asian affairs—was but a public front for a new effort to bring Asia under the control of supranational financial networks who would set national investment policy, resource production and allocation, and later even national security decisions.

That program was a large-scale attempt by the Atlantacists to recreate in Asia what they had successfully developed for most of Western Europe under such institutions as the OECD (Organization for European Cooperation and Development). The principal promoters of this dangerous scheme were allies of Kissinger and his mentor NATO Secretary-General-elect Lord Peter Carrington in their plan for a "New Yalta" deal with the Soviet Union. These forces modeled their foreign policy on John J. McCloy's reign as High Commissioner of postwar Germany. The same people repeatedly

challenged the dominance of Douglas MacArthur's influence in Asia.

The Chun-Lee proposal, combined with a redefinition of U.S. strategic and regional priorities, quickly led the new Reagan administration to bury the China card. Ironically, the very originators of the policy—the ideologues of Atlanticism—had also by 1980 begun to reconstruct an Asia policy to replace the discredited China card. By 1983, a growing consensus on China policy among these forces began to resemble Carter Secretary of State Cyrus Vance's 1977 all-costs dumping of the China card so as not to offend a "sensitive" Moscow.

Reagan's Asia policy reversal

Reagan and his closest advisers were forced to reverse both the strategic and the regional U.S. policies which made the China card possible and, as we shall indicate below, even necessary in 1969-70. First, the President sought to reverse the growing Soviet strategic advantage, made possible by the 1971 SALT I arms control agreement, and the 1972 ABM treaty which eliminated a critical strategic defense program in which the United States then enjoyed an important margin of advantage.

On March 23, 1983, the President threatened to disregard Kissinger's 1972 pledges and revive an American ballistic missile defense effort. It is essential to know that the Kissinger-granted strategic advantage to Moscow had by 1973-74 convinced the Soviet's staunchest geopoliticians in the KGB, GRU, and high-level military command that a buildup of nuclear and conventional strength, particularly a naval buildup in the Pacific and Indian Oceans, could make Moscow dominant in those areas. It was through this theater advantage that Moscow engineered the most impressive strategic "break-out" in the postwar period, during 1977-79.

The President has also sought to reverse the unprecedented security retreat of the United States from Asia begun with the Kissinger-orchestrated Guam Doctrine of 1969, which committed the United States to pulling all its ground forces out of the region. But the Reagan administration program to reestablish U.S. credibility in Asia was slow moving: It called for only a gradual buildup of U.S. air and naval capabilities, while the Chun-Lee Pacific Basin plan implied a snail's pace in economic and political alliance-building.

President Reagan's November 1983 trip to Indonesia, Thailand, and the Philippines was intended to start putting the Chun-Lee plan into effect by the signing of a series of technological and educational bilateral treaties. But it was sabotaged by Kissinger assets within the administration, street violence and mass demonstrations against the Ferdinand Marcos government in the Philippines, and a congressional outcry against Marcos set up by the McNamara-Bundy wing of the Democratic Party.

One month before the Reagan trip, Korean President Chun was scheduled to visit a number of Asian nations to promote the Chun-Lee plan. The trip was abruptly canceled by the Soviet-facilitated North Korean terror bombing in

Rangoon, which killed Foreign Minister Lee.

During his visit to Japan, Reagan did seek to reverse the third critical element of the destruction of U.S. Asia policy since 1969—the downgrading of Japan as the U.S.'s Number One strategic ally in Asia since 1971. Reemphasizing President Reagan's reported request for a "special relationship" with Japan similar to the one Great Britain enjoys with the United States, Defense Secretary Caspar Weinberger stated on Dec. 13: "Our defense partnership with Japan is the cornerstone of our defense policy in East Asia. . . . The defense of Japan is as vital as the defense of Europe."

Reagan's China policy

At the center of Reagan's Asia strategy is a total redefinition of China policy. The President does not give China a

central role in filling a U.S. strategic vacuum or in "horizontal escalation" against Moscow, nor even use any threat of a Western-connected second front in the Soviet east. Reagan's decision has been made easier by two developments. First, since 1980 and the consolidation of power in China by Deng and related forces, it has become increasingly clear that Peking's primary goal is full-scale economic modernization. Under these circumstances, the P.R.C. is committed to avoiding confrontation with Moscow or Moscow-surrogates in the immediate future. Second, the disastrous results of Brzezinski's "playing" the China card during 1978-79, when Moscow decided to call the bluff, were fresh in the minds of Reagan policy advisers.

However, the Reagan administration had an important interest in Chinese stability. Any serious weakening of the

The Taiwan issue

All three so-called concessions made to the P.R.C. by the Reagan administration since mid-1982 have not contradicted the larger Reagan Asia policy. The brief encounter between Reagan and Prime Minister Zhao Zi-Yang at the Cancun summit in May 1981 thrust a key issue in Sino-U.S. relations onto the President's lap—Taiwan.

The visible pressure put on the President by Zhao at Cancun was only part of a two-year campaign initiated by Peking to force the Taiwan issue. In Peking, securing sovereignty over Taiwan was reemphasized as a factional issue after the 1980 consolidation by Deng Xiao Ping forces and the consequent purges of the moderate Maoist spy apparatus led by Hua Kuo Feng, and the simultaneous downgrading of forces centered about Li Xian Nien. While Deng moved swiftly to cover his left flank by taking a hard line on Taiwan, the P.R.C. regime also had to fear that internal instability might, under conditions of combined economic collapse and further discrediting of a relatively weak Communist Party, in the far future leave room for a Kuomintang comeback. The P.R.C. also took note of Reagan's credentials as a "friend of Taiwan," which would create, particularly within certain leftist circles, fear of a future U.S. threat based in Taiwan.

An impending collision on the Taiwan question erupted when China card proponent, Secretary of State Alexander Haig visited Peking in June 1981; when Haig broached the possibility of lethal arms sales to Peking on a case-by-case basis, the response was cold. In fall 1981, lack of progress on Taiwan led Peking to cancel a U.S. trip by top P.R.C. military experts, scheduled to review possible weapons sales. In October 1981, Haig was reportedly dressed down on the Taiwan issue at the U.N. by Chinese Foreign Minister Huang Hua. By late 1981, con-

tinued U.S. arms sales to Taiwan led to P.R.C. hints that they might formally downgrade U.S.-China relations.

In early 1982 Reagan, concerned with the deterioration of U.S.-P.R.C. relations shown by the repeated equating in the Chinese press of the United States with the Soviet "hegemonists," sent three letters to Deng, and then dispatched Vice-President George Bush to Peking. Tedious negotiations on Taiwan began. In August 1982, one month after Haig's forced retirement, the United States and the P.R.C. signed a joint communiqué on the future of U.S.-Taiwan relations. Both sides immediately interpreted the communiqué in their own face-saving way. On the surface, the communiqué acknowledged a U.S. commitment to gradually reduce all arms sales to Taiwan, while China committed itself to settle the Taiwan issue by means other than force.

However, in a September 1982 speech to the Twelfth Communist Party Congress, three weeks after the communiqué, party head Hu Yao Bang—an intimate of Deng and said to be the most suspicious of Washington among China's top leaders—stated, "Washington and Moscow are both bent on global domination." Hu's anti-American line only began to soften in 1983 following spring U.S.-China agreements on U.S. weapons-grade high-technology sales to China and a July agreement on a compromise ceiling on P.R.C. textile exports to the U.S.

But the appearance of presidential concessions was quickly clarified. The administration announced the largest arms sales package to Taiwan in history—well over \$500 million. Peking's strong protests were ignored in Washington. Sources close to the White House report that the May technology transfer agreement which nominally puts the P.R.C. in the highest export category (5) has a catch: The White House made it clear that it will review P.R.C. technology requests on a tough case-by-case basis. By year's end, the administration had found economic reasons to lower the ceiling on Chinese textile imports.

P.R.C. could immediately lead to a threatening redeployment of Soviet conventional and nuclear forces, now aimed at the Chinese, which could either be redeployed to the western front or southern front. Worse, full-scale instability in China could allow a sizable advance of the Soviet position in that country.

Weinberger characterized the Reagan administration's shift to a reduced, regional emphasis in China policy on Dec. 13: "The defense efforts of Japan, China, and South Korea have the potential to effect the global balance of power more profoundly perhaps than those of any other country in the world outside the United States and the U.S.S.R." But the Reagan administration considers the basis of U.S. strategic defense to lie on this side of Taiwan.

The policy behind Kissinger's China card

The policy the Reagan administration seeks to reverse goes back to Henry Kissinger's spectacular opening to China, which began covertly in 1969. Kissinger's aim was to provide him and his allies in the Nixon administration more clout in pressuring Moscow into a strategic arms control agreement and the détente or New Yalta process. A potential strategic Western opening to China would, Kissinger hoped, increase Politburo fears of a credible second front in the East, and the possibility of horizontal escalation by deploying China in areas of growing Soviet interest such as south Asia and Africa. Ultimately, Kissinger saw the P.R.C. as an anti-Soviet capability that could at least threaten to fill the vacuum soon to be created by the retrenchment of U.S. forces in the area.

Kissinger was desperate to strike a deal with Moscow; his manic effort to secure the China card was the result of the determination within Atlanticist councils to drastically reorder the world economy. Their policy was to suffocate technological growth in the advanced sector and technology transfer to the developing sector. Heralded as the dawn of a post-industrial society, the policy gained impetus from the growing instability of the world financial system in the 1960s.

In the mid-1970s Kissinger's New York Council on Foreign Relations would describe the essence of this plan as "controlled economic disintegration." The decline of the Western economies which dominated the 1970s would, according to policy planners, enable the Soviets to expand into strategic zones of the developing sector. Kissinger was prepared to accept Soviet strategic advantage in exchange for Soviet restraint in using it.

The China card was an illusion; its impotence against the Soviets if they "broke the code of détente" was shown throughout the 1970s. Kissinger actually gave the Soviets every incentive to do just that. He was not only prepared to cash in the U.S. strategic position, but also to engineer a global U.S. economic and military retreat. The Soviets responded by throwing restraint to the winds.

Within Asia, Kissinger's strategic plan had dramatic and immediate effects. The Guam doctrine, initiated in 1969, was Kissinger's move to speed up retrenchment from East Asia. By 1971, under the Vietnamization program of the

Guam doctrine—its most popular provision in the United States—the United States had withdrawn upwards of half the forces stationed there in 1968. But in addition, a gradual reduction of ground forces in Japan, South Korea, and Taiwan was begun. This process continued through the Carter administration's shocking proposal of a full-scale ground force withdrawal from South Korea.

Kissinger devised the centerpiece of his Vietnam strategy—the "decent interval" tactic—to carry out the Guam Doctrine. In addition to his priority goal of U.S. withdrawal from Asia, Kissinger attempted to use the Vietnam negotiations as a means of destroying the MacArthurite-linked U.S. military and intelligence apparatus that McNamara and Bundy had ordered into the Vietnam arena. The purpose of the "decent interval" gambit was to accomplish the withdrawal of U.S. force from Southeast Asia, without Kissinger bearing the brunt of blame within the United States. An interval was required between the time of an agreement with Hanoi, and the ultimate collapse of Saigon. To get this, Kissinger needed cards to play. He recklessly pushed through a coup—accompanied by massive U.S. bombing raids—against the neutralist Sihanouk government in Kampuchea in March 1970, and replaced it with General Lon Nol's military regime. The escalation, the 1971 expansion of the war into Laos, was part of his "madman strategy" to pressure Hanoi into a "decent interval" accord. The failure of this policy increased the pressure on Kissinger to open the door to Peking. There he hoped to muster additional pressure on Hanoi. Later, Kissinger would seek the same help from Moscow; all efforts failed.

Finally, Kissinger's Asia policy sought to ensure the elimination of U.S. security presence in the region and any revival of MacArthurite influence, by a humiliating downgrading of U.S. relations with Japan. Kissinger's anti-Japan policy surfaced in 1971 when he and Treasury Secretary John Connally began to dramatize the emerging Japan-U.S. trade imbalance. Kissinger encouraged a decision to unilaterally devalue the dollar—and Kissinger and Nixon chose Aug. 15, the date of Japanese surrender in World War II, to announce it.

Just a month before, Nixon had announced the U.S. opening to China, an opening which many of Japan's elite had been urging but were cautioned against by Washington. The Japanese heralded their humiliation in the China announcement and the dollar devaluation as the "Nixon shocks." In the rest of the decade, the United States' Japan-first policy in Asia would be obliterated.

After establishing the preconditions for the China card, Kissinger needed one thing: an opportunity to put it into effect. He expected such an opportunity to arise immediately, since in 1969 China was viewed as economically weak, having barely weathered the Cultural Revolution, and militarily vulnerable to Soviet border buildup which began in earnest in 1965.

The next installment will recount the history of the China card policy from 1969 to the present.

Glass houses

The figures running the international campaign to "expose Mexican corruption" have more to hide than those they accuse.

One would think the effects on Mexico of the International Monetary Fund (IMF) program, which has destroyed 350,000 jobs in the United States as well as laid waste to the Mexican economy, would concern the U.S. media. Not so: The name of the game is "corruption," and the media's fixation on the issue is a cover-up for the crimes being committed in the name of the IMF "adjustment program."

The *Christian Science Monitor* kicked off a new phase of the campaign in a Feb. 6 article entitled "Mexicans Begin to Question Motives of President's Anti-Graft Drive." Political scientist Lorenzo Meyer is quoted, "The President [Miguel de la Madrid] will not satisfy the public demand that [former President] López Portillo be brought to justice," and therefore de la Madrid's pledges to clean up corruption are "just a political ploy."

It is the motives of the accusers which deserve questioning. For starters: the López Portillo issue. A large measure of the "anti-corruption" publicity inside and outside the country is aimed at forcing de la Madrid to unleash a witchhunt against his predecessor, José López Portillo, and thereby tear apart the power and prestige of the office of the presidency. The pro-IMF forces are not at all certain they can keep de la Madrid behind them as the situation deteriorates; they are targeting the power of the presidency itself.

De la Madrid gave a sharp, if indirect, answer to these efforts to fab-

ricate charges against López Portillo in an unusual full-dress press conference with the foreign press Feb. 7. He stated that the law in Mexico "will not be subject to international or internal pressures."

But what is really at stake goes deeper. It is Mexico's commitment to modernization, and the strong bond between the government and labor essential for this modernization. The "anti-corruption" cabal doesn't care at all about corruption—they care about how to eliminate what they view as "too many people."

Our first case in point is Lorenzo Meyer, cited so prominently in the *Christian Science Monitor* article. Meyer is a veteran of U.S. media exposés of the terrible corruption in Mexico. *Wall Street Journal* features in April 1983 and again in January 1984 used Meyer to demand the "destruction" of a pet target, oilworkers' chief Joaquin Hernández Galicia.

Meyer is one of the leading lights of the Colegio de Mexico, whose longtime director is Victor Urquidi, the chief of the Mexican branch of the Club of Rome. "Limits to growth" is not merely what the Colegio "studies" but what it implements. It is the closest thing to a "genocide lobby" inside Mexico.

Case number two is *Contenido* magazine, a monthly hailed in the foreign press as a great fighter against corruption. *Contenido* is published by Miguel Alemán, Jr., corrupt son of the Miguel Alemán, the most corrupt president in Mexico's modern history.

When the elderly "Czar of Acapulco" died last year, the headlines ran "Ali Baba is Gone . . . but What About the 40 Thieves?" That was a reference to the crowd now clinging to the younger Alemán. Junior runs the Mexican TV empire called Televisa, and last year began a channel with special programming on the need to cut births and introduce euthanasia.

Case number three is George Grayson, professor of government at the College of William and Mary in Virginia. Grayson's outraged cries about Mexican corruption have become a fixture on the pages of the *Washington Post* and more recently, the *Christian Science Monitor*. Grayson, a population-reduction fanatic, wrote a 1978 *Foreign Policy* magazine article advocating the complete sealing and militarization of the Mexico-U.S. border as a way to force Mexico to give up industry, nuclear energy, and any other means to support a growing population.

Case number four is Benjamin Weiner, head of a spook outfit in Connecticut called Probe International. Weiner, in a *New York Times* piece of Jan. 15, insisted that Mexico remained too corrupt to justify foreign investment. There have been "too many Shahs and too many López Portillos" in recent years, he lamented. But what this instigator of Mexico's disastrous 1982 devaluations really lamented was "the unrelenting 2-percent-plus growth in the population each year."

And case number five is Education Minister Jesús Reyes Heróles, cited by the "anti-corruptors" as a model corruption-fighter when he headed Pemex in the late 1960s. Reyes Heróles coordinates a battalion of bureaucrats behind the scenes, many centered in a Club of Rome nest in the Planning and Budget Ministry.

The next round

The Social Democrats' whirl in Kissinger circles to create further destabilization of West Germany.

Just as the dust from the first round of the West German generals' affair (the "Kiessling Affair") had settled, Bonn's Social Democrats have begun to set up the next round of destabilization of the government led by Chancellor Helmut Kohl's Christian Democrats. When SPD chairman Hans Jochen Vogel lands in Washington, D.C. on the first leg of his three-nation jaunt which will include Canada (Pierre Trudeau) and France (François Mitterrand), the fact that he will meet both Secretary of State George Schultz as well as Undersecretary of State Lawrence Eagleburger is seen in Bonn as feeding the credibility of all of the "decoupling" talk going through the circuits of Henry Kissinger, his Aspen Institute, and the Center for Strategic and International Studies (CSIS). Eagleburger stated point-blank a week ago that America was turning away from Western Europe.

That was apparently enough to start a pilgrimage of West German Social Democrats, beginning with SPD Mayor of West Berlin Harry Ristock, into Eagleburger's office. Eagleburger's decoupling talk was played up in the West German media, obviously as a kick in the teeth to the Kohl government's commitment to the Atlantic Alliance; the U.S. decoupling circuit courting the West German decouplers is tantamount to welcoming with open arms a future Social Democratic/Green Party environmentalist government coalition in Bonn that would take West Germany out of the Alliance, and make Western Europe indefensible.

Since Pierre Trudeau has also appealed for canceling the stationing of Pershing II missiles in West Germany, Vogel will be in good company on that leg of his tour.

When he lands in France, Vogel will be joined by Willy Brandt's crony Egon Bahr, whose own efforts are aimed at decoupling the Franco-German relationship. Despite France's outsider role in the military command of NATO, Franco-German military-defense relations are very close.

One week ago, Soviet Deputy Prime Minister Archipov showed up in Paris offering a guarantee of \$1.2 billion worth of Soviet imports from France in 1984. The Soviets offered the "carrot" in person to France; now Egon Bahr is setting up a stunt to play the role of the Soviet "stick" to drag French President François Mitterrand away from his support of the Kohl government and the stationing of American Pershing II missiles in West Germany.

Egon Bahr put out an "explanation" for the Soviet deployment of new high-accuracy and low-yield nuclear short-range missiles, the SS-21, SS-22 and SS-23 in the pages of the weekly *Der Spiegel* magazine. According to Bahr, the Soviets are deploying the new mobile missiles because they have to establish a "preemptive strike capability against the Pershing II." The magic of this nonsensical "explanation" on behalf of the Soviets' build-up and modernization of their nuclear forces stationed in East Germany and Czechoslovakia is to tell the French

that the Soviets are now also threatening them with the 1,000 km range SS-22 "only because" of the American Pershing IIs in West Germany. The truth is that the new Soviet missiles have been ready for stationing for two years, and that even the older generation of Frog, Scud, and Scaleboard missiles are quite enough to launch a "preemptive strike" against nuclear missiles in West Germany, as well as to strike targets in France and Great Britain.

Nevertheless, Bonn's decoupling Social Democrats are bent on playing havoc with the Franco-German relationship and on driving a wedge between François Mitterrand and Helmut Kohl. Right on time, *Der Spiegel* leaked what it claimed to be a "confidential memorandum" from the West German Embassy in Paris reporting that Mitterrand has criticized Kohl's leadership in Europe.

The Feb. 7 London *Times* jumped on the opportunity to point out that "the chancellor [Kohl] can ill afford any open differences with France, with whom he hopes to revitalize the European Community." The *Times'* correspondent, Michael Binyon, was naturally well-primed for his article titled "Israel Flap and Kiessling Scandal may lead to Kohl's political demise," since he had just emerged from the Aspen Institute's meeting in Berlin on the subject of decoupling the United States of America and continental Western Europe.

What makes this campaign to create a rift in Franco-German relations look ridiculous and contrived is that Mitterrand himself is quoted on the front page of the West German newspaper *Die Welt* on Feb. 7 declaring, "A common military strategy of the nations of the European Community is unthinkable without greater political and diplomatic unity."

Mitterrand calls for space-based defense

The erstwhile opponent of "Star Wars" is moving to strengthen relations with Bonn and Washington.

Making his first major European address since France took over the presidency of the European Commission, French President François Mitterrand called at The Hague in Holland for a joint European effort to build a manned space station for defense purposes.

Said Mitterrand: "If Europe is capable of launching a manned station into space that will allow her to observe, transmit and therefore counter any possible threat, then she will have made a very great step toward her own defense. . . . A European Community of Space will be, in my opinion, the best response to the military realities of tomorrow."

Indicating that he is thinking in terms of lasers and particle beam systems, Mitterrand stressed: "we must now look beyond nuclear systems if we don't want to be late for a future closer than is generally believed." He also cited the need to develop lasers, advanced electronics, and projectiles traveling at the speed of light.

Reaffirming his adherence to the Atlantic Alliance and to the United States, Mitterrand told those Europeans who are dreaming about an independent European defense that this would be tantamount to leaving Europe unprotected. "In the present state of affairs, Europe is divided between the security which exists already and the security she would like to have. Without any doubt she has to choose the first. The Atlantic Alliance is not about to see itself replaced with a European alliance. This has to do with

the fact that there are no military forces which could substitute for the American arsenal."

According to the daily *Libération* on Feb. 10, "President Reagan wrote to Mitterrand last week asking him to collaborate on the project for a U.S. space station." *Libération* went on to say that the French defense ministry has looked into space-based defense systems and recommended their feasibility.

"Mitterrand goes so far as to evoke the already known capacity of shooting projectiles traveling at the speed of light . . . the Star Wars project so dear to Reagan. . . . The surprise is all the greater since the French were the first to vehemently oppose the space militarization projects of the White House." This sounds like a "180-degree turn in French defense policy."

Mitterrand is expected in the United States on March 21 for a 10-day official visit, during which this proposal for Euro-American cooperation will presumably be brought up.

Mitterrand's formulation are very similar to those used by Socialist André Glucksman in an interview last Saturday Feb. 4 to *Le Figaro* magazine. Glucksman, who might be testing the waters for Mitterrand nowadays, has been campaigning for Germany to be able to build nuclear weapons and for a laser-beam defense. When the journalist asked whether Glucksman would go as far as calling for a nuclear defense for Germany, he answered, "Yes. . . . If the Germans have lived

in democracy for 40 years, they are entitled as much as anyone else to choose freely the way in which they intend to defend themselves. . . . The sin of Auschwitz should not be imposed forever, allowing generalizations about the Germans to transform them into the pariahs of the West."

These defense ideas are not coming out of the blue. The French space agency, CNES, thought about evolving the Ariane project (the French space launcher) into a manned shuttle vessel, the Hermes. The project has already been funded at about 1 billion francs per year for the next five years. The United States might offer some help for this project, as the European shuttle would be used for their space station in case of emergency.

The French are discussing with their European colleagues some form of cooperation for a complete European space station with all its services. Because France holds the presidency of the European Commission for the next six months, it is an excellent opportunity for President Mitterrand to give a push to the space station project, a prerequisite for a serious laser beam anti-missiles defensive system.

Mitterrand's speech came amidst a heated debate within France on the question of European security: how to ensure that West Germany will stick to the alliance? It appears that there has been a convergence of views between Mitterrand and Paris mayor Jacques Chirac, the leader of the Gaullist component of the opposition, the RPR. It was Chirac who announced in London on Dec. 2, 1983 that the Federal Republic must be integrated into European defense by means of the beam-weapons effort, because although West Germany is denied the right to build atomic weapons, nothing forbids her to develop and deploy beam weapons.

Bettino Craxi drops Atlanticist mask

The Italian premier attacks the Reagan strategic ABM defense plan, as magistrates close in on his mob links.

Italian Socialist Premier Bettino Craxi—hailed during his recent White House visit by President Reagan as a great political leader—has thrown away his Atlanticist mask and explicitly attacked the Reagan beam-weapons defense policy. On Jan. 20, addressing the joint meeting of the Brandt and Palme commissions in Rome, Craxi invoked the “growing consciousness of the absurdity of a military race that has reached space and seems to be stepping toward the stars” and then lashed out rhetorically: “Is it really possible to eliminate the state’s vulnerability under a military profile? Beyond a certain limit, the arms build-up stops having a defensive aim and takes on a threatening one instead.”

The point is not so much that Craxi’s position was exactly like that of his Swedish counterpart Olof Palme, chairman of the Independent Commission on Disarmament and Security Issues that goes by his name, who told the international press in Rome that Reagan’s program is “dangerous” and must be fought. The fact is that the Palme Commission itself was exposed in those very days throughout the European press as a KGB initiative, channeled through the recently arrested Norwegian spy Arne Treholt.

So Craxi has lined up with Moscow. Anyone doubting it should read the Italian Communist Party paper’s gushing coverage of his speech: “The premier found words he didn’t have other times . . . a criticism of the ‘star wars’ projects being talked about in Washington . . . an implicit polemic

against the logic of the ‘Reagan Doctrine.’”

Aside from the fact that Craxi—a crony of Henry Kissinger and the Trilateral Commission which put him into power—has never been a supporter of Reagan’s policies, what drove the Italian premier to such an apparent “turn” from his studied Atlanticist profile?

During the last period, Craxi has been inundated with scandals which have undermined the very existence of his government. Fearing that the growing new alliance of the Communist and Christian Democratic parties might overturn him, Craxi opted to line up with the pro-Soviet policies of his Foreign Minister Giulio Andreotti. In the span of few months Italy has turned pro-Syria, pro-Libya, and pro-Iran, going full tilt toward a European and Italian “neutralism”—decoupling from the U.S.A. and appeasing the Soviets.

Craxi’s foreign minister, the formerly “pro-NATO” Christian Democrat Andreotti, answers criticisms by insisting he is following the policies of the State Department of the Vatican, which is indeed pursuing a dangerous appeasement policy not unlike that of Kissinger, Palme, and the Trilateral Commission, a policy marked by rejection of beam defense and hostility to President Reagan.

With Craxi’s Atlanticist loyalties debunked, it is long overdue for the White House to wake up to what the Italian premier really is. In Italy, Craxi is known for political gangsterism, his

shady connections to the organized crime world of Milan, his links to drug and weapons smuggling, and his affinity to left-terrorist groups. But until recently, he succeeded in keeping the proof out of public view.

In the city of Trento, near the Austrian border, a courageous investigating magistrate Carlo Palermo has been probing the international arms-and-illegal-drugs traffic for three years. Investigation of dope smuggling led Palermo to identify the big shots in the ranks of the Nazi International, the P-2 Masonic Lodge, and Eastern and Western intelligence services behind this dirty business. His inquiry brought to light a massive exchange of drugs for arms—also known as the “Bulgarian Connection,”—creating major problems for the KGB and its allies in the West.

When Palermo interrogated Ferdinando Mach, the top financier of the Italian Socialist Party and a close aide of Bettino Craxi, and accused Mach of weapons smuggling, Craxi sent down orders to immediately kick Palermo out of the magistracy. Craxi told the press on Feb. 3: “In the face of an inconceivable hypothesis on my links to international smuggling of arms and money, an absurd and strongly offensive hypothesis, I reacted at once by taking court action.”

An “inconceivable hypothesis?” It was Craxi’s own press attaché, Vanni Nisticò, who testified about Craxi’s meetings with Licio Gelli, grand master of the illegal P-2 lodge, in Craxi’s own house, meetings which Nisticò said were aimed at creating an alliance between Craxi and the Christian Democrat Andreotti. That aim has now been reached. If Craxi indeed has such connections to the former Mussolini secret-police agent Licio Gelli, no hypothesis about him is really “inconceivable.”

Traitors in Ottawa

Trudeau's "elite team": KGB-Pugwash penetrators of the National Defense and External Affairs Departments.

The *Toronto Star*, otherwise known as "Red Star," leaked the sensational story on Jan. 21 of what it claimed was an "elite team" of mandarin policy-makers behind Prime Minister Pierre Elliott Trudeau. The team was reportedly assembled last summer, and drafted the prime minister's "peace plan" for disarmament and denuclearization, presented Oct. 27 in the city of Guelph.

What the *Star* is covering up is the real "mother" of the elite team of Trudeau advisers: **Count George Ignatieff**, chancellor of the University of Toronto, a founder of the Pugwash conferences on East-West disarmament. Ignatieff, who comes from a family that has dominated for two centuries Russian military intelligence, sits atop a nest of operatives that conduits KGB and Pugwash influence into Canada.

One of the most prominent members of the task force is **Geoffrey Pearson**, former ambassador to Moscow and Trudeau's personal emissary to both Peking and Moscow during his peace mission in January. Geoffrey is the son of former prime minister Lester B. Pearson, who was recruited as a KGB asset in 1927 by Oscar Skelton, a member of the Canadian-Soviet Friendship Society. According to Pat Walsh of the *Canadian Intelligence Review*, "Skelton was careful to groom only pro-Soviet civil servants in the External Affairs Department. Most of them were being briefed by the Canadian Institute for International Affairs

(CIIA), the Canadian branch of the notorious pro-Soviet Institute of Pacific Relations. Many of them, including Lester B. Pearson, saw service in Washington and London where their counterparts were also members of Soviet espionage rings."

When Pearson was appointed first counselor to the Canadian Legation in Washington during the 1940s, he was identified by Elisabeth Bentley, former secretary of the Communist Party USA and a courier for the Soviet Embassy, as a "very good source of information."

It was in Washington at that time that Pearson had his first contacts with KGB agent Kim Philby, who was then attaché at the British Embassy. During World War II, according to an FBI transcript of Bentley's testimony, Pearson gave detailed information on top-secret deliberations of western Allied powers to a Soviet agent named Hazen Sise, later working for the National Capital Commission in Ottawa.

Today the Canadian Embassy in Washington is run by "One Worldist" Ambassador **Alan Gottlieb**, whose first secretary, **Jacques Roy**, is a former member of the Angolan pro-Soviet MPLA guerrilla movement (later government). In 1980, Roy served as ambassador to Saudi Arabia, but was recalled to Ottawa after the Saudis were tipped off about his connections with the Soviets and the Cubans.

Also part of the "elite team" is **Kenneth Calder**, director of strategic analysis at the Department of National

Defense. Calder is not only opposed to President Reagan's anti-ballistic missile defense policy but is, according to the *Star*, the ghost writer of Trudeau's proposal for a five-nation nuclear summit. According to intelligence sources, Calder's father, Robert, was a lawyer for a civil liberties organization under communist control during the 1940s. "Calder defended known communists like Fred Rose, communist Federal M.P. and Soviet spy, and fought alongside Trudeau and his Cité Libre leftists against former Quebec Prime Minister Maurice Duplessis's Padlock Act which was aimed at curbing communist activities in Quebec," said one source.

Trudeau's collaborators at Cité Libre included **Prof. Raymond Boyer**, who was later convicted as a Soviet spy in the Gouzenko case, **Stanley B. Ryerson**, editor of *Marxist Review* and member of the Communist Party, and **Pierre Gelin**, the Quebec head of Agitprop (Agitation and Propaganda) of the Communist Party.

Trudeau's task force also includes:

Louis Delvoie, special adviser to External Affairs and a specialist in defense intelligence, Delvoie was trained at the Jesuit Loyola College in Montreal;

Gary Smith, Delvoie's right-hand man in External Affairs. In 1972, Smith was a junior diplomat in Moscow, where he organized the visit of the Soviet hockey team to Canada. Soviet sports teams are a bastion of "spetsnaz" special commando forces operating abroad;

Maurice Archdeacon, a general at the Privy Council and a specialist in East-West relations and arms control;

Peter Hancock, head of policy development with the Soviet Union;

Robert Fowler, assistant secretary to the cabinet on foreign affairs and defense.

Who is the Greek prime minister?

From the revelations of KGB master spy Treholt, to Papandreou's special adviser, Michel Raptis ("Pablo").

During the last days of January 1984, after his close associate of 15 years, Arne Treholt of the Norwegian Foreign Ministry, was arrested for espionage and exposed as a full colonel of the Soviet KGB, Greek Prime Minister Andreas Papandreou introduced a bill to reorganize that country's central intelligence agency, the KYP. The reorganization would make him the effective chief of the intelligence service and remove from it the jurisdiction of the military.

Behind Andreas Papandreou's shoulder will be standing an enigmatic figure, reading reports and making recommendations. That enigmatic figure credits himself with having saved the prime minister's life at least twice, once in the very distant and once in the more recent past. That enigmatic figure once loomed large in the Algerian Revolution, had a hand in Hafez Assad's ascent to power in Syria, is a close friend of the Baathist *éminence grise* Michel Aflaq, is an intimate of Swiss Nazi leader François Genoud, and has been for 20 years a closet adviser to Ben Bella. His attorney is Jacques Vergès, the same attorney who is currently defending the Nazi Klaus Barbie, the notorious "Butcher of Lyon."

The enigmatic figure's name is Michel Raptis, better known by his "nom de guerre" Michel Pablo. "Pablo," now in his late 70s, was, during the 1930s, in the same "party cell" of the "Greek Section of the Fourth International" as Prime Minister Andreas Papandreou.

Both Andreas Papandreou and

Michel Raptis shared jail and internal exile during the 1936 Nazi-inspired dictatorship of Gen. John Metaxas. Both the current Prime Minister and his *éminence grise* were mysteriously freed from their imprisonment by then Interior Minister Maniatakis, a notorious anti-Semitic Nazi, and both went abroad. Ultimately Papandreou became a U.S. citizen, involved himself in the Humphrey machine of the Democratic Party and became chairman of the Economics Department in the University of California at Berkeley. In 1963 he renounced his U.S. citizenship, and was elected as a member of the Greek Parliament. Another military dictatorship in 1967 forced Andreas to seek exile abroad, where he spent most of his time in Canada and the United States.

His *éminence grise* Michel Raptis was also allowed to leave Greece during the 1936 Nazi dictatorship; he went to France. During the German occupation of France, Michel Raptis, known in the Resistance circles as "Pablo," displayed a suspicious ability to repeat his legendary feats of "escape from prison." At the end of the war, he found himself in possession of the typographic plates which the German Abwehr had been using to print counterfeit dollars.

A little after the war, Pablo became head of the Trotskyist Fourth International, all the while maintaining contact with Andreas Papandreou. In the 1950s, while Papandreou was building his academic career at Berkeley with the aid of Gunnar Myrdal, Pablo was involved with a number of

Nazi exiles in North Africa helping build the networks of the Algerian revolution financed by, among others, banker François Genoud of Lausanne. Genoud is, among other things, the literary executor of Hitler's writings and personal friend of Hitler's Economics Minister Hjalmar Schacht, SS General Wolff, Luftwaffe Gen. Hans Rudel, and other Nazis who had found refuge in postwar Cairo. Michel Pablo himself was born in Alexandria, and grew up in the same general location where Rudolf Hess had been born. He knew the area.

Out of these activities over the decades, Pablo acquired an international network of intriguers, conspirators, and terrorists. Andreas benefited from this over the years. The personal protection of Papandreou during the years of his second exile, 1967-74, was in the hands of Pablo.

In October 1981 Papandreou was elected prime minister in a wave of anti-Americanism reminiscent of Ayatollah Khomeini. A large part of his campaign financing came from Colonel Qaddafi. Papandreou, grateful for the protection he had enjoyed during his years of alcoholic stupor and demoralization in Canadian exile, invited Pablo to return to Greece after 44 years of exile. Pablo is now there, basking in the glory of "special adviser to the prime minister." Greek government-owned television has serialized a mythical-romantic version of "Pablo's" life and has turned him into a cause célèbre. Pablo writes a weekly column in Athens' most respected newspaper expounding on the merits and inevitability of the Islamic revolution.

Pablo now has access to the data banks of the Greek intelligence service, KYP. The significance of this will be further discussed in a future issue of *EIR*.

International Intelligence

Behind the near-coup in Colombia

A 17-point memorandum establishing the "red line" beyond which the Colombian military was prepared to seize power in January was published in the pro-government Bogota daily *El Espectador* Feb. 9, revealing the extent to which would-be coup maker and former Defense Minister Fernando Landazabal Reyes was prepared to take his challenge to President Belisario Betancur.

The 17-point ultimatum, which was read by the sociologist-general Landazabal in the Security Council, constituted the "final straw" which led to Landazabal's forced retirement and an eyeball-to-eyeball confrontation between Betancur and the military. Betancur won that round.

Among the points Landazabal defined as unacceptable for the military were a truce or cease-fire with the guerrilla movements (which Betancur is negotiating), demilitarization of the countryside (also part of the government's negotiations with the guerrillas), deterioration of the political parties, and "Marxist-Leninist advances." Landazabal produced a chart which showed Colombia in the fifth stage of a seven-stage collapse leading to either "Communist slavery" or a military coup d'état.

While the publishing of the memorandum is intended to demonstrate the openly pro-coup nature of Landazabal's challenge to the presidency and to justify the president's actions against his defense minister, it also makes clear that the coup threat against the Betancur government is far from over.

Sweden: We'd shoot down U.S. cruise missiles

Sweden would use U.S.-supplied mobile radar equipment to shoot down U.S. cruise missiles flying over its territory, Swedish Rear Admiral Bror Stefenson said in an interview in *The Observer* of London Feb. 5.

"We would consider any cruise missile

entering Swedish air space as violating our neutrality just as much as if a foreign army were to march across our territory," Admiral Stefenson said. "There is no doubt that cruise missiles would be shot down."

Since U.S. cruise missiles stationed in Greenham Common, England would have to fly over Swedish air space to reach targets in the Soviet Union, it was clear that the Swedish admiral was referring to American cruise missiles.

The Swedish government has also allocated funds over the next five-year period to build the PS-870 mobile radar system, which could locate U.S. cruises targeted on Soviet submarine bases, SS-20 complexes, and military airfields in the northern Kola peninsula.

Radio Moscow lost no time in praising the new move by "neutral" Sweden, which had been getting rough treatment for not being more like Finland. The Finns have an assistance treaty with the Soviets, and have already agreed to shoot down U.S. cruise missiles.

Japanese leaders reaffirm U.S. ties

Japanese leaders Prime Minister Yasuhiro Nakasone and Foreign Minister Shintaro Abe delivered speeches that should make Western European leaders sit up and pay attention. In speeches on the convening of the 101st Japanese Parliament (Diet) Feb. 6, Nakasone and Abe renewed Japan's unflinching commitment to becoming a full partner of the United States in securing peace and stability in Asia and the world in the face of Soviet aggression. That commitment, the leaders stressed, will be realized through firming up Japan's regional defense/security arrangement with the United States, and in Japan's emerging role as a bridge between the North and South.

Nakasone set the tone by reiterating the need for Japan "to become an international state," calling for peace and disarmament, the improvement of Japan's defense capability and the maintenance of its security

arrangements with the United States."

Foreign Minister Abe bluntly blamed Moscow for the "state of chill" between the United States and the Soviet Union, referring to Soviet military moves into Third World countries, the downing of the KAL airliner, the Soviet walkout from the INF talks, and its military buildup along the Asian perimeter.

Faced with that situation, Abe places Japan squarely in the camp of the "Western industrialized democracies," who must rally behind a policy of "maintaining sufficient deterrence to secure peace and promoting dialogue and negotiations with the Soviet Union."

In that light, Abe continues, the cornerstone of Japanese foreign policy and the key to peace and stability in Asia and the world is "friendly and cooperative relations with the United States grounded in our security arrangements." He reviewed Japan's improving ties with nations in Western Europe, Asia—particularly Korea, China and the ASEAN nations—the Middle East, Latin America and Africa. Abe also expressed Japan's urgent hope for the restoration of national sovereignty in Lebanon and endorses the efforts of the Contadora group in seeking a resolution of the Central America conflict.

German court enjoins slander of LaRouche

The Frankfurt state court issued a preliminary restraining order Feb. 2 against the anarchist *tageszeitung* journal, forbidding it from printing slanders against the European Labor Party (EAP), which is led by Helga Zepp-LaRouche, wife of U.S. political leader Lyndon LaRouche.

The Dec. 22 *taz* slanders were based on a Nov. 30 broadcast by Westdeutsche Rundfunk radio (WDR). They maintained that:

- The EAP is in contact with Hitler's weapons' experts;
- The EAP organization is anti-Semitic;
- LaRouche and the EAP consider the "final solution" to the "Jewish question," namely the murder of millions of Jews, as a

Zionist swindle;

● LaRouche and his colleagues have threatened the world by working on a nuclear bomb.

Taz was treated similarly by a West German court last September after calling the LaRouche organization "neo-Nazi."

Italian Christian Democrat calls for neutron bomb

On the eve of the national congress of Italy's largest party, the Christian Democracy (DC), a noted party strategic analyst called for defending Western Europe, and Italy in particular, with neutron bombs. The statements were made in an interview to *Fusion* magazine by Hon. Filippo De Jorio, a Christian Democratic member of the ruling council of the Lazio region (region of the capital city, Rome).

De Jorio is president of the National Institute of Ecology and teaches at the "Alcide De Gasperi" Free University of Social Studies. He speaks for pro-Western forces in the DC which are expected to contest the peace movement-linked pro-neutralists at the upcoming party congress Feb. 26. This meeting will be key for determining the future of the Italian government.

"In 1980," De Jorio said, "the Italian government, as well as the governments of other European countries refused to adopt the neutron bomb. I always said that the neutron bomb is a defensive weapon. According to the proven evidence presented by the experts, it can be used only against an invading enemy. . . . It would be extremely difficult, if not impossible, to use it offensively. . . . After all, this is not simply my opinion, this is the opinion of renowned experts such as Marc Geneste and Sam Cohen who demonstrated clearly, in their famous book *Echec à la guerre*, the defensive character of the weapon.

"The neutron shells shot against the enemy tanks are able to block every offensive without major harm to the defending armies. For the first time, by using neutron bombs every attacking enemy can be stopped by a

relatively small group of defenders. And this is the best way to prevent a war."

Asked if Europe could play a positive role to carry out President Reagan's anti-ballistic missile defense policy, which has been attacked by such figures as German Foreign Minister Genscher, De Jorio replied, "I not only think so, but maintain that it is downright necessary."

Thai military hears beam-defense experts

Over 200 leaders of Thailand's military heard Fusion Energy Foundation Director of Research Uwe Henke-Parpart, Robert Budwine of Lawrence Livermore Laboratories, and Friedwardt Winterberg of the Desert Research Institute of the University of Nevada speak on beam weapons in a two-day conference in Bangkok. The conference was sponsored by the Supreme Commander's office of the Thai Armed Forces.

In the first session on Feb. 8, Dr. Budwine, speaking in a private capacity, addressed high-ranking military officers and leading representatives of over 13 ministries at the National Defense College on the subject of overturning the doctrine of Mutually Assured Destruction and the development of directed-energy anti-missile defense systems. Parpart then addressed the conference on the strategic, military, and economic implications of beam weapons, with special emphasis on the role the Thai Armed Forces must play in providing the institutional context for high-technology economic development.

Dr. Winterberg led the Feb. 9 session with an address on "The Technologies of Beam Weapons," given at the Joint Operations Center of the Thai Armed Forces. He was followed by Dr. Parpart. At the end of the session, the Deputy Supreme Commander of the Thai Armed Forces, Air Marshal Aruj Pronthep, gave a summary of the day's deliberations, and thanked Lyndon LaRouche for helping to facilitate such lectures and for playing a most important role in advancing the concept of high-technology development for Thailand.

Briefly

● **ARMAND HAMMER** is reported in the Feb. 9 *Platt's Oilgram* as looking among Austrian, Finnish, and Swedish interests for purchasers of part of Occidental Petroleum's Libyan oil properties.

● **CARL HAGEN**, the leader of the Norwegian Framskridtsparti (Progressive Party), said Feb. 7 that his party will officially demand that Norway acquire the American-built Patriot ground-to-air missile system as part of a program to counter the threat of a Soviet attack on NATO's Northern Flank. Party leaders are also said to be formulating a number of parliamentary questions to the Norwegian government regarding the immediate threat of a Soviet "surgical strike" into Western Europe.

● **ASIA DEFENSE JOURNAL**, based in Malaysia, and Southeast Asia's only military magazine, has published an article by scientist Jonathan Tennebaum, director of the Fusion Energy Foundation in Europe, on the role of Lyndon LaRouche and *EIR* in shaping the Mutually Assured Survival missile-defense strategy internationally.

● **HERMANN KLENNER**, the new East German representative to the U.N. Human Rights Commission, was a card-carrying Nazi before 1945, and in his later communist incarnation wrote that "there is no self-realization of human rights: Realizing human rights means class struggle." *EIR* will present its findings on Nazi-communist collaboration after 1945 at seminars in Paris (Feb. 15) and in Bonn (Feb. 16).

● **IGNATIUS IV**, the Greek Orthodox Patriarch, thinks that the destiny of Greek Orthodox Christians lies with the Druzes and Shi'ites, according to the Feb. 8 *Frankfurter Allgemeine Zeitung*. The Patriarch is being widely condemned in the Lebanese Maronite and other Christian communities as a traitor to Christianity.

Lebanon crisis: next round for Kissinger Commission?

by Richard Cohen in Washington, D.C.

Immediately following the collapse of the Gemayel cabinet in Lebanon on Feb. 5, a rumor campaign emerged to build a climate for the creation of a new presidential commission, dealing with the Middle East, to be headed by former Secretary of State Henry A. Kissinger.

U.S. Lebanon policy, as masterminded over the past year by George Shultz and Kissinger, has been a disaster for many months. Following House Speaker Tip O'Neill's announcement that the Democrats would push for an immediate pullout of U.S. Marines, a message was read in Damascus, Teheran, and Moscow: that the U.S. domestic political situation would provide a major opening for a Soviet-engineered escalation in Lebanon.

Now, Kissinger-State Department policies will lead to a more rapid radicalization of forces centered around the Druze and Shi'ite leaderships (Jumblatt and Berri) and the quickened disintegration of the Gemayel regime. A second result would be a dramatic destabilization of the governing Saudi leadership. This destabilization, already foreseen by Kissinger-linked policy planners, would help facilitate a shut-off or slowdown of Persian Gulf oil to the West prior to the 1984 elections.

An oil strategy

These sources say that Kissinger and his collaborators have devised a contingency program for such a cut-off which would gather support from oil-needy Europe and Japan. This would involve a drastic increase in the production of Ibero-American crude, and the revenue from this oil will be used to generate liquidity to temporarily stabilize the unmanage-

able Latin American debt situation. And it is reported that Kissinger and his associates have developed a program for dealing with expected Ibero-American resistance to this looting.

In addition, the Kissinger-sponsored oil crisis would create further pressures, particularly in Europe and in Japan, to move toward accommodation with the Soviet Union. Under the leadership of Kissinger business partner and NATO Secretary-General-elect Lord Peter Carrington and elements in the French and Italian governments, an effort has emerged to bring Moscow directly back into the Mideast negotiating picture. With the disintegration of the Multi-National Force (MNF) on Feb. 7 and 8, the Carrington-led forces began an effort to secure Soviet agreement for a United Nations-sponsored force as a replacement. Under conditions of a Persian Gulf crisis in which Soviet assets would play a dominant role, the Carrington-Kissinger crowd would even more boldly demand a direct Moscow role in Mideast negotiations.

Finally, the appointment of Kissinger to such a dominant position would tell Moscow that the opportunity for a major challenge to a weakened West is at hand.

The Kissinger appointment would mean total downgrading of the Pentagon circles around Defense Secretary Caspar Weinberger and Joint Chiefs of Staff Chairman Gen. John Vessey: it would signify the unstoppable rise of a combination of the State Department leadership, the heavily Kissinger-influenced National Security Adviser Robert MacFarlane, and White House Chief of Staff James Baker III and his deputy Michael Deaver, the political architects of Reagan's capitulationist re-election strategy.

According to administration sources, beginning in mid-January Kissinger and Shultz intimate MacFarlane promoted a plan for escalated naval and air assaults in Lebanon, heavily resisted by the top Pentagon hierarchy. It is well known that, since early 1983, a guerrilla war has raged between the Weinberger Defense Department and the Shultz State Department over Mideast policy. Allied with Weinberger is Mideast presidential envoy Donald Rumsfeld, who was reportedly forced to accept the constant presence at all his meetings in the region of Peter Rodman, now of State's Policy Planning Council and so intimate with Kissinger that he ghostwrote the former Secretary of State's autobiography.

Weinberger, joined by then-National Security Adviser Judge William Clark and backed by others in the DOD, accepted the fact that there was no military solution to the crisis in Lebanon. To the extent that their judgment was restricted to Lebanon, they were correct—but the impotence and vulnerability of the Weinberger program for Lebanon rested on the unwillingness of either the President, or the Secretary of Defense, or any of their collaborators to take the Lebanon crisis to the global level.

As *EIR* founder Lyndon H. LaRouche, Jr. has emphasized, the situation in Lebanon could only be resolved when forces actively seeking the destabilization of that nation are removed from the country. In order to accomplish this, the United States would have to be prepared to back up with force an ultimatum to the government of Syria that it either withdraw its forces from Lebanon—or from Damascus.

In addition, the United States would have to demand that the Israeli government remove from power former defense chief Ariel Sharon, the chief architect within Israel of covert attempts to destabilize American assets in the region, and that the Israeli government immediately withdraw all its forces from Lebanon, or all U.S. subsidies would be cut.

The Weinberger posture was reduced to a rearguard effort to counter the Kissinger-State-sponsored destabilizations of Lebanon, beginning with the absurd Shultz-concocted move to deploy the Marines permanently into Lebanon in the first place, and of attempting to use Saudi Arabian clout to influence both Damascus and Lebanese Muslim factions to achieve a stable Gemayel government. The policy was doomed from the beginning, since neither Damascus nor Moscow nor the two primary Lebanese radical factions had any interest in a stable Gemayel government.

The deployment of the Marines into Lebanon not as a military force but as a card in some illusory negotiating game that Shultz and Kissinger hoped to set up with Moscow and Damascus—the bluff factor embedded within the deployment—was hardly credible, and the Marines soon became hostage to terrorist attack aimed at undercutting the U.S. position in the region as a whole.

In addition to the insane Marine deployment card, Kissinger and State banked on the so-called Israeli card. According to administration sources, until November of 1983, Shultz and the Department of State believed, along with MacFarlane, that the Israelis could be used in a meatgrinder war

for the high ground in the Bekaa Valley against Syrian positions. However, by that time the Israeli domestic situation made such an Israeli deployment politically untenable.

The Kissinger-Shultz game was aimed at enticing Moscow and Damascus, which had by as early as September of 1982 been contacted through traditional Kissinger back channels (particularly long-time Kissinger associate Helmut Sonnenfeldt, who has maintained ties to both the Soviet and Israeli leaderships, and former Mideast negotiator Joseph Sisco, who maintains excellent ties to the Syrian regime). When the Kissinger-Shultz “cards” vis-à-vis Syria collapsed, a “redeployment” of U.S. forces was urged, which in one sense corresponded to the Weinberger plea for the removal of the Marines, but on the other hand corresponded to the Shultz-MacFarlane request for a new card—the limited use of U.S. naval and air force against Syrian positions but also against civilian positions in Lebanon.

In addition, it is now believed that under Kissinger's advice, Shultz will press the Europeans, and especially the Saudis, to increase pressure on Syria by threatening to withdraw major subsidies to the Damascus regime. With U.S. guns hitting Moslem civilians in Lebanon, and with Sharonite-linked terrorists assaulting (most recently on Jan. 28) Muslim shrines on Temple Mount in Jerusalem—shrines under the protection of the Saudi royal family—and with the Saudis being asked to burn their bridges to controllers of the Syrian-supported other radical elements threatening destabilization within Saudi Arabia itself, the pro-Western faction currently ruling that country is under pressure indeed.

Background to Kissinger's maneuvers

Kissinger, who had ensconced himself at the center of U.S. Mideast policy soon after Shultz became Secretary of State, was, along with Sisco and Sonnenfeldt, largely responsible for developing a Mideast program in the fall of 1982 directly contrary to Reagan's September 1982 Mideast peace plan dubbed the “Reagan Plan.” Indeed, in November of 1982 Kissinger outlined his Middle East plan in an article in the London *Economist*. It included five major points—all of which are on the verge of realization at this time.

Kissinger demanded the dissolution of the Palestine Liberation Organization as it existed at that time. He cheered the genocidal spring 1982 invasion of Lebanon by Israeli forces, claiming it had weakened the Arabs. He warned that Saudi Arabia and the promoters of the Saudi “card” must keep out of Lebanon and the Palestinian question, declaring that the Saudis were “overextended” and could be overthrown if they got too deeply involved in these questions. He stated that it would now be timely to establish back channels to the Damascus regime—and thus also to Moscow. And fifth, Kissinger pushed what is now the Shultz plan for Israel—the program that would include forcing drastic reductions in the budget.

If the Kissinger-Shultz faction is not unchecked, the current fiasco in Lebanon will be only the first between now and the election.

'Time for Sharon to retire from politics'

Commenting on the most recent crisis in Lebanon, Democratic presidential candidate Lyndon LaRouche said on Feb. 5: "Neither the United States nor Israel can continue to afford former Defense Minister Ariel Sharon. Sharon's invasion of Lebanon, aimed at helping Henry Kissinger sabotage the 'Reagan Plan,' made a total mess of an already monstrous situation in the Lebanon Kissinger had already begun to destroy during the period he was President Ford's Secretary of State.

"President Reagan should agree to dump Kissinger—as the President promised in 1976—if the government of Israel will act similarly to repudiate Kissinger's crony, Sharon.

"I hear that 40% of Israelis would agree with me on this issue. I think that if President Reagan would dump Kissinger and his gang from the Executive Branch, 80% of all Israelis would then agree with me on dumping Sharon."

LaRouche's view is that the recent deterioration of the situation inside Lebanon means that Lebanon can no longer be saved from being carved up by Syria, unless both Syria and Israel evacuate their forces from Lebanon immediately.

"What has helped imperialist Syria and Moscow to destabilize the present government of Lebanon is the image of Ariel Sharon's invasion of Lebanon hung around the neck of the Beirut government, and the sabotage of the 'Reagan Plan' by the combined efforts of Sharon, Henry Kissinger, the Bronfmans, and fellows such as George Ball. Muddling around with continuing, worthless negotiations with that treacherous butcher of the PLO, Syria's President Hafez Assad, has not worked, and now could never work, especially as long as Kissinger and his crowd were being brought into the Reagan administration.

"The time has come to make a solid offer to the government of Syria. Syria must be given the choice of evacuating its forces from either Lebanon or Damascus. It is none of Syria's business whether Israeli forces remain in Lebanon; Syria must evacuate immediately and unconditionally. The United States will deal with its financially bankrupt ally, Israel. If Syria pulls out of Lebanon, Israel will also pull out, or have all U.S. financial support withdrawn until it does. It is that simple.

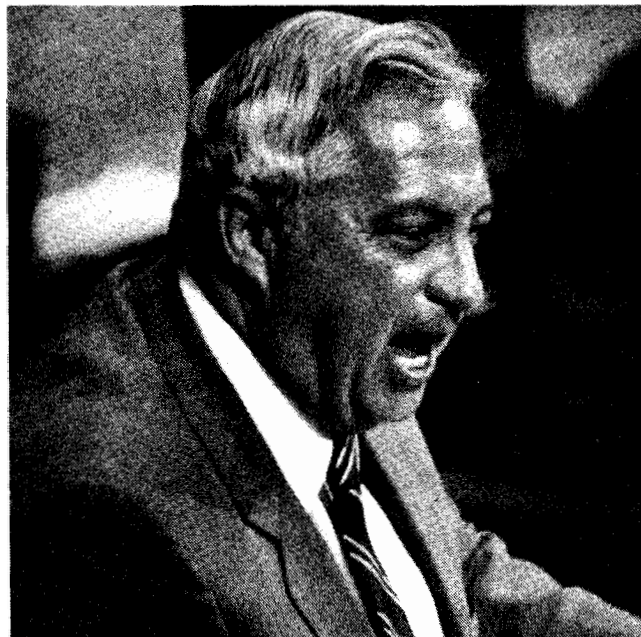
"Let's face facts. Syria is a neo-Nazi state, governed by a regime riddled with old Nazi advisers. Syria under such a

government behaves very much as Adolf Hitler's regime behaved. It does not understand reason; it understands only the equations of raw power. Diplomacy with Damascus is a waste of time, unless one ceases recent U.S. practice of following in the footsteps of Neville Chamberlain's dealings with Hitler. One must say to Damascus: 'All efforts to establish a partition of Lebanon for sake of the Nazi-like doctrine of "Greater Syria" is a *casus belli* with the United States of America: get your butt back where it belongs right now!'

"General MacArthur was right; President Truman and his simpering State Department were wrong. Never again should the military forces of the United States be bogged down in a Korea or Vietnam. The dirty deal which Bertrand Russell and Kissinger's sponsors made with Nikita Khrushchev back during the late 1950s, is ended; no more will the United States be bogged down in local wars played according to the 'Pugwash Conference' rules of the game negotiated by Kissinger's sponsors. If anyone, ever again, attempts to conduct war against the United States or its allies through surrogates, it is the hand behind surrogate warfare which will be struck directly. Let the government of Syria consider itself duly forewarned, and proceed to withdraw its forces from Lebanon immediately.

"We of the United States are also fed up to the neck with Libya's, Syria's, and Iran's orchestrating deployment of terrorist forces into the United States itself. Any attack by these terrorists inside the United States, or against U.S. Marines in Lebanon, must now be treated with response against the nations responsible for such acts of warfare.

"Be warned, Syria! If I become President of the United States, as presently appears increasingly a genuine possibility, I will act precisely as I have promised. Know me: I make no idle promises."



Ariel Sharon

Mutiny breaks out in the Democratic Party

by Warren J. Hamerman

From the Atlantic to the Pacific Oceans, in every region of the United States, a political mutiny has broken out against "Captain Queeg" Manatt, the corrupt chairman of the Democratic National Committee (DNC) who has been the day-to-day leader of the "Andropov Democrats." Sources inside *Charles T. Manatt's* own "sinking ship" in the Washington, D.C. national headquarters report that a top-secret emergency meeting of attorneys took place in the DNC office during the week of Jan. 30 to plot out a plan of action to stop the growing challenge of the "LaRouche Democrats" who have already fielded a 1984 slate of 2,500 candidates through the National Democratic Policy Committee (NDPC).

At the secret meeting a decision was taken for the DNC to formally participate in what the source termed a "take-apart story on the LaRouchies" on NBC-TV's "First Camera." Despite the caution of the DNC lawyers at the meeting against "dignifying the LaRouche group as a major political movement," Manatt "throw-away" *Lynn Cutler* from Iowa was given the order to grant a libelous interview against LaRouche to NBC-TV. The report from Manatt's own headquarters was that the meeting "talked about tactics of how to put some distance between us and them." The cautious lawyers advised circulating lies and slanders against the LaRouche Democrats in "careful language such as, 'Well I have read that they are crypto-Nazis' or 'It's my opinion that they are right-wing Nazis' and so on." The attorneys are trying to restrain the desperate Manatt from being specific and driving hard, lest the DNC "draw a suit and give them more ammunition."

In a one-week period of early February, slates of nearly 200 LaRouche Democratic candidates were filed in the states of Pennsylvania and Texas, a LaRouche Democratic slate for U.S. Senate and a dozen other races was filed in North Carolina, and the Democratic secretary of state of California has placed Lyndon H. LaRouche, Jr. on the June 5 presidential primary ballot in Manatt's home state.

Also, on Feb. 4 on ABC-TV Lyndon H. LaRouche, Jr. spoke to millions of Americans directly in his second national television address in two weeks.

Even in the liberal Democrats' backyard, Massachusetts, uncommitted delegates who refer to themselves as the "Anti-Andropov Democrat Slate" captured the lead uncommitted delegate position for the San Francisco National Democratic Convention next July in nine of the state's eleven

districts.

Moscow's allies in the Eastern Liberal Establishment who control the Democratic Party—the "Neville Chamberlain" Democratic elite such as the *Harrimans*, the *Bundys*, "Sigh" *Vance*, "Genocide" *Ball* and "Bodycount" *McNamara*—are infuriated with Manatt's inability to "contain" the growing emergence of the LaRouche Democratic movement coordinated by the NDPC.

The fall of emperor Manatt

On Feb. 6, Lyndon H. LaRouche, Jr. himself, reached for comment on Democratic chairman Charles Manatt's defeats at the recent California convention, declared:

"You could say pretty accurately that what we are watching now is 'The fall of emperor Manatt.' This fellow has been talking and acting like a messenger-boy for some Hollywood gangster for too long, and more and more in the party have simply had more of Manatt than they care to take. A fellow like that always brings himself down sooner or later, and it appears that Manatt has put his career on the skids at last."

Within 24 hours of the public circulation of LaRouche's remarks, Manatt's political director for the DNC, *Ann Lewis*, began leaking a Manatt policy memorandum on the LaRouche political breakout announcing their fear of what a Washington state news broadcast on KIRO radio termed the LaRouche Democratic "mutiny" in its aired broadcast reporting on the Manatt memorandum. The notoriously hysterical and inept Democratic state chairpersons of Texas and Washington state leaked the contents of the lying memorandum to the media.

The Del Junco connection

The Hollywood gangster network of Manatt has infiltrated itself into the ranks of intimate advisors to President Ronald Reagan. The infiltrator is one of Charles Manatt's closest gangster buddies—a raving, fascist named *Tirso Del Junco*, whom I once had the occasion to meet. Del Junco, unfortunately, is a close advisor to Ronald Reagan on Central American and Latin American matters. Del Junco was chairman of the Republican Party of the state of California when Manatt was chairman of the California Democratic Party. He is as corrupt a fanatic as you would ever fear to meet. He displays his "Order of the Knights of Malta" sword above his desk. In the course of my meeting with him at one point he sat on the

high back of a chair, with his feet on the seat and waved his arms as he nearly screamed: "LaRouche will get nowhere in Mexico and Latin America! He may have the ideas but he doesn't have the horses!"

Del Junco, as he bragged to me in somewhat more colorful language, is a "close buddy" of Chuck Manatt. "That's how things work out here. We came up together. We're both bankers from Los Angeles. When he headed the State Banking Association I headed the other big banking association. Then at about the same time I became chairman of the Republicans and he became chairman of the Democrats. We've always worked together."

I have direct first-hand knowledge on how gangsters Del Junco and Manatt jointly "facilitated" the boosting of the Tom Hayden operation in California politics, how they plotted against the head of state of our neighbor Mexico, how they ran the political protection for Paul Volcker, and other foul misdeeds.

In the interests of our immediate National Security, the LaRouche Citizens Candidate Movement has pledged to oust Hollywood gangsters like Del Junco and Manatt and their cronies from American political life.

Battle reports

In early February, leading Texas newspapers reported that the Manatt memorandum clarified that the DNC is in no way "affiliated with the NDPC or Lyndon H. LaRouche, Jr." The Manatt statement warns of a surge of political activity of the LaRouche wing of the Democratic Party through the mass candidates' movement coordinated by the NDPC and the LaRouche presidential campaign. It cites LaRouche's position for the declaration of a National Defense Emergency Mobilization around a strong beam-weapons defense as "proof" that he is not an "approved" Democrat.

Apparently, Manatt wants to disaffiliate Franklin D. Roosevelt from the Democratic Party as well because of FDR's 1939-44 war emergency economic buildup. The Manatt DNC memorandum went to great lengths to walk around the fact that LaRouche has been a card-carrying member of the Democratic Party for approximately the last five years and in the 1980 Presidential campaign ran "eyeball to eyeball" against Carter, Kennedy, and Brown through 15 Democratic presidential primaries and on into the last speeches of the 1980 Democratic Convention. The memorandum fails to clarify national Manatt policy to the thousands of properly filed "LaRouche Democratic" candidates currently campaigning for office.

Daily, LaRouche, NDPC leaders, and candidates are speaking on radio shows around the country to millions of avid listeners. By the time that candidates are filed in California, Ohio, New Jersey, and Indiana before the end of February, the 1984 LaRouche candidate slate will be in the range of 4,000 declared candidates.

"Captain Queeg" Manatt's political days are numbered. How many of his gangster buddies like Tirso Del Junco will be drowned with him?

Special Report and Alert Service

The Terrorist Threat to the 1984 Olympics

For the past three years, EIR's counterintelligence newsletter **Investigative Leads** has published detailed evidence of a growing terrorist infrastructure in the United States—funded and supplied by Soviet client state Libya, by KGB-linked fundamentalist movements like the Muslim Brotherhood, and by the Swiss-based Nazi International apparatus. These terrorists are targeting the 1984 summer Olympics in Los Angeles.

The FBI maintains that there is no serious threat of terrorism to the Olympics, while local law enforcement and U.S. military agencies continue to discover evidence of a planned bloodbath.

In the Special Report, "Terrorists Target the 1984 Olympics," **IL** details:

- The activation of Soviet- and Libyan-backed terrorist and separatist assets against the United States;
- The U.S. "window of vulnerability" to counterterrorism and the failure of FBI intelligence on KGB terrorist operations in the United States;
- The ties of the Olympics Organizing Committee to organized crime;
- The terrorist infrastructure's interface with the international peace movement and its Eastern Establishment figures such as McGeorge Bundy.

The Special Report is available for \$250.

Alert Service

Investigative Leads announces a special Alert Service of weekly updates on terrorism, political destabilizations, military "hot spots," and background dossiers on terrorist and terrorist support organizations. Telephone consultations are available. The cost of the Alert Service is \$2,500.

Clients who buy the Special Report "Terrorists Target the 1984 Olympics" may deduct the cost of the report from the Alert Service subscription price.

For further information, contact Robert Greenberg or Richard Spida, **Investigative Leads**, (212) 247-8291 or (800) 223-5594 x818 304 West 58th Street, fifth floor, New York, New York 10019.

The Cuban Missile Crisis: When Kennedy blinked

by Carol White

The Kennedy presidency was a turning point for the United States. It was then the Berlin Wall was built; then Laos was lost and American "advisers" were sent to Vietnam; finally, America faced the Soviets in an eyeball-to-eyeball confrontation over the placement of Soviet nuclear missiles in Cuba. The fact that the Soviet Union apparently removed its missiles from Cuba after the United States announced a blockade of that island is cited as proof that Khrushchev was forced to back down in face of American pressure, and Kennedy is applauded as a statesman for not making the backdown more humiliating. Yet after the Khrushchev "backdown," the United States acceded to Soviet demands and removed its missiles from Turkey and other bases in Europe, and reduced its bomber presence as well.

During the Kennedy presidency, the United States had overwhelming missile superiority compared to the Soviets; the strategic issue was whether the government was willing to risk the possibility of a Soviet strike against the continental United States. Henry Kissinger and McGeorge Bundy said "No." It was during the Kennedy presidency that their doctrine of "flexible response" and "limited nuclear war" was instituted by Defense Secretary McNamara as U.S. policy. For the first time, the U.S. nuclear umbrella over Europe was seriously called into question.

The question of what really happened in the Cuban Missile Crisis looms large today. Now the United States is, at best, barely on a par with the Soviet Union. It is a serious question whether the United States has sufficient retaliatory capability to effectively deter the Soviet Union from a first strike. Under the circumstances, Henry Kissinger's evil assertion at the Jan. 13 conference, sponsored by Georgetown University's Center for Strategic and International Studies (CSIS) in Brussels, that the United States would not be willing to sacrifice an American city to stop a Soviet takeover of West Germany can seem convincing to Europeans who depend for their survival on the U.S. nuclear umbrella.

Just as important, traitors like Kissinger encourage the Soviets to adventure, despite President Reagan's recent reassertion of U.S. policy in *Le Figaro* (see *EIR*, Jan. 24). President Reagan reiterated that the United States will retaliate

against the Soviet Union directly in response to any aggression in Europe. The question then for the Soviets is to evaluate whether or not the United States would carry through on this pledge. Undoubtedly, one of the ways that they test the mettle of America is this nation's willingness to allow a traitor like Henry Kissinger to act as secretary of state in the wings; however, equally significant to their evaluation is a study of U.S. reactions when faced with the crisis in Cuba. If the United States backed down then—when it had overwhelming superiority—then can it be expected to stand firm now, with the odds far less favorable? It is essential to set the record straight on the Kennedy-Khrushchev accords once and for all. This article essentially only raises the question.

Before the Kennedy presidency

The events which set the climate for the Kennedy presidency began during the Eisenhower period. On Aug. 26, 1957, the Soviets had their first successful test of an intercontinental ballistic missile. In October Sputnik orbited. In September 1959, the Soviets crash-landed a satellite on the moon, and in April 1961 a Russian was the first human to travel in space.

Even though the United States quickly developed a missile program which surpassed that of the Soviets, leading ultimately to the manned landing on the moon in 1969, the American public was severely shocked when it realized that it was they, rather than the Soviets, who were in the position of having to catch up.

Bertrand Russell's pacifist movement—whose leading advocate in the United States was Atomic Energy Commission science adviser Robert Oppenheimer—had successfully sabotaged this country's post-war position as the preeminent superpower. He and his epigones like Hans Boethe had successfully sabotaged Ernest Lawrence's and Edward Teller's efforts immediately after the war to push ahead the development of fusion power, at the same time that presidential science adviser Vannevar Bush argued that German rockets could not be developed as intercontinental ballistic missiles.

The issues are interconnected. Oppenheimer insisted on directing Los Alamos weapons laboratory to produce more

and smaller fission bombs—claiming that a hydrogen bomb was both unfeasible and unnecessary, since one could have overkill capacity with fission bombs. But the energy density of hydrogen bombs is at least one order of magnitude greater than that of the fission bomb. Only with the development of the H-bomb was the ICBM a feasible delivery device for nuclear warheads.

Limited nuclear war

In 1957 a series of policy discussions held at the Council on Foreign Relations (CFR) were concluded. These discussions functioned for the Kennedy presidency like the “Project 1980s” seminars which the CFR held to shape the Carter presidency. While Kissinger published a summary of the discussions in the book *Nuclear War and Foreign Policy*, the policy was developed by the CFR under the chairmanship of John J. McCloy, with the direct participation of McGeorge Bundy, who became National Security head under Kennedy.

These discussions worked out the strategy of flexible response and limited nuclear war. The policy of limited nuclear war was further modified to a policy of “no first use,” which is still publicly advocated by McNamara although it has been repudiated by President Reagan. Under this doctrine the United States pledges itself not to respond with nuclear weapons to a Soviet invasion of Europe.

One ironic feature of this book, written in 1957, is that Kissinger says that there will be no ICBMs for 10 years! Today Kissinger is doing the same thing, saying there will be no beam-weapons for 10 years. The same year the book was published (1957), the Soviets demonstrated they had an ICBM.

Kissinger probably knew that the Russians had an ICBM when he published *Nuclear War and Foreign Policy*, but he lied about it, since the main argument of his book was that continental America would be increasingly vulnerable to Soviet nuclear attack. Therefore, he—and McGeorge Bundy—argued: Do we really want to fight a war over Europe?

As he wrote, in *Nuclear War and Foreign Policy*:

For the first time in our history, we are vulnerable to a direct, hostile attack. No remaining margin of industrial and technological superiority can remove the consciousness of our increasing vulnerability. The spectre of a technological breakthrough by the other side would always loom large. Who can be certain that faced with the catastrophe of all-out war, even Europe, long the keystone of our security, will seem worth the price.

Our problem is complicated by the fact that we have explicitly rejected the use of surprise attack as the instrument of strategy. If we refrained from utilizing our atomic monopoly at a time when the Soviet capability to retaliate was almost non-existent, it is against all probability that we would do so now.

Since the attempt to deprive the enemy of his



The 1961 Vienna summit between Kennedy and Khrushchev, a humiliation for the new American President.

retaliatory force would inevitably bring on all-out war, the minimum condition of limited war will be the immunity of the opposing strategic forces. Another concept which, as we have seen, will have to be modified, is the elimination of enemy communication and industrial centers, a goal which was meaningful only so long as the major movement of armies was effected by road or rail.

It is useful to contrast Kissinger’s book to *Soviet Military Strategy*, written by Marshal Sokolovskii and published in the U.S.S.R. in 1962. Sokolovskii replies to the Council on Foreign Relations and Henry Kissinger by asserting that war must be guaranteed to immediately destroy the enemy’s potential in depth.

Kissinger wrote: “There can be no attempt to deprive the enemy of his communications or industrial might. . . . In a war which will be largely fought by the forces in being, the destruction of industrial potential will play a much smaller role than in the past.”

Sokolovskii cites two quotations whose apparent purpose is to take the measure of U.S. fighting capability and willingness to resist aggression. The first quotation is from another book by Kissinger, *The Necessity for Choice*.

“Henry Kissinger,” says Sokolovskii, “posed the so-called alternative of limited war as a choice between ‘humiliation and general war.’”

From the same book, in referring to the tremendous influence of the Soviet Union and the Peoples Republic of China on the course of world social development, Sokolovskii cites Kissinger bitterly admitting that the success of

Moscow and Peking “have the same kind of attraction as the accomplishment of Europe in the 19th century. No amount of economic assistance will avail against the conviction that the West is doomed.”

Sokolovskii also quotes President Kennedy at a press conference in 1961, where Kennedy said, “While we rely on nuclear weapons, we also, as I have said, want to have a choice between humiliation and holocaust.” Sokolovskii detected what he conceived as a defeatist tendency in the United States. This profile of the U.S. leadership led Khrushchev to tell a reporter: “America is too liberal to fight,” an assessment this writer believes was an accurate anticipation of what occurred during the Cuban missile crisis. Indeed, the United States accepted humiliation under the fear of holocaust, rather than face down Khrushchev.

The Kennedy presidency

Kennedy accepted the CFR doctrine of flexible response and limited war. He appointed McGeorge Bundy as his National Security Adviser and McNamara as Secretary of Defense. He also began his presidency committed to negotiating a test-ban treaty.

To do this, Kennedy was willing to sacrifice America’s capacity to mount an effective anti-missile defense system, since such a system can only be tested against nuclear missiles. At that time, the United States was involved in reviewing the potential of ABM testing using directed energy-beam weapons, not just anti-missile missiles. In 1961, SAC commander Curtis LeMay delivered a speech in Detroit in which he discussed the possibility of using Electro-Magnetic Pulse (EMP) as a defense weapon. He stated that the United States had the potential for developing a space shuttle. Everything that America has accomplished in the last 20 years, Curtis LeMay realized and proposed that the United States could do in the 1960s.

The military staged a terrific fight against the test-ban treaty because they knew that not only would U.S. programs be sabotaged, but that also the Soviets could be counted on to cheat on the treaty. Kennedy’s response was essentially that he did not care if the Soviets cheated, he wanted to sign it—no matter what might be lost. He was obsessed. The test-ban treaty negotiations were the beginning of his strategic defeat; the signing of the treaty culminated his defeat at the end of his presidency. Throughout his presidency the negotiations continued—even when the Soviets violated the test moratorium after the Berlin crisis by exploding a 58-megaton bomb.

The Bay of Pigs

Barely a week after Kennedy took office, in the first months of 1961, he was presented with already developed plans for the Bay of Pigs invasion by Allen Dulles, head of the CIA. Within a few months, the Bay of Pigs landing took place.

In order to sabotage any possibilities for the Kennedy

presidency, the Bay of Pigs invasion was arranged. Castro thought the United States had 20,000 men lined up for the invasion. In fact, there were fewer than 1,000. Of these, only 60 were trained in guerrilla warfare; the rest had some conventional arms training. Of those, only 125 could be considered soldiers—the rest were anti-Castro civilians.

The invaders were given some old B-26 bombers which did not work, whose rear tail-guns had been taken out to allow extra room for fuel. In this condition, the planes were virtually sure to be shot down. Similarly, the invasion force had some ships from World War II. To compound the problems, all of the supplies were loaded on ships which never landed.

The CIA was supposed to alert the Cuban underground to revolt by having all radio broadcasts blare a coded signal. This message to the underground—their signal to arise—was, unfortunately, not beamed into Cuba. By some error, the CIA beamed it into continental U.S. radio stations; it never got to Cuba.

But the Cubans, forewarned that something funny was going on, particularly because the old B-26s were kept in Cuban air space, arrested 200,000 members of the underground. The amphibious landing was planned to take place at night, on a coral reef—but all U.S. amphibious landings during World War II took place during the day. In addition, it is insane to land on a coral reef.

The site which was chosen for a landing was supposed to be a deserted swamp. The swamp had been reclaimed by Castro and a resort—already illuminated and populated—was about to open there. And, just in case Cuban intelligence was not already on alert for the landing, Allen Dulles had the foresight to have a public relations firm issue press releases about the landing *before* it occurred.

This fiasco was a well-planned fiasco. It was meant as a humiliation for Kennedy, so that he would be unable to face Khrushchev. As Kennedy kept saying, how can Khrushchev have respect for me? The question was not Cuba. The question was, could Kennedy run such a fiasco, a comic opera, and be credible as a President. Kennedy was never briefed on the actual arrangements for the invasion. He thought there was a top-notch elite Green Beret guerrilla force landing. He was told they were going to fade into the hills and organize the underground. There happened to have been 80 miles of swamp between the landing site and the hills!

The summit

The Vienna summit occurred within months of the Bay of Pigs fiasco.

Kennedy told *New York Times* columnist Scotty Reston that Khrushchev had beaten him up. Khrushchev literally did beat him: He took Kennedy, who had a serious back problem, by the shoulders and threw him against a wall. Kennedy could not understand Khrushchev. He said to Reston: “I have two problems.” The first was to figure out why Khrushchev did it—not only beat him up, but raved, and yelled, and screamed,

and threatened war over Berlin. The second was to determine what to do about it.

"The first part is easy to explain. I think he did it because of the Bay of Pigs. He thought anyone so young and inexperienced as to get into a mess like that can be taken. Anyone who got into a mess like that and didn't see it through had no guts. . . . I have a terrible problem. He thinks I'm inexperienced and have no guts. Until we remove these ideas, we won't get anywhere with him. So, I have to act."

The only thing Kennedy could act on was Vietnam. The number of advisers which the United States had in Vietnam rose from 200 to 10,000. Yet Kennedy apparently recognized that once again he had been deceived. One of his last acts before he was assassinated was to sign an order to remove 1,000 American troops from Vietnam.

The Berlin Wall

After Vienna, the Soviets built the Berlin Wall. On Aug. 13, 1961, East German military convoys streamed into Berlin to the 25-mile border that separated the western from the eastern part of the city. Troops piled out of the tanks, set up barbed wire and concrete, and began the construction of the wall. The United States did nothing. Not one American tank was dispatched. The Soviets could have been stopped at any point; they were not even confronted. Kennedy was paralyzed; he allowed Khrushchev to move without opposition. Apparently, he was totally terrorized by Khrushchev, whom he feared as a maniac who would go to nuclear war at the drop of a hat.

During this period, Kennedy was in touch regularly with British Prime Minister Harold Macmillan. Some people in Britain claim that Macmillan opposed Kennedy's policy of appeasing Khrushchev. This is not so.

The fact is, Harold Macmillan forced through the test-ban treaty, and tried to prevent the United States from resuming testing when the Soviets violated the moratorium. Glen Seaborg, who was active in test-ban negotiations, records a remark by Macmillan in his diary which speaks for itself.

Macmillan told Kennedy: "I've been reading novels about the Russians. And really they're not so bad at all. I see great hope of coming together with them. You know, they have an elite just like we do, and they send their children to private schools just like we do. I'm sure we can come to an arrangement with them."

The Cuban Missile Crisis

The Cuban Missile Crisis began to develop in the summer of 1962. At that time, Cuban refugees began to report that missiles were being unloaded from Soviet ships. Despite this and suggestive photographs from U-2 surveillance overflights, and despite the opposition of CIA director John McCone, McGeorge Bundy went on television on Oct. 14 to say: "I know there is no present evidence, and I think there is no present likelihood, that the Cubans and the Cuban government and the Soviet government would, in combination,

attempt to install a major offensive capability."

The Soviet Union had clearly been putting missiles in Cuba for some time. Sen. Kenneth Keating (D-N.Y.) had been making speeches about it. Despite the increasing pressure on Kennedy to take some action, incredibly, U-2 flights were cut back in September so that there were no overflights on the western part of the island where the missile installations had been discovered. When McCone learned of this on Oct. 4, he called for immediate photographing of the whole island. Bundy had withdrawn the U-2s on the pretext that a U-2 plane which had been given to the Chinese Nationalists on Taiwan had been shot down by a P.R.C. surface-to-air missile. Therefore, if surface-to-air missiles were being installed in Cuba, they would be able to shoot down U.S. planes. The United States, Bundy said in effect, would rather risk the Soviets having IRBMs in place in Cuba than possibly losing one of its planes.

Like 1984, 1962 was an election year. The Republicans were demanding action, and Kennedy was being advised by Bundy to try to cover up the missile placement at least until after the elections. At that point, the missiles would have been well entrenched and would have presented a military threat to the U.S. mainland. Bundy was only prevented from subverting the gathering of intelligence by McCone's replacing Allen Dulles as head of the CIA.

During 1961 both the United States and the Soviets had ICBMs, but problems of delivery were such that neither power's ICBMs posed a serious military threat to the other. This was emphatically not the case with Intermediate Range Missiles. Due to the action of Senator Keating, in particular, Kennedy was forced to respond to the Soviets against the advice of Bundy. Perhaps more correctly, Bundy could no longer prevent Kennedy from responding.

Once Kennedy was forced to face up to the fact that the Soviets were indeed putting missiles in Cuba, he convened a crisis committee which included McCloy from civilian life, and of course, McGeorge Bundy, Dean Rusk, Dean Acheson, and others. The committee divided itself into two teams to debate how the crisis was to be handled. One side spoke for strong action, one for weak. Team A, which included the Joint Chiefs of Staff, urged a surgical air strike to get the missiles out. Team B demurred.

Robert Kennedy, as a member of Team B, argued that the United States could not bomb the Cuban missile sites because his brother would be acting as the Tojo of the 1960s by carrying out a surprise attack. And, incredibly, Secretary of Defense McNamara argued against any action, wailing that it made no difference whether we were killed by missiles from Cuba or from the Soviet Union.

The decision was not to carry out an airstrike, but a blockade. That blockade never stopped a single Soviet military ship. Every one was allowed through. This was justified as a measured response: step-by-step escalation to ensure that Khrushchev did not get too upset and bomb the United States. Near the end of the crisis period, one U.S. U-2 was shot

down, and several were shot at. The Soviets had no compunction about shooting at U.S. planes—but then they never believed in flexible response.

Finally, with the intervention of Bertrand Russell and Walter Lippmann, there was a solution to the crisis. Lippmann said publicly that the United States should give up its “unnecessary” base in Turkey in exchange for Soviet removal from Cuba. Russell said the same thing, much more shrilly and vilely, attacking the United States for being inflammatory against the Soviets—the same Soviets who were installing IRBMs on the U.S. border and violating the Monroe Doctrine.

After much mediation—by French existentialist Jean-Paul Sartre, Pope John XXIII, and others—Khrushchev wrote a letter to Kennedy, offering to remove Soviet missiles from Cuba if the United States would remove its missiles from Turkey. Kennedy refused the offer—publicly. The Soviets presumably removed the missiles from Cuba (although since the Cubans refused to permit on-site inspection, there is still some doubt that this really occurred). For this reason it is said that, brought to the brink of war, Khrushchev blinked.

Yet, in five months U.S. missiles were out of Turkey. And they were not only out of Turkey, they were out of Italy; and they were not only out of Italy, they were out of Britain. Not only were U.S. missiles out—U.S. bombers were also pulled out of Morocco and Western Europe.

The United States stripped itself of significant military capabilities. The argument is made that the United States would have replaced these IRBMs with submarine-based missiles such as the Polaris. In any case, to do so would have been incompetent policy. The Thor missile should surely have been replaced by an IRBM version of the more accurate Minuteman, but that is not the point. Land-based missiles are far more accurate than submarine-launched missiles.

By having a variety of air and missile bases, the United States had the potential to confuse Soviet defenses because of the variety of trajectories with which they would have to

cope. But the United States was faced down and backed down. With IRBMs, the time factor is reduced, the throw-weight potentiality is increased, and so forth.

In 1962, the United States had 250 IRBMs in Europe. The Soviet Union had 700. In 1963, the United States had zero; the Soviet Union had 800. By 1966, the United States still had none, while the Soviet Union maintained 750. In 1962, the United States had 1,030 medium-range bombers; the Soviets, 1,400. In 1963, the United States had 780 and the Soviets, 1,400. In 1966, the United States had 222, the Soviets had 1,400. The United States had projected 2,000 Minutemen, but settled for the 1,000 it now has.

Paul Nitze reflected upon the choice before President Kennedy’s committee, of air strike or blockade, and remarked that the United States was afraid of “the chance of a Soviet reprisal in Europe. We found it hard to imagine that the Russians would not respond by moving against Iran, Berlin, or perhaps even Vietnam. We therefore agreed that the United States must move with deliberation, not merely proceed with existing contingency plans.”

The existing contingency to which he referred was the U.S. nuclear umbrella over Europe. Macmillan was conferred with. Charles de Gaulle was informed by Acheson that we would run a blockade, and that was that.

The fact that the United States had given up its missile bases in Europe and reduced its bomber force, coupled with its refusal to confront the Soviets over the Berlin Wall, led Charles de Gaulle to deduce that the United States might have given over Europe to the Soviets in 1962 without a fight.

On Jan. 4, 1963, de Gaulle gave a press conference in which he explained what had happened, and why he was committed to developing an independent nuclear deterrent to save the Western world from U.S. perfidy. “The Americans, finding themselves exposed to a direct atomic attack from the Caribbean, acted to rid themselves of that menace. The means which they immediately decided to employ in order to counter a direct attack, were automatically set aside from something other than the defense of Europe. Even if Europe had been attacked, no one in the world, particularly no one in America, can say where, when, how, or to what extent the American nuclear weapons would have been employed to defend Europe.” Knowing that the West faced a potential reprisal from the Soviets in Europe, there was not one plan to actively defend Europe against the Soviets, except to scrap all existing contingency plans for defense.

The United States as a nation must look at the precedent of the Kennedy presidency very carefully. The nation must decisively repudiate the doctrine of flexible response, and compassionately but firmly own up to President Kennedy’s failure of nerve—which it can never afford to repeat. Henry Kissinger is still a presidential adviser, and the Bundys and other perpetrators of the 1960s debacle can still claim political power. It is essential for the survival of the Western alliance to reverse the perfidy of the Cuban Missile Crisis, when Kennedy blinked.

NATO and Warsaw Pact intermediate range nuclear forces before and after the Cuban missile crisis

(Europe and Asia)

	1962	1963	1966	1983
Warheads on IRBMs and MRBMs				
NATO	250	0	0	59*
Warsaw Pact	700	800	750	1,329
Medium-range land-based bombers				
NATO	1,030	780	222	56
Warsaw Pact	1,400	1,400	1,200	815

*NATO figures include 9 Pershing IIs and 32 ground-launched cruise missiles scheduled for December 1983 deployment.

Source: IISS, *Military Balance*, various years.

Kissinger Watch by M.T. Upharsin



Kissinger sells 'Dope for debt' to Ibero-America

David Rockefeller convened his Council of the Americas' Winter Conference in New York Feb. 3 ostensibly to discuss "Economic Recovery and the Role of the Private Sector." His real purpose was to give his great friend Henry Kissinger a receptive forum for Kissinger's plans to "restructure Central America's economies" on the model of the British colonies "Hong Kong, Singapore, and others."

All the months of work of Kissinger's Bipartisan Commission on Central America was aimed at one thing: How to use those nations to ensure that Chase Manhattan and the other international banks can still keep themselves in business with some big, dirty bookkeeping tricks that have saved them from having to write off billions in overdue Ibero-American debt.

The conference began with a public session to which Rockefeller's elite corps of U.S. and Latin American business and finance leaders was invited; private sessions followed for Central American financiers who needed a more intensive working-over.

Kissinger was introduced to the public meeting by Rockefeller, his pa-

tron and "friend of 30 years," who termed Henry the most distinguished statesman "of the past century."

Kissinger's lighter remarks concerned his appointment as head of the President's Bipartisan Commission on Central America. "When this commission was formed, I had the impression that maybe they looked around for one area of the world in which I am the least qualified," he said.

Then he grew serious. "We are not talking about Central America," Kissinger told an audience that included the Milstein brothers, who own Dope Inc.'s premier Latin American company, United Brands—the former United Fruit, a company which the Kissinger report called a "model citizen and a model employer"—"We are talking about the principles that should govern our relations to the Western Hemisphere."

Henry went on to propose the elimination of the national sovereignty of the United States and all its allies. U.S. policy should not be allowed to change every time a new President is elected, he asserted. We want to insure that "our national direction is embedded in some policies that are more or less fixed," he said, adding, "Once this approach has been set, it will be of profound consequence to our relations with the entire Western Hemisphere."

The future of Central America is laid out clearly in the commission's report, which recommends wholesale population reduction and limiting production to low- and medium-technology goods for export. Just enough financial aid will be provided to meet the bookkeeping requirements of the banks.

Very little of the supposedly generous \$8 billion the commission has recommended will reach Central American investors. Much of it is to be spent in military procurements. The rest is to be channeled through a so-called Central American Development Corporation, which, as Kissin-

ger's sidekick Harry Schlaudeman explained to the conference, is to be set up along the lines of ADELA, the Rockefeller- and Swiss-owned "venture capital company" which operates as a private debt collection agency in Ibero-America.

'Give us more than half'

Many of the Latin American participants seemed only too eager to swallow what Henry had to say. Mexican Undersecretary of Finance Francisco Suárez Davila said that his country was willing to pull back from most of the steps taken two years ago by former President José López Portillo, when he nationalized the banks to stop huge, orchestrated capital flight that was threatening the country's very existence.

All companies previously owned by the banks, said Suárez Davila, will be resold to their previous owners. And, he said, all industries not deemed essential to the government will be sold to the private sector, growth will be limited to 1% during 1984, and many of the country's development projects "will simply have to be cut."

But these concessions were not enough. The international financiers in the audience laughed outright when Suárez Davila pleaded that they conform with the 49% limit to foreign equity that is currently allowed by Mexican law. "The 49% rule allows for as much control as 75%," he pleaded. His audience, committed to grabbing equity in Latin American resources, was not convinced.

Not everyone was fooled, but Kissinger's accession to power in the Reagan administration has created a quandary for would-be U.S. allies. More than one of the region's principal businessmen who were herded into a closed-door meeting next day in New York's Princeton Club confided, "We don't trust Kissinger, but if we attack him, we will be attacking President Reagan, who is our friend."

Manatt a no-show at California Democratic shambles

Democratic National Committee chairman Charles Manatt, who was advertised as a featured speaker, didn't even show up for the midterm party convention in his home state on Feb. 3-4. Apparently unwilling to make an exhibition of himself by delivering a "lost cause" speech entitled "Democrat and Proud of It," Manatt left the job to an underling, DNC executive director Michael Steed, who droned on while bored central committee members walked out.

Maybe Manatt's no-show was really his wisest course. The California State Midterm Platform Convention meeting in Oakland, California also voted up a humiliating rejection of Manatt's leadership, when it approved a formula for delegate selection to the national convention paralleling that of Jesse Jackson and repudiating the Manatt line.

To say the Manatt machine in California is demoralized would be an understatement. The most enthusiastic applause went to ex-governor Jerry Brown, whose keynote remarks castigated absent delegates for staying out on the town too late and consuming too much alcohol the night before, thereby missing out on Brown's "how to be a winner" homilies. Brown's most recent political achievement was losing a race for U.S. senator, while guiding his political protégé Tom Hayden (Mr. Jane Fonda) to a narrow victory in a contest for state assembly, at a cost of only \$1 or \$2 million. Hayden's big moment in Oakland

came with his ringing declaration on behalf of the terrorist Irish Republican Army, which he pleaded should be allowed to "enrich political life" in the United States.

No wonder as few as half the 1,300 Democrats eligible to attend the convention bothered to show up.

Among those who did, for the most part, anti-Reagan demogogy was the order of the day. But it took on a certain wistful character, as if delegates were already resigning themselves to the idea that the same Moscow-allied Harrimanite Eastern Establishment that had forced them to swallow Jimmy Carter in 1980 would make them losers again.

Visiting Rep. Pat Schroeder of Colorado won loud applause when she called Reagan "Teflon coated . . . nothing sticks"—meaning the Dems don't think the "warmonger" "rich man's candidate" tags pushed by the Harrimanites, *Pravda*, and *Izvestia*, can be sold to the voters.

Throughout the convention delegates were constantly overheard saying, "Reagan is really strong and popular, it's going to be a tough race." Reflecting this pessimism, Rep. Don Edwards, the ex-FBI agent who was crowned "the prince of the California delegation" by a fellow speaker, said "If we can't carry California, perhaps we don't deserve to be Democratic leaders."

The LaRouche alternative

The bright spot in the convention proceedings was the appearance of an alternative leadership associated with the policies of presidential candidate Lyndon LaRouche. The LaRouche forces, whom the Manattmen spent four full days prior to the convention doing their best to lock away from access to their fellow Democrats, were out in force, and polarized the convention. Because California Secretary of State March Fong Eu had officially recog-

nized LaRouche as a Democratic presidential candidate Feb. 1 and placed him on the California primary ballot, it was impossible for Manatt's henchmen to oust the LaRouche candidates and organizers, who lobbied actively all over the convention.

On Saturday morning, the opening of the general session, attendees were greeted by a 35-man picket line which drew much attention. Chants included: "Henry Kissinger, Charlie Manatt: We can smell a KGB Rat." "To end a depression and world war, back LaRouche in '84."

In addition to distributing the text of LaRouche's two national television broadcasts, the LaRouche forces circulated two amendment-resolutions to a party platform that was a grab bag of proposals to special interest groups. One LaRouche amendment mandated the deletion of the existing plank on "World Peace and International Relations," and its replacement with a proposal for the development of a national defense emergency mobilization to develop anti-missile beam weapons as the only path to peace. Although about 150 delegates had expressed support for such a proposal in 1983, before President Reagan partially adopted it as policy, few were courageous enough to support it now.

The second LaRouche proposal addressed the plank on Economic Justice and International Trade, proposing to delete the Manatt wing's support for the International Monetary Fund and World Bank, which enforce genocidal austerity and depopulation on nations around the world. Instead the LaRouche plank offered a complete international monetary and debt reorganization, simultaneous with the issuance of new gold-backed credit to industrialize the developing nations and create millions of new jobs each year in U.S. export industries. One hundred thirty-five delegates signed this resolution—short of the 250 needed to have it considered and voted on as an amendment.

Senate passes narcotics board legislation

The Senate has been moving to pass a number of individual crime-related bills in the early days of the second session of this Congress, apparently to circumvent the antipathy of the House of Representatives to any "omnibus" anti-crime package.

On Feb. 7, by a vote of 63 to 24, the Senate passed S. 1764, a bill which modifies the "exclusionary rule"—a judicially created sanction which excludes the use of evidence in court that is seized in violation of the Fourth Amendment prohibition against "unreasonable searches and seizures."

As Senate Judiciary Committee chairman Strom Thurmond (R-S.C.), a major proponent of the bill, argued, the exclusionary rule "has been justified by the courts, not as a necessary outgrowth of the provisions of the Fourth Amendment but as a deterrent to police misconduct." The Senate bill allows for the use of evidence in court that has been obtained with a "reasonable, good-faith belief that it was taken in conformity with the Fourth Amendment."

The 24 votes against S. 1764 came from liberal Democrats and a handful of liberal Republicans led by Charles Mathias (R-Md). In arguing against the bill, Ohio Democrat Howard Metzenbaum said, "This bill probably ought to be numbered S. 1984, because this bill is one step—and a major one at that—in the direction of George Orwell's 1984." Metzenbaum predicted that the bill will die in the House.

On the same day, by a voice vote, the Senate passed S. 1787, the National Narcotics Act, which centralizes policy making and responsibility for national anti-drug efforts in the office

of the Attorney General. The bill is seen as a compromise, put forward after the White House vetoed legislation a year ago that would have created a "Drug Czar." Under S. 1787, no new position is created, but a National Drug Enforcement Policy Board is established under the chairmanship of the Attorney General to coordinate U.S. narcotics efforts. Capitol Hill sources suspect that, should the bill reach the White House, it will be vetoed again because of turf battles over anti-drug policy.

Caucus control a dangerous step

In an unprecedented move one day after House Speaker Tip O'Neill endorsed Walter Mondale for President on Feb. 1, the House Democratic Party Caucus endorsed a resolution calling for the "immediate and orderly" withdrawal of U.S. Marines from Lebanon and sent it to the House Foreign Affairs Committee for consideration.

Though the resolution was later abandoned, this represents the first time that a party caucus has initiated a foreign-policy resolution rather than the standing relevant congressional committee.

The last time party caucus discipline was imposed in the House during the early 1900s, legislation was forced through which would never have passed otherwise, including the Federal Reserve Act. Since 1981, when the Reagan administration maintained effective control of the House on major tax and budget matters through an alliance with moderate and conservative Democrats, the Democratic caucus has exerted increasing discipline on independent thinkers, stripping or denying some of them committee po-

sitions or subcommittee chairmanships and threatening to strip others.

Packwood seeks repeal of fairness doctrine

Senate Commerce Committee chairman Bob Packwood (R-Ore.), a fervent deregulator despite the damage deregulation has inflicted, is pushing legislation which would repeal the Fairness Doctrine requiring that broadcast media air opposing views, and would repeal the equal access provisions under which *EIR* founder Lyndon LaRouche's Democratic candidacy has been able to purchase paid political broadcasting time.

Packwood argues that, with the proliferation of cable and other forms of electronic media, there is enough access to the airwaves to warrant complete deregulation.

A LaRouche campaign representative testified before the committee on Feb. 8 against the repeal of the fairness and equal access doctrines, citing NBC-TV's political dirty tricks against LaRouche and demanding that the committee look at that activity as evidence of the overwhelming political bias of the "Eastern Establishment" media.

The spokesman charged that the "major East Coast-based networks are both monopolistic in terms of their impact on the political process and have an identifiable political bias. The American population's reaction to the media's handling of the recent Grenada events is only the freshest example of the fact that Americans know they can't trust the major networks."

The LaRouche representative described the growth of the LaRouche organization—the mass candidates'

movement, the achievement of the matching funds threshold, the California ballot decision—and the three major networks' reaction to that newsworthiness: blackout from two networks, and an editorial slander on the third, NBC.

Democrats demand giant defense cuts

Congressional Democratic leaders participating in the Reagan administration-initiated "bipartisan negotiations" to reduce the federal deficit have proposed \$100 billion in defense budget cuts and are threatening to abandon any further negotiations unless the administration agrees to substantial cuts in the defense budget. According to Senate sources, the \$100 billion in defense cuts would take place over three years.

In a letter to White House Chief of Staff James Baker III sent by House Majority Leader James Wright (D-Tex.) after the first negotiating session on Feb. 8, Wright outlined the demands of House Speaker Tip O'Neill that "at least \$100 billion" in military spending be cut and that the next negotiating session be devoted "exclusively" to that purpose. Senate participants led by Minority Leader Robert Byrd (D-W. Va.) are demanding specific White House proposals to cut the defense budget at least 48 hours in advance of an agreement on their part to conduct a second negotiating session.

Wright charged that the administration has offered a mere laundry list of cuts. With Social Security reductions deemed politically impossible in an election year, the two major entitlement programs on the chopping block

are the Medicare and Medicaid programs.

Last year the administration kept its defense modernization plans moving forward, although the chemical warfare program was defeated, because House Democratic leaders, with the exception of O'Neill, backed the major programs. In 1983's last test vote on the MX, which passed by a close 220 to 207, Wright switched his position to oppose the missile, reportedly because of liberal threats to deny him the succession to the Speakership. As Democratic attacks on the defense budget grow, the MX will undoubtedly become one of the hardest fights on a major weapons system during 1984.

The White House set itself up for congressional pressure to cut the defense budget after a combination of Harrimanite Democrats and Kissinger-style Republicans led by Reps. Les Aucoin (D-Ore.) and Chalmers Wylie (R-Ohio) submitted a resolution in the House calling for a bipartisan commission to cut the deficit. Insisting, like Federal Reserve Board chairman Paul Volcker, that spending cuts and tax increases are the only path to lower interest rates and economic recovery, this group is determined to force the President to cut military spending.

Melcher sues the Federal Reserve

Senator John Melcher (D-Mont.), a long-time foe of the Federal Reserve Board, filed a motion to intervene as a plaintiff in a suit against the Federal Reserve Board on Jan. 27. Melcher said that the suit, which is pending in U.S. District Court for the District of Columbia, argues the unconstitutionality of the Federal Reserve System's

independent Federal Open Market Committee, which regulates the nation's money supply.

Melcher stated that he is intervening because the Federal Open Market Committee, "one of the most powerful regulatory agencies in the U.S. government," is composed of members who have not been appointed by the President or confirmed by the U.S. Senate as required by the 'appointments' clause of the U.S. Constitution. "Therefore, I am asking the court to protect my constitutional right as a member of the U.S. Senate by permanently prohibiting the five current members of the committee, who were selected by Federal Reserve Banks, from serving as members, or alternatively, from voting or serving as officers of the committee," Melcher said.

He added that the FOMC, through its control of the money supply, affects the value of U.S. currency, foreign exchange rates, interest rates, investment and employment throughout the United States.

The FOMC was established in the Glass-Steagall Act of 1935. Its 12 members include the seven Federal Reserve Board Governors, who are appointed by the President and confirmed by the Senate, with the remaining five members selected by the nation's 12 Federal Reserve Banks. Melcher said that while these latter members have not been appointed or confirmed, the actions they take go beyond those performed by any official of the United States.

Though three attempts have been made by the Committee for Monetary Reform to have the federal courts rule on the constitutionality of the FOMC, the courts have ruled that only a senator, whose right to advise and consent is being abrogated, would have standing in such cases.

National News

Teller says Soviets are driving toward war

Physicist Dr. Edward Teller, speaking to the Los Angeles World Affairs Council Feb 8, warned that the Soviet command, "doing exactly what was described in Hitler's *Mein Kampf*," is headed toward war. Teller, a leading advocate of beam-weapon anti-ballistic missile defense, called for a stronger U.S. defense to avoid war at all costs. In response to a question, Teller endorsed the deployment of the neutron bomb in Europe and the construction of a laser anti-missile defense for the European allies of the United States. "There are a lot of geniuses in Europe and Japan on whom we can count," Teller added.

"Above all, under all circumstances, a war must be avoided," Teller stressed. "Ten million people died in World War I, 150 million died during World War II, and the next war will be the worst of all."

In a recent speech at the University of Florida, Teller described Soviet preparations for a breakout from the ABM treaty. If the United States were to launch ICBMs at Moscow, Teller said, they would not reach their targets, but would be knocked out by interceptor missiles armed with neutron warheads. He urged that the United States deploy such neutron-warhead ABM missile batteries, along with ground-based lasers and particle beams for point defense.

LaRouche challenges NBC's Bradshaw

Democratic Party presidential candidate Lyndon H. LaRouche, Jr. has challenged the head of the National Broadcasting Company, Thornton Bradshaw, to debate him live on nationwide television.

Following an NBC nightly news slander against LaRouche, the candidate issued the following statement Feb. 6: "I challenge Henry Kissinger's crony Thornton Bradshaw to face me on a national TV news feature to defend himself against his net-

work's using libels cooked up by members of the drug pushers' lobby, such as Chicago's Chip Berlet and New York's Dennis King, to conduct the dirtiest campaign against a Democratic candidate ever to appear on the television news media.

"I challenge Thornton Bradshaw to face me on a live, national, NBC-TV news feature to defend himself and his network."

Mr. LaRouche's challenge was circulated nationally through 60-second paid radio spots in major market areas, including New York, Pennsylvania, California, and Washington, D.C.

A spokesman for The LaRouche Campaign elaborated on the candidate's challenge: "Mr. Bradshaw is closely linked to Kissinger through a current Aspen Institute effort to 'decouple' the United States from its allies in Western Europe. LaRouche believes that this pro-Soviet leaning by the Aspen Institute is key to NBC-TV's editorial attack on him during its Jan. 30 Nightly News broadcast."

Germany's Vogel meets Kissinger and Co.

West German Social Democratic leader Hans-Jochen Vogel, during a visit to Washington, D.C., "was seen sitting next to Henry Kissinger chatting with him like an old friend," according to the daily *Frankfurter Rundschau* on Feb. 10.

Vogel also met with Laurence Eagleburger and Kenneth Dam of the State Department, Democratic National Committee Chairman Charles Manatt, arms negotiator Paul Nitze, Kissinger-crony Helmut Sonnenfeldt, National Security Adviser Robert MacFarlane, and representatives of *The Washington Post* and NBC television.

Concluding his U.S. trip, Vogel told the press that he "welcomed" the decision of the State Department to send assistant secretary Richard Burt to visit the East German Republic in March. Burt will be the first top-level official of the U.S. government to arrive in East Germany since the Potsdam Conference of 1945.

What is Burt's mission this time? Will

he talk to the East German leaders about Vogel's proposal (originally formulated by the Norwegian KGB spy Arne Treholt) for a "nuclear-free zone in Central Europe," or about the State Department's consent for a U.S. troop withdrawal from West Germany?

FEC votes matching funds for Jesse Jackson

The Federal Election Commission (FEC) Feb. 9 voted 5-0 to provide federal campaign matching funds to pro-terrorist presidential candidate Jesse Jackson. Just two weeks before, the same FEC voted 4-1 *not* to provide matching funds to anti-terrorist candidate Lyndon H. LaRouche, Jr., in a decision which the dissenting commissioner characterized as based on purely "subjective" factors.

The New York Times, in its coverage Feb. 10 of the Jackson story, showed the candidate watching his supporter, Louis Farrakhan, register to vote in Chicago.

Who is Louis Farrakhan? He heads the Libyan-controlled wing of the Nation of Islam (Black Muslims) in the United States. Farrakhan has emerged over recent years as the midwest victor over Wallace Dean Muhammed, in the fight for the succession to the late Elijah Muhammed as leader of the Black Muslim organization. At a conference in Gary, Indiana in February 1983, Farrakhan spoke in defense of Libyan dictator and terrorist promoter Muammar Qaddafi, calling Qaddafi a "victim" of President Reagan and American "racism, capitalism, and imperialism." A telegram of praise and greetings to the conference from Qaddafi was read aloud from the podium before Farrakhan spoke.

New German-American institute proposed

Helga Zepp-LaRouche, chairman of the European Labor Party in the Federal Republic of Germany, has issued a call for the for-

Briefly

● **WALTER MONDALE**, the Democratic presidential candidate, called Feb. 4 for a unilateral U.S. moratorium on all nuclear testing. His statement to the press followed a secret, closed-door meeting with the leaders of the nuclear freeze movement in Boston.

● **REPUBLICAN NATIONAL** Committee Chairman Frank Fahrenkopf told a meeting of the RNC in Washington during "Republican Week" early in February that "today, on the eve of what historians may see as our greatest moment of challenge . . . as Republicans, our party has never been stronger, more unified, or more capable of victory. As Americans, our future shines brighter than ever before." One RNC state chairman attending the meeting had a more blunt characterization of the "Republican Week" festivities: "I just came here to maintain my contacts, have some drinks, pat some fannies, and then get the hell out of here."

● **HOUSE MAJORITY** Leader Jim Wright, in a letter to the White House Feb. 8, declared that slashing the proposed 1985 defense budget "will have a reassuring effect both with the general public and with the financial markets" regarding the "flood of red ink flowing from the enormous deficits in the President's budgets."

● **SEN. ALAN CRANSTON** (D-Calif.) called Feb. 9 for a \$38 billion cut in the proposed 1985 defense budget of \$305 billion, and declared that he wants to "kill outright Ronald Reagan's 'Star Wars' fantasy, a perilous program that experts say will cost \$1 trillion." Cranston also proposed eliminating the MX missile, deferring any new destroyers or submarines, slowing further procurement of missiles, ships, planes, and tanks, and freezing all military base construction and active-duty personnel levels.

mation of a new German-American Institute, to take control of German-American relations out of Eastern-Establishment hands.

"Relations between Western Europe and the United States," wrote Zepp-LaRouche, "and in particular between the Federal Republic of Germany and America, are now in a serious crisis, the solution to which will have far-reaching military-strategic, political, scientific, and cultural consequences for the Western alliance."

The problem is compounded by the fact, Mrs. LaRouche stressed, that all existing think tanks, foundations, and institutes concerned with relations between West Germany and the United States are dominated by the "decouplers," and spread disinformation about the real course of events, portraying the drifting apart as inevitable.

"The newly formed institute/foundation will have the task of researching common history and thus advancing the spiritual and cultural unity of the two nations. Above all, however, it shall present a variety of proposals for new options of cooperation. The organization of conferences on German-American cooperation will be among its practical tasks, along with the release of books and other publications on this theme, but above all else the cultural exchange of youth and interested adults who will mobilize for German-American friendship. All those who want to work on such a project, whether they be Americans with German ancestry or Germans who consider the alliance with America as imperative or simply individuals who wish to contribute to overcoming what is potentially the most dangerous crisis, are hereby called to contribute to this undertaking. If we work at this task with the same courage which inspired the European and American supporters of the American Revolution, we shall succeed."

Shuttle astronauts become human satellites

Space Shuttle astronaut Bruce McCandless on Feb. 7 became the first human being to orbit the Earth free of any spaceship. Using the Manned Maneuvering Unit (MMU)

powered back pack, McCandless became a small satellite, orbiting near the Challenger, but not attached to it.

This victory for the manned space program came despite the malfunction of two satellites put into orbit by the Shuttle—difficulties which the Eastern Establishment news media seized on in order to argue that the voyage was a failure and the program be discontinued.

All previous EVAs, or extravehicular activities, going back to the first U.S. spacewalk from a Gemini spacecraft in 1965, were performed with the astronaut tethered to the ship. The MMU now gives the astronaut the capability to leave the immediate vicinity of the ship and power his way to meet other orbiting objects. On such missions, the tether is eliminated because it would become tangled as the astronaut turned and moved.

After donning the MMU, McCandless started his eight-minute trip 150 feet away from the orbiter, as the rest of the crew, mission control in Houston, and television audiences watched. His average speed of about one foot per second was slower than a leisurely walk, and McCandless could only tell he was moving at all because the orbiter appeared to get smaller as he moved away.

Below was the Earth, but as the orbiter and McCandless were both in orbit at 15,700 feet per second, the astronaut's increase in speed of one foot per second was hardly noticeable to him. After a return to the payload bay, McCandless ventured out on a second sortie from the orbiter bay and traveled 320 feet away.

Astronaut Robert Stewart followed with a second set of space trips and then McCandless practiced a second procedure that will be required for the April Shuttle repair of the Solar Max satellite.

The astronaut attached himself to the Remote Manipulator System (RMS) or arm that is attached to the payload bay, and the arm was moved around with him on it. On the April repair mission, an astronaut will also be attached to the RMS, which will be used like the cherry pickers that workers use to reach and repair street lights.

McCandless practiced the Solar Max repair by doing some operations with a set of tools. Foot restraints secured him to the RMS.

Editorial

For Lebanon, blame Kissinger

The destabilization of the Middle East began with the outbreak of civil war in Lebanon during April 1975. This civil war had been fostered then, and later, by the U.S. State Department's adaption to the so-called Bernard Lewis Plan, a policy conduited into Henry A. Kissinger's State Department by the Aspen Institute of Bertrand Russell's collaborator, Robert M. Hutchins. The tri-partition of Lebanon was a subsumed feature of that plan.

In 1975-76, various officials, including high-ranking figures from Lebanon and other nations, told *EIR* that Kissinger had been responsible for the outbreak of civil war in Lebanon through his push on behalf of the tri-partition proposal. For not unrelated reasons, presidential candidate Ronald Reagan pledged never to admit Dr. Kissinger to his government.

More recently, during 1982, *EIR* had reason to believe that Kissinger was actively supporting tri-partition of Lebanon, in opposition to the policies of the United States, the policies then associated with the "Reagan Plan." We tracked Kissinger's activities closely, assembling indications that he was collaborating with certain forces in Britain and elsewhere working to sabotage the "Reagan Plan" and push U.S. influence out of the Middle East. (We also caught Dr. Kissinger redhanded in West Bank land-scam operations.)

Since Kissinger began to re-enter the administration, beginning in approximately October 1982, the policies of the U.S. government have vacillated between a posture of implementing the President's commitment to the integrity of Lebanon and the expulsion of all foreign occupation forces, and toleration of a directly contrary policy, the so-called political solution, the same tri-partition of Lebanon first visibly set into motion during 1975, when Kissinger was Secretary of State. To the degree that the present administration has been at fault in the deterioration of the situation in the Middle East, the fault has been one of vacillation between the President's own policies and the alternative of a "political solution."

Before anyone plunges ahead to assign blame to President Reagan, we must take into account the massive pressures on the administration not only from the

supporters of Kissinger's ambitions, but also those Democrats, including the backers of Walter F. Mondale, who insist on cutting U.S. defenses at a time that the military junta now ruling in Moscow is directing all attacks against the United States in the Middle East, and is reaching also to "Finlandize" the entirety of continental Western Europe, as well as backing insurrections in the Western Hemisphere itself. These gentlemen are not unfairly compared to Britain's Prime Minister Neville Chamberlain—in which must be included, regrettably, Senate Minority Leader Robert Byrd, and Rep. Jim Wright.

If the United State backs out of Lebanon, as Lord Caradon's circles in Britain gleefully anticipate at this time, then the Soviets will take control of the entire Middle East and the petroleum supplies of Europe and Japan from that region. The conflict in Lebanon today will be on the doorstep of the United States tomorrow.

Now Moscow has announced that the long-invisible Yuri Andropov is deceased. Silly chickens in the news media and the U.S. government proclaim that the death of Andropov signals a fresh opportunity for negotiation, as if the Soviet military dictatorship had not consolidated its power over the recent six months.

In truth, the Red Army is on the march. Its surrogates—the Iranian dictatorship, the Syrians, Qadaffi, the Druzes, and Soviet military units directly, are gloating—together with Britain's Lord Caradon—that the United States is being driven out of the Middle East. Where will the Red Army march next? Into Pakistan? Into Germany? Henry Kissinger, Arthur Burns, and the Aspen Institute are demanding that the United States decouple from Europe—in Moscow's favor. Why should Moscow negotiate with a silly Kissinger? The Red Army is winning; why negotiate anything but the same terms Hitler successfully dictated to Neville Chamberlain? Only silly geese think Moscow is presently in a mood to negotiate.

Lebanon today, and Jim Wright's Texas tomorrow. The Soviet assets, the drugpushers' patron, the PAN of Mexico, will be the surrogate to spill Soviet-directed terrorism across our borders. You think not; you think like a silly goose.

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