

EIR

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How pension funds lost \$100 billion
Libyan-KGB group targets Bhutto family
LaRouche on U.S.-Mexico economic potential

Profile of a conspiracy



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EIR

From the Editor

Readers who followed *EIR*'s warnings of assassination and destabilization plans against the Reagan administration, plans underscored in this journal since the December 1980 Eurosocialist conference in Washington, have an advantage in grasping the background and goals of the conspiracy outlined in this week's Special Report on the assassination attempt against the President.

"The Profile of a Conspiracy" argues that the plotters are a far older, more deeply evil network than the Trilateral Commission, Council on Foreign Relations, and other policy fronts.

Editor-in-Chief Criton Zoakos, Counterintelligence Editor Jeffrey Steinberg and *EIR*'s Investigative Leads staff, and Linda de Hoyos, editor of both editions of the groundbreaking book *Dope, Inc.*, pinpoint the elements of the requisite investigation.

One can only find a reply to *Cui bono?* if the "benefits" in "Who benefits?" are properly defined. The international group that almost killed another U.S. chief of state is not out for financial gain or political advantage in any ordinary sense. The aim is the destruction of the United States itself as a center of progress, prosperity, and moral enlightenment.

The Reagan presidency and its bipartisan collaborators have the potential to reverse the horrifying decline of the nation. Hence the assassination attempt—which can be made to *backfire* against its instigators, and vastly strengthen the administration.

I refer you in this connection to our National section's analysis of the law-enforcement question, and to our continued coverage of the Global 2000 plotters who do not shrink from assassinating billions.



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Note: Figure 9 on page 6 of our March 31 article on the U.S. military capability was altogether wrong, with missing and misplaced columns. We will provide subscribers with the accurate version.

A lesser annoyance: *EIR* will be printed on groundwood paper for our April 21 issue once more, we hear.

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Update: An *EIR* seminar on "The Undeclared War On American Banking" is scheduled for Friday, May 8, at 7:30 p.m. in *Houston*. Economics Editor David Goldman will be a speaker. Contact Donna Benton at (713) 972-1714 or Jeff Hall at (313) 964-2550.

A gameplan for the interest-rate summit

by David Goldman

Finance Ministers of the Group of Five—the United States, Britain, France, Germany, and Japan—convene in London on April 10 to debate the European proposal for a global lowering of interest rates. The Treasury Department, which has been closed-mouthed concerning the conference, does not report what other consultations Treasury Secretary Donald Regan will conduct with his European counterparts in the course of the trip, although an Associated Press dispatch March 28 claimed that he would also travel to Bonn and Paris for separate discussions.

The convening of the extraordinary conference itself shows how far the influence of the Franco-German “superpower” has come in the United States. Despite the refusal of either the Treasury or the Federal Reserve to consider Europe’s proposal—reiterated at the highest executive level by the heads of government of the European Community last week—the White House accepted the European agenda as a matter of urgency in the foreign policy realm.

As National Security Council senior staff member Henry Nau reports (see interview below), the view of the White House is that the alliance cannot proceed as long as this economic issue is outstanding. *EIR*’s European economics correspondents report that even among pro-American and anglophile banking circles in West Germany, the Federal Reserve’s interest-rate policy is considered disastrous, for strategic and military reasons. West German Chancellor Helmut Schmidt and his principal public and private advisers firmly believe what a German defense expert warned that country’s leading annual defense conference in February: that the mone-

tarist policy is a national security problem.

The view that the NATO allies will not have sufficient resources to conduct a credible military program if the Fed succeeds in pushing the country into recession is supported by *EIR*’s own computer econometric study of the economy’s capacity to mobilize (see *EIR*, March 31, 1981). But it does not require computer analysis to assert that Volcker “could turn the United States into a military dwarf,” as a leading Hamburg banker put it.

This is one reason why the American motivation for the convening of the Group of Five meeting emerged not from the cabinet departments normally responsible for such matters, but rather from the White House itself. President Reagan and his leading staff have noted the February fall in housing starts, industrial production, real personal income, and construction spending, as well as the three-month consecutive decline in the index of leading indicators, and are not blind to the fact that Fed Chairman Volcker has led them into a trap. Unfortunately, the White House still believes that it must complete the cuts in the federal budget, regardless of the impact of these cuts on national productivity (see p. 13). But the imminence of new declines in the economy puts the White House in the mood to talk with the Europeans.

A six-month stall?

Through private channels, the Treasury has made known its intention to *deflect* the European proposal for interest-rate reduction for the next six months. The Treasury version of the scenario for the April 10 meeting runs as follows: Treasury Secretary Regan will begin by reading back to the Europeans a list of their

past complaints about the instability of the American dollar, and remind them that a stable dollar is essential to fighting inflation internationally—which is true, as far as it goes. He will then argue that the administration needs time to make its tax cuts and budget cuts work, and insist that the Europeans hold their peace for at least six months; to give the program a chance.

The Treasury viewpoint hinges on a plan to deliberately induce a recession during the next six months, in the supposed expectation that this will ultimately bring interest rates down.

Former executive director of the Atlantic Council of the United States Frank Southard, who maintains close ties to the Treasury, put it this way: "We will do what [British Prime Minister] Margaret Thatcher failed to do: we will actually cut the budget and money supply so sharply that housing and other sectors of the U.S. economy will significantly reduce activity. This will mean reduced credit demand in the U.S., and the Federal Reserve will then be able to lower interest rates. . . . Europe will agree to give the program time to work, and Regan will be able to mollify them."

However, Southard continued, "What's more likely is that the administration's program will fail, and then the fat will be in the fire. There will be a tremendous recession in the U.S. and in Europe, but inflation will still be at an underlying double-digit rate of 12 to 14 percent."

That is precisely what happened to Margaret Thatcher, for reasons that have nothing to do with Britain's failure to cut the budget deficit (which rose on a per annum basis by 50 percent over the past year). According to *EIR*'s econometric projection (published in November) the U.S. has reached a turning point similar to what occurred in Britain during late 1979 and early 1980, in which the debt-service increase ensuing upon higher interest rates creates a self-feeding spiral of new borrowing demand, leading ultimately to large-scale bankruptcies.

The difference between the situation of the United States and that of Britain is that not merely the debt of U.S. corporations or municipalities is denominated in dollars (and sensitive to changes in dollar interest rates), but also upwards of \$300 billion of the developing sector's total \$500 billion debt burden. As *EIR* has pointed out repeatedly, the most devastating impact of the Volcker measures is likely to be on the Third World's capacity to pay its debts.

The LDC debt squeeze

Very suddenly, the financial press has admitted that this is the case. Leonard Silk of the *New York Times* based an April 1 column on a new Wharton School study on the Third World debt problem which offers no new information, but argues that the "credit shock" to

the domestic banking system following a series of major defaults by LDC debtors could be devastating. *Far East Economic Review*, in an extraordinary supplement March 20, said with gallows humor, "Ayatollah Ruhollah Khomeini and Paul Volcker may make an unlikely pair. But from the developing world's viewpoint, the fiery Islamic revolutionary and the rather dour chairman of the United States Federal Reserve Board have conspired, albeit unwittingly, to produce another Third World balance-of-payments crisis every bit as threatening as that brought on by OPEC seven years ago."

It explains, "The effects of the Volcker shock have been passed directly into the balance of payments of the developing world through the mechanism of the floating-interest-rate syndicated commercial loan. . . . A comparison of the cost of oil and interest payments as percentages of the export earnings of 12 major non-oil LDCs shows that the 'Volcker shock' of 1979 has had as great an impact on Third World payments as the OPEC crisis of 1973-74."

The publication cites a Morgan estimate that the difference between a 10 percent and 15 percent London Interbank Offering Rate on six-month money, the benchmark for much of the Third World's debt, is \$10 billion additional red ink on the Third World's books. The real number is closer to between \$15 and \$20 billion, but the point—which *EIR* has hammered at—is the same.

What this presages is an international debt crisis in the third quarter of 1981 of a magnitude sufficient to create real trouble in all the Western economies. Such a generalized crisis is not to be excluded should the Europeans accept Reagan's excuses at the Group of Five summit meeting next week.

The Belgian connection

The American Treasury will have some help from a Benelux "fifth column" in the European Community. Although the Belgians and Dutch will not be present at the Group of Five meeting, their behind-the-scenes machinations may influence the French and Germans to back off.

Belgian monetary sources warned the leading Swiss daily *Neue Zürcher Zeitung* during the European Community summit meeting at Maastricht two weeks ago that the European Monetary System faced severe pressures from within. The Italian lira had just been devalued against its central parity with respect to the other EMS currencies, a nuisance for a fixed-parities currency group. Now, the Belgian central bank reported, the troubles of the Belgian franc would contribute additional pressure.

Right on time, the Belgian franc went into a storm on the European foreign exchange markets, and was saved from devaluation only through the expenditure of

close to \$1 billion in support. After a week of this, the Belgian central bank March 31 raised its discount rate by 3 percent to 16 percent as an emergency measure. The central bank's action caused a collapse of the government, still not resolved at deadline.

The Belgian events, in turn, are now being used to argue that West Germany's interest-rate problem is not high American rates, but the strains inside the European Monetary System, an argument made, e.g., by the head of the German Association of Public Banks, Herr Hans Fahnding. For that matter, Christian Democratic leader Gerhard Stoltenberg is arguing, just as spuriously, that high German interest rates are due to the country's budget deficit rather than to the Fed.

The point of these diversions is not to change the minds of the French and Germans, but—as Dutch Prime Minister Van Agt discussed with Secretary Haig in Washington March 31—to press Europe's leaders to accept the Treasury's delaying tactics.

The Fed's Wallich and the NSC's Nau

Dr. Henry Wallich, Federal Reserve Board of Governors member in charge of international monetary affairs, told banking sources this week that the Fed is in direct confrontation with West Germany and France on U.S. interest-rate policy.

Q: What is the Fed's reaction to the press conference Tuesday by West German Chancellor Schmidt and French President Giscard, calling on the U.S. to lower interest rates?

A: Oh, this view isn't shared in all circles. The criticism is not broadly based. The British don't agree and even the Germans and French admit there is nothing we can do, in practice. We ask them, do you want us to print money and reflate? They say, no, they certainly don't want us to create more money and end up with more inflation. I've met with all their officials right here in my office recently, [West German Economics Minister] Otto von Lambsdorff, [West German Central Bank President] Karl-Otto Poehl, [French Central Bank President] René Monory, they all agree that we can't print money. They're just expressing a wish. I, too, wish that interest rates could be lowered, but the only way to do it is to slow monetary expansion and slow inflation.

Q: That is the pragmatic view of pragmatic economists, but the West German chancellor and the French president have called in the international press and demanded we get our rates down. Clearly they must mean business.

A: [Angry] We don't have to respond to that! Why should we have to respond to that? I'm sure they are not completely happy with the situation but I doubt very much that they'd get any support whatsoever from this administration! It's one thing to demand we change our policy, and another to explain to us just what they suggest we do about it.

Q: Ronald Reagan is said to find gold remonetization attractive. I agree that the French and Germans may have had no ready answer to the usual pragmatic arguments about looser money being inflationary, but have they suggested anything new and unusual? Giscard is something of a Gaullist; has he suggested a gold-dollar link or a dollar-EMS relationship?

A: Certainly not that I'm aware of, how ridiculous. Who are they to tell us how to run our monetary policy? We are responsible only to the Congress of the United States. We are a creature of Congress and under the Humphrey-Hawkins [full employment] Act we report only to the U.S. Congress.

We don't respond to the demands of foreign governments. We don't report to foreign governments.

Dr. Henry Nau, acting director of international economics at the National Security Council, told banking sources this week that European demands for lower U.S. interest rates are causing an administration policy crisis.

Q: What is the Reagan administration's reaction to the European heads of state criticism of high U.S. interest rates?

A: There has been no public comment because this is causing a potential major foreign policy problem. The European governments are, with increasing frequency and more and more urgently, demanding that we get our interest rates down because they are extremely uncomfortable with the effect on their economies. They cannot live with it. This is clearly a matter of intense concern to this administration because it adds an element of tension and conflict between the U.S. and Europe, especially Germany. Helmut Schmidt has been extremely vocal, in the press and in Bonn, commenting every day.

Q: We've had no public response to him. Is this because he's made no private overtures to us?

A: I didn't say that; he has communicated with us [at the White House]. We have no public response because we don't know how to deal with it. We're trying to figure out now how to deal with it. We're extremely eager to resolve this conflict by the time of the Ottawa economic summit, beforehand if possible. Or, our only choice may then be to preempt the issue by putting it into a larger set of foreign policy and diplomatic concerns.

Q: Do you mean military or East-West security?

A: I can't comment. The fact is that the administration is both extremely eager to tighten up relations with our allies, and totally committed to an unprecedented economic policy which has effects. The Europeans are complaining loudly of these effects, and we're really feeling the pressures on this issue. The Germans in particular are very concerned, very vocal, but we cannot abandon the basis of our economic policy.

Q: Thatcher seems to dissent from their view.

A: Nevertheless it is the Germans and French who are very vocal. That's what concerns us. Especially they are worried about the administration's relationship with the Fed.

Q: What is the relationship? Does the administration want the Fed to ease off, or does it follow [Treasury Undersecretary for Monetary Affairs] Beryl Sprinkel's criticism that the Fed should rather maintain a steady keel, and if necessary tighten more?

A: Beryl Sprinkel is a good man, he's a committed monetarist and there is no conflict with the Fed. That's why the Germans are concerned. They're concerned about the monetarist influence.

Q: But Sprinkel's influence on international and economic policy generally has been rated as very low. Is that true?

A: Not in the least. Monetarism is a major part of our basic economic package. The Fed will implement a monetarist policy. It was in the President's speech that we have a quite hard money policy, that we will insist on a stringent policy on the growth and supply of money and monetary reserves, and no one is backing off from this.

So clearly there is a basis for disagreement and that is why the Germans are very concerned. Schmidt clearly wants to see us loosen up.

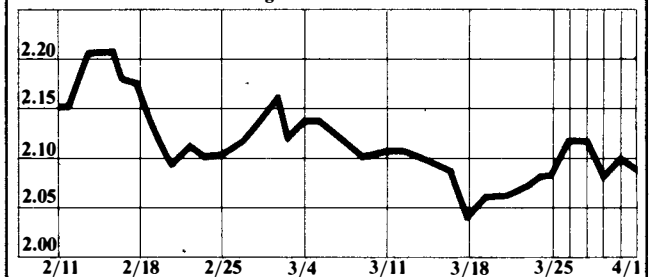
Q: Do they want us to back off a bit, or are they asking for a large reduction in rates? They talk about "interest-rate disarmament." Does that mean easing a bit to placate everyone, or a major jump down?

A: They are concerned about the future. The Germans are asking hard questions about our monetary policy, the complaint takes the form of many, many probing questions. They want to know just when do we expect our program to take effect, when do we expect a big fall in interest rates and inflation rates. They want to know all our econometric projections in detail, what do we expect interest rates and inflation to be six months from now, twelve months from now. What are our monetary aggregate targets, exactly? What is the nature of the administration's relationship to the Fed?

Currency Rates

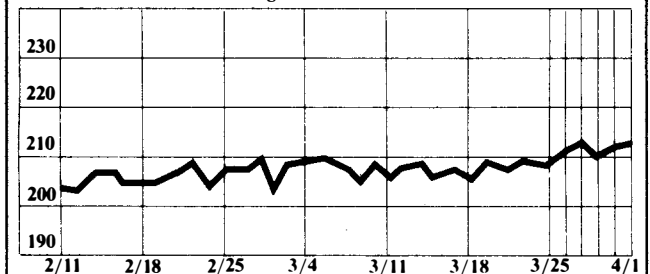
The dollar in deutschemarks

New York late afternoon fixing



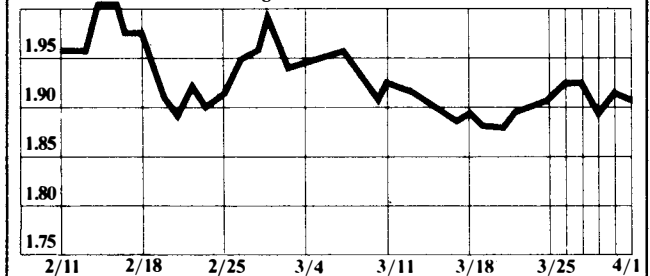
The dollar in yen

New York late afternoon fixing



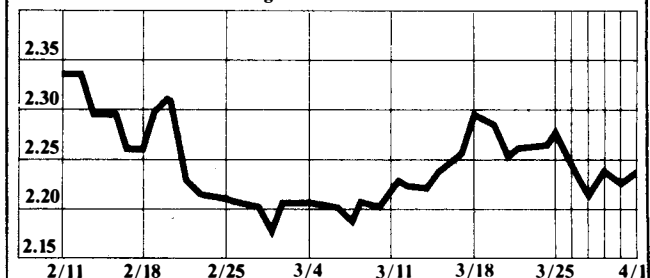
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



A deeper credit crunch proposed

by Richard Freeman

New York Federal Reserve Bank President Anthony Solomon called March 26 for a monetary policy that would produce an immediate blowout of the nation's credit markets. Endorsing a plan proposed by arch-monetarist Friedrich von Hayek, Solomon demanded cessation of all new credit creation by the Federal Reserve. If Fed Chairman Paul Volcker were to adopt such a policy, it would mean a 1929-style financial crisis in a matter of months—a precondition for the U.S. to emerge subordinate in the Eurodollar markets, eliminating the stable credit relations once enjoyed by U.S. industry.

A tipoff that monetary officials were looking toward a monetary crunch appeared several weeks ago, when OMB Director David Stockman told a background briefing of bank officers that "there may be a contraction of funds in savings and loans and second-level insurance companies that would make the 1930s look like a picnic."

This crunch perspective was given momentum with Solomon's March 26 speech before the annual banking symposium of the Financial Analysts Federation in New York. The New York Fed chief stated that simple reliance on monetary aggregates was insufficient; instead, there would have to be more budget cutting and a change in the Fed's policy of "procedures for setting the discount rate." This proposal amounts to the plan first enunciated 50 years ago by von Hayek for a "positive discount rate": the rate at which the Fed lends reserves to banks would be pegged 1 to 3 percentage points above the going money market rates. Banks would be unable to get funds from the Fed as lender of last resort, except at a sharp interest differential loss, which invalidates the very idea of a lender of last resort.

Solomon's radical fringe proposal was given some plausibility by the fact that Fed Chairman Paul Volcker tightened interest rates as fed funds moved to the 14.5 percent range from the 13.0 to 13.5 percent range they had hovered at for the previous two weeks. An argument to justify an emergency application of the Solomon plan, or at least a further tightening by Volcker, appeared in the March 23 *Financial Digest* of Manufacturers Hanover Trust, which posed the grounds for a tightened money supply: the imposition of reserve requirements on

money market funds, now counted as part of M2-B.

Since many people use these funds as checking accounts, it seems reasonable to assume that lower yields and/or no checking privileges might cause some funds to be shifted back into interest-bearing checking accounts (M1-B). A shift of only 25 percent would push its year-to-date annual growth rate to 8 percent, while a shift of one-third of such assets (about \$35 billion) would push M1-B growth well above its upper target boundary. When considering that the money funds have grown by \$30 billion since the beginning of the year, such shifts are not inconceivable. In this event, the Federal Reserve will have to decide whether a tightening of monetary policy will be called for.

Brave new credit markets

A crunch will simply accelerate tendencies that have surfaced in the U.S. economy since Paul Volcker's super-high interest-rate policy made money market funds and their volatility in the credit markets a going venture.

The growth of the money market funds is represented by the fact that \$35 billion has been poured into the money market funds since the beginning of 1981, leaping to \$109 billion total, with a growth rate of \$3 billion per week over the last month. When Volcker took office in August 1979, money market funds were only \$32 billion. The money market funds have been drawing savings deposits out of savings and loan associations and savings banks, bringing the thrift institutions to the threshold of bankruptcy and magnifying the potential for a money market blowout. They are also skewing the U.S. markets toward increased interest-rate volatility. The funds determine daily yields on whatever short-term instruments they can accumulate into their funds.

The Depository Institutions Deregulation Committee (DIDC), set up by the Henry Reuss-sponsored Depository Institutions Deregulation and Monetary Control Act of 1980, ruled last week that interest-rate ceilings will be lifted on commercial bank deposits, meaning volatile short-term rates and probably an eventual transition to granting commercial banks the right to issue money market-type instruments.

On top of this, various agencies such as National Mortgage Association (Fannie Mae) are proposing to create mortgage-backed securities to be sold on the Eurodollar market. According to the spokesman for the largest U.S. private home mortgage insurer, Mutual Government Insurance Corporation (MGIC), "We will see the largest pool of money in the world, the Eurodollar market, putting money into U.S. housing mortgages. But that means the mortgages will have to pay comparable rates of interest to going Eurodollar rates."

How pension funds lost \$100 billion

Leif Johnson examines the track record of returns on pension-fund investment, and finds a giant swindle.

An examination of the way that the rapidly accumulating U.S. private pension funds were managed over the past decade demonstrates that these funds were used to effect a transformation of the American economy toward a "postindustrial society," as envisioned by leading think tanks and financial institutions.

Pension funds were used to stabilize the markets while "sunset industry" securities—railroads, Northeast utilities, and heavy industrials—were dumped by financial insiders in favor of "sunrise" industries like electronics, energy, and raw materials.

Rates of return on nongovernmental pension-fund investments were so low relative to other managed funds that this result could only have been achieved by intentional dumping of weak securities into the pensions' portfolios. The resulting losses to the pension funds is conservatively estimated to top \$100 billion for the 1970-79 period.

The major managers of pension funds are insurance companies and bank trust departments, which in 1979 held \$343 billion of the total \$593 billion in private pension assets.

A review of rates of return on pensions managed by life insurance companies, compared with the general funds that include the companies' own assets (see Figure 1), shows an astonishing divergence. Pensions in life insurance company separate accounts produced an average return of 3.86 percent per year over the 1970-79 decade, while the companies' other assets, including those owned by the company, produced an average 6.41 percent return.

Pension funds managed by the life insurance companies did 40 percent worse than other funds managed by the same industries.

At an estimated loss of 3 percent of earnings on average assets of \$350 billion for the decade, the loss to the pension funds exceeds \$100 billion.

According to the A. S. Hansen Company's 1979 *Investment Performance Survey*, the Standard & Poor's 500 stock index achieved a 5.9 percent rate of return. That is, if any investor held the entire group of the S&P

500 stocks, he would have reaped a 5.9 percent return per year for the decade. In contrast, pension funds in insurance company separate accounts returned, according to Hansen, only 4 percent. Worse, 209 bank trust department-managed pension funds surveyed by Hansen achieved only 3.6 percent per annum (see Figure 2).

The Standard & Poor's 500 is simply a benchmark for how the market generally performed. Any well-managed equity fund would be expected to exceed that figure. Hansen's survey of mutual funds found a 7.0 percent return. Even fixed-income securities performed nearly twice as well as pension funds. The Salomon Brothers fixed-income funds registered a 7.0 percent annual rate of return for the decade.

One large foundation that performed notably well was the \$2.8 billion Ford Foundation endowment. For the same decade, it produced a 9.2 percent annual

Table 1

Life insurance stated rate of return on investment income for pensions and assets, 1970-1979

Year	Separate accounts (pensions)	General accounts (other assets)
1970	3.08%	5.34%
1971	2.95	5.52
1972	2.35	5.69
1973	3.18	6.00
1974	4.48	6.31
1975	4.47	6.44
1976	3.97	6.88
1977	4.87	7.00
1978	5.82	7.39
1979	3.52	7.78

Source: American Council of Life Insurance, 1980 *Life Insurance Fact Book*, and 1980 *Pension Facts*. Note: Figures are based on ratio of net investment income (before taxes) to mean invested assets less half the net investment income. All calculations based on statement value of investments which is neither book nor market value.



Table 2

Institutional funds investment performance, 1970-79

	Compound annual rates of return
1. 209 bank pooled trust funds (pension funds)	3.6%
2. Insurance company separate accounts (98% pension funds)	4.0%
3. Standard & Poor's 500	5.9%
4. Salomon Bros. bond index	7.0%
5. Ford Foundation (\$2.8 billion fund)	9.2%
6. Equitable Life (no. 4)	12.2%

Source: A. S. Hansen, 1979 *Hansen Investment Performance Survey*, and the Ford Foundation, *Pension & Investment*, Aug. 18, 1980.

average return.

The 1973-74 collapse of the stock market, which saw the Dow Jones average plummet from over 1000 to near 600, is the reason most often given for the poor pension fund performance over the decade. Beginning in the late 1960s, pension funds were convinced to buy stocks which provided a higher yield than fixed-income securities like corporate and government bonds.

The Ford Foundation, among others, was moving in the opposite direction. The foundation was given more than 90 million Class A Ford Motor shares in 1955, which at that time represented 100 percent of the endowment's holdings. By 1974—the onset of the oil hoax—the Ford Foundation had disposed of its entire holding of Ford stock. Nor did it hold any Chrysler, General Motors, or Penn Central stock.

Unloading the sunsets

While Ford had positioned itself for the 1970s implementation of the postindustrial society, these pension funds were used to pick up the "sunset industry" stock. Had not the pensions and other assets, including insurance and other trust accounts, been available for this purpose, the progressive bankrupting of heavy industry, including the railroads, would have caused a market collapse.

Ford Foundation, for example, sold nearly \$100 million worth of Ford stock to the Ford Motor Company Salaried Employees Saving and Stock Investment Program, a program amounting to a pension plan. The subsequent decade and a half of Naderite and Ford Foundation environmentalism, and the 1974 oil hoax, dealt multibillion-dollar losses to the auto giant, invit-

ing concern that Ford may become the next Chrysler case.

One of the most extreme examples of dumping was the unloading of Penn Central stock on the pension funds. Market insiders claim that the bankruptcy of the Penn Central was planned as early as 1965, when the New York Central and Pennsylvania railroads were in the process of merging. The ultimate purpose of bankrupting the nation's main transportation link was to disband it, pulling the Northeast-Midwest corridor's industry down in its wake.

But first it was necessary to unload the stock as insiders like Goldman Sachs investment house got out. Goldman Sachs was later prosecuted for its activities; the true purpose of the bankruptcy was not revealed.

"Penn Central was the sweetheart of the funds," recalled a pension manager, "Pensions went in heavily because the press was so favorable to the success of the merged lines, and the return was good."

The road collapsed in June 1970 only two years after the merger, during Federal Reserve Board Chairman Arthur Burns's money crunch.

In 1973 the Airline Pilots Association pension fund trustees sued the Continental Illinois Bank for having held 27,000 Penn Central stocks until the bankruptcy cost the pension fund \$1.5 million. The Pilots Association charged that since Continental was a Penn Central creditor, it knew the actual condition of the railroad. The Pilots trustees also sued to recover losses from sales of TWAS, U.S. Freight, Lum's (a fast-food chain), and Management Assistance, Inc. stocks. In two cases the bank had management control or was the principal lender and therefore both knew the condition of the

companies and profited from the pension funds' losses.

Thirteen other Chicago-based unions sued Continental in a class action for a \$21 million loss in Penn Central stock, suing separately for individual recovery of Penn Central, Lum's, TWA, and Boise Cascade stock losses.

Despite the overwhelming evidence that Continental Illinois had failed as fiduciary agent to protect the interests of the pensions, and had profited by the funds' losses, the court refused to hear the case on the grounds that the trustees had given the bank fiduciary powers, and therefore had no standing in court to sue!

This ruling was subsequently reversed on a technicality that pertained only to these cases. Yet subsequent decisions have made it nearly impossible for pension-plan trustees to sue bank trust departments and insurance companies for mismanagement or fraud in connection with the dissipation of pension funds.

The Teamster Central States Fund

In contrast with the legal carte blanche allowed bank and insurance managers to dissipate pension funds is the treatment given the International Brotherhood of Teamsters' Central States Pension and Welfare Fund—the fund portrayed by the press as the epitome of union and pension corruption and fraud.

A federal investigation of the Teamster fund began

shortly after the passage of the Employee Retirement Income Security Act of 1974 (ERISA), sponsored by Senators Jake Javits (R-N.Y.) and Harrison Williams (D-N.J.) on behalf of the insurance and trust companies. ERISA served to alibi the disastrous performance of the pension plans, by mandating that the plans invest in "low risk" securities, which are also the poorest performers.

To investigate the Teamster fund, the Department of Labor, with assistance from then Deputy Attorney General Benjamin Civiletti, assembled a special investigation staff which thoroughly examined the fund's accounts. What they found was quite interesting.

The fund, which then had nearly \$1.4 billion in assets, was more than two-thirds invested in real estate, a quarter of it in Nevada. Other major holdings were in Florida and California, both growth areas. The fund had a 5.4 percent rate of return for the years 1972-76, the same period in which the common stock portfolios of pension funds were being decimated. Between 1972 and 1976 the value of common stock held by pensions dropped from \$115 to \$109 billion despite the additional stock purchases of \$21 billion.

Over this period, it is estimated that the Teamster fund performed twice as well as pensions in general.

During the 1973-76 downturn, real-estate values also went tumbling. Of the \$20 billion in real-estate invest-

Ford Foundation moves into 'postindustrials'

As early 1965, the Ford Foundation reduced its common and preferred stock holdings to 26.4 percent of its portfolio. The remaining stock holdings were a cross-section of "sunrise" assets; in the largest category, utilities, 19 of the 26 listed holdings were in the high-growth areas of the South and Southwest. Only two were in New England.

The next largest category was \$112 million worth of oil and gas stocks, followed by consumer products, banks and finance, business equipment, metals, retail trade, drugs, electronics, airlines, photographic supplies, and paper. The foundation had no holdings in steel, railroads, farm equipment, machinery, or machine tools; it had minor holdings in one construction equipment company and in Ford Motor.

The foundation's keen market sense could be explained by the fact that since 1948, when former Marshall Plan administrator Paul G. Hoffman, Sidney Weinberg of Goldman Sachs, and Robert

Hutchins, president of the University of Chicago, took the foundation away from the Ford family, it has spent billions nurturing the "postindustrial" perspective, population control, and environmentalism.

The Ford Foundation is well documented as one of the major vehicles for the sunset-sunrise destruction of heavy industry and simultaneous creation of raw materials and energy shortages. It created the Resources for the Future institute in 1952 to oversee control of natural resources on the North American continent, including water, and it organized the Population Council two years later to study and apply methods of population reduction worldwide. Since 1952 it has spent over \$100 million creating environmental "movements" as field and legal strike forces for raw materials control and an end to industrial growth.

In 1979, the Ford Foundation gave large sums to the Environmental Defense Fund, Conservation Foundation, Environmental Mediation International, International Union for the Conservation of Nature and Natural Resources, Sierra Club Legal Defense Fund, the Center for the Biology of Natural Systems, and the Resources for the Future.

ment trusts held by bank trust departments, nearly half were nonperforming—not paying interest or principle, or both. Of the Teamster fund's \$900 million worth of real-estate loans and holdings, only \$8.5 million was nonperforming—less than 1 percent of the fund's holdings.

It was found that the Central States Fund could continue benefit payments for 15 years even if all contributions were to cease. Investigation of the Teamster fund also found, contrary to press reports, that the rate of acceptance of pension applications was 92.4 percent, about average for all pensions, and that payments were up to \$550 per month, granted from age 63 with reduced benefits from age 57.

The primary thrust of the Labor Department investigation, apart from continuing the "Get Hoffa" tradition of the Kennedy Justice Department, was to force the Teamsters to accept a fiduciary agent to manage the fund. In March 1977, the Teamster trustees accepted Equitable Life as fiduciary, with Victor Palmieri & Company manager of real estate west of the Mississippi. Victor Palmieri was the real-estate operator who managed the several hundred millions worth of real estate that the Penn Central Company was able to shield from the bankruptcy court.

Not satisfied, the Department of Labor next took civil action against the fund's trustees for "breach of fiduciary obligation by failing to discharge their duties with respect to the plan solely in the interest of its participants." Banks and life insurance companies have yet to be prosecuted, despite the voluminous evidence of mismanagement, conflict of interest, and fraud.

Pensions enter endgame

Pension managers now hint that the funds will be shifted once again. With ongoing banking deregulation, savings and loan banks are being squeezed out of the housing market, if not out of business altogether. These banks hold billions in low interest-rate mortgages, but must pay high rates for deposits.

Some investment managers hope that the pensions could pick up as much as \$50 billion worth of low-rate mortgages, so that the savings and loan banks can be converted into money market institutions to service the credit needs of the "sunrise industries" and offshore funds. A top Treasury Department official explained to an interviewer on April 1 that the Federal Home Loan Bank board is expected to propose selling nonperforming mortgages to institutional investors including pension plans.

Others like Jeremy Rifkin and Randy Barber, authors of *The North Shall Rise Again*, propose investment in bankrupt companies and worker-owned businesses to save jobs. Last week California Gov. Jerry Brown demanded that the state's \$60 billion public pension

system, the largest in the nation, invest in mortgages, small companies, and "alternative energy sources" as a matter of social benefit rather than profitability.

These proposals represent an extension of the dissipation of the pension assets into an "endgame" where *the assets are finally locked into securities that cannot be sold.*

A deeper indication that the endgame is approaching is the continued inflationary path of the overall economy. The inflation caused by the declining productivity in the basic industries which have been starved of new capital because of "postindustrial" investment and banking policies will ultimately dissolve the pension funds themselves. Even if pension plans are actuarially sound and contributions are maintained, future pension fund benefits will approach nil value if inflation continues at the present 10 to 15 percent a year. Workers covered by a financially adequate pension plan will receive only nominal benefits 15 or 20 years from now. If inflation continues, the greatest beneficiaries of pension funds will be the present holders of the funds' reserves.

Large accruals to the plans continue, since most pension plans have not reached an equilibrium at which the maximum number of workers have retired and are receiving benefits. For example, the number of retirees receiving benefits from insurance company-held pension plans increased by 100 percent over the last decade. Those eligible to receive pensions increased by 125 percent; in the aggregate the pensions have not hit maturity. However, the reserves of these plans increased by 238 percent, an indication of the huge increase of these funds.

The Social Security system, having functioned for over 40 years, shows the opposite trend: those receiving pensions over the last decade increased by 34 percent while those eligible, but not receiving, increased 24 percent. Reserves fell by 20 percent.

Therefore, it is not surprising to find that, while in 1950 Social Security paid 28 percent of all pension benefits, it now pays nearly 60 percent. Private pension plans currently pay only 14 percent of all pension benefits, despite the enormous increase in pension-plan assets over the past two decades. This is why insurance and trust companies expend such efforts to sell pension plans.

There is nothing inherently wrong with a pension plan. It is an entirely legitimate form of social saving. If invested properly in industrial and technological expansion, the fund can provide substantial benefits to retired members of the workforce. If used by insurance and trust companies to transform the economy into a service-dominated nonmanufacturing "postindustrial" economy, the pensions, with the rest of the economy, are rendered valueless.

Budget cuts pull the plug on national labs

by Dr. John Schoonover

The cuts in funding for basic scientific investigation and research and development in the United States proposed by the Office of Management and Budget will mean a serious erosion in the capability of U.S. research laboratories.

After 1967, the federal funding for science programs began to level off, and in recent years has gone into absolute decline. As a result, the production rate of qualified scientists and engineers in the United States has decreased. Basic laboratory research equipment has grown obsolete, and some of the larger experimental equipment, particularly the high-energy particle accelerators, have either been shut down, or are forced to run for reduced periods of time. Furthermore, research teams that have been working together for years are disintegrating as experiments are shut down or curtailed.

EIR has made a preliminary survey of some of the major U.S. laboratories to find out what the effects of proposed fiscal year 1982 funding will be.

The case of **Brookhaven National Laboratory** in Upton, N.Y., is probably the most dramatic. Brookhaven employs approximately 3,640 scientific and support personnel activities ranging from energy production and utilization experiments, through the use and design of high energy accelerators, to elementary particle research. In fiscal 1982, Brookhaven expects an operating budget of \$182 million, down from \$197.7 million in 1981. This absolute budgetary decline, coupled with double-digit inflation, has forced the laboratory to announce the planned layoff of about 520 people, 15 percent of the staff.

Currently, Brookhaven is building two new facilities, the National Synchrotron Light Source and the ISA BELLE accelerator. Although the operating budget does not cover construction costs for either project, it does include operating costs. When the effects of past budgetary austerity are considered, there is good reason to wonder whether it will be possible to take full advantage of these new facilities.

The Alternating Gradient Synchrotron, a high energy particle accelerator that will become a part of ISA-BELLE, has been running at reduced levels since 1978. It is projected that AGS will operate only 22.5 weeks out of a possible 42 in 1981, 21.5 weeks in 1982.

Wayne Bennett, budget officer for the **Stanford Linear**

Accelerator (SLAC), emphasizes that the most important effect of budget cutting is in the reduction of the small margin of extra funds, 1 or 2 percent, left after operating costs have been accounted for. It is this extra margin of funding that allows a facility to carry out innovative activity. The Stanford facility is a single-purpose laboratory devoted to experiments using a two-mile-long electron accelerator to probe the structure of matter at the microscopic level. Energy costs began to erode the utilization of this accelerator as early as 1972. Today, it can be run only long enough to produce 27 percent of the high-energy electrons it is capable of generating over the course of a year.

Bennett pointed out that funding for high-energy projects in Europe, such as CERN in Geneva, Switzerland and DESY in Hamburg, West Germany, have benefited from several times the amount of funding granted to installations in the United States. The one bright spot in SLAC's future is that its \$100 million fund for construction of the Linear Collider has not been touched. This machine will allow collisions of very high energy particles that could confirm the existence of some massive elementary particles that current theories have hypothesized.

The situation for the **Fermi National Laboratory** in Batavia, Illinois is very similar to that at Stanford. In neither case is the level of budget cuts as drastic as it is for multipurpose laboratories such as Brookhaven. But it still represents a significant bite out of an already austere budget.

Fermilab operates a high-energy (400 GeV) particle accelerator used for elementary particle research. Since 1977, the use of this accelerator has progressively declined through a combination of budget cuts and rising electricity costs. Although the accelerator could be run 46 to 48 weeks per year, it was projected to run for 36 weeks in 1981, but will be reduced to 27 weeks because of a new hike in the cost of electricity.

Fermilab is currently undergoing several modifications to its accelerator to make it more energy efficient, including replacement of conventional magnets with superconducting magnets. At the same time, the energy attainable by the machine will increase from 400 GeV to 500 GeV, and, at a second stage, to 1,000 GeV, and it will be possible to collide beams of protons and antiprotons at this very high energy.

Acting Deputy Director Philip Livdahl points out, however, that the Soviet Union has just given authorization for the construction of an accelerator capable of delivering protons at 5,000 GeV at the Serpukhov installation near Moscow. The Soviet Union, at its recent party congress, reaffirmed its commitment to a rapid development of nuclear fusion energy, and announced a significant upgrading of its research and development programs.

Power play around Poland's debt

Bonn wants to stabilize the situation. The U.S. has a small creditor role but a big political one.

An emergency meeting of top international bankers from the United States, Germany, France, and the U.K. convened in London March 31 to work out a position for tense negotiations with Poland on its debt to Western banks. Two weeks ago, Poland—which has gone through a heavy economic downturn due to the political crisis there—started missing payments for the first time on the \$6.5 billion due to its creditors during 1981.

The Polish debt talks are the focus of a political showdown. The political issue involved is that the two countries with the “biggest stake” in Poland are West Germany and the Soviet Union. With \$4.5 billion in commercial loans lent, West Germany is Poland's leading creditor. The Soviets, in turn, not only act as a de facto “lender of last resort” for the East bloc, but in recent months are also known to have directly financed Poland's debt payments.

If a mutually agreeable solution to Poland's debt crisis is found that both of these countries can endorse, then an influential precedent will have been established for East-West agreement on solving serious international financial problems. Currently, West German banks and Soviet officials are also negotiating a \$5 billion German credit to finance construction of a natural gas pipeline from Siberia to Western Europe. Detailed attention in these talks is being given to such matters

as how to set interest rates, as well as prices on the steel pipes which West German firms will produce. An amenable resolution of the Polish debt would benefit the pipeline negotiations, which West German spokesmen already assert are going very well.

With \$27 billion in total debt to Western banks, Poland is one of the top debtor nations in the world. Its cessation of payments coincides with a pattern of Third World debt emergencies.

Banks estimate that during 1981 Third World countries will need no less than \$83 billion to meet debt service, oil payments, and other current account payments. If U.S. dollar interest rates go back to 20 percent levels for any length of time, global borrowing needs during 1981 could top \$100 billion.

This global monetary weakness has triggered speculation that Poland could topple the Western banking system. The *Christian Science Monitor* on April 1, for example, ran a commentary by a former congressional staffer who asserted, “A Polish default would send strong shock waves through the international monetary system.”

Numerous other sources, however, emphasize that while the global debt situation serves to limit the options open to creditors, Poland's debt crisis is, above all, a political problem.

On April 1, Richard Portos, an economist associated with Britain's

Royal Institute of International Affairs who is cited as one of the West's top authorities on Soviet bloc debt, emphasized the political nature of the Polish talks in a presentation before the New York Council on Foreign Relations (CFR).

CFR sources report that Portos indicated that the decision to cease Polish debt payments was made on the highest levels within the Soviet Union. “The Soviets are putting **pressure** on Western governments by not bailing the Poles out. . . . The Soviets are inviting Western banks and governments to get together” on solving this problem, the source underlined.

It is estimated that \$17 billion of Polish debt is guaranteed by Western government agencies. Since the banks are strapped for funds, if Poland is to get any new loans—as it has appealed for—this would have to be generated by the governments involved.

“The key issue is that new money must come in, and must be sufficiently long term to meet the needs,” the source stated. He added that Bonn is recognized as “running the show” at the debt talks, but on new money “Bonn can't do the whole thing alone.”

“It is the American government which will have to take the lead” in giving new funds. The Germans “need the Americans.”

Bonn may indeed move to draw the United States into the settlement. What is clear, though, is that the Germans will make substantial commitments to prevent the Polish crisis from getting out of control.

If the United States supports a stabilizing package, it will also have to be a package acceptable to the Soviets.

Oppenheimer dealing with the Russians?

Strategic rather than market considerations may be behind reports of South African-Soviet gold talks.

Mr. David Marsh of the London *Financial Times* attempts to defend his earlier reports that representatives of the South African Oppenheimer interests are in frequent contact with the Soviets by citing names, dates, and places of such trips to Moscow in an April 1 feature. Marsh was compared to Nazi propagandist Josef Goebbels in a savage attack in *Izvestia* last Nov. 30. His crime was to recirculate a report first published by *EIR* last July 22.

We wrote at the time that sources at Consolidated Goldfields of South Africa (Oppenheimer interests) had told us, "If ConsGold is going to Moscow, it is probably correct to conclude that they are discussing the coordination of gold sales." That seemingly innocuous report drew hysteria from Moscow as well as Johannesburg.

Marsh is now reporting that ConsGold executive director Michael Beckett and two executives visited the Soviet Foreign Trade Bank last September. Following this, Gordon Waddell, a director of Anglo-American Corporation, visited Moscow in November.

ConsGold sources told the London journalist that their Soviet relationship "could eventually broaden out to exchanges of view on mining techniques and metallurgy. This could include some kind of joint mining venture."

Apparently much more than gold is involved. Gold market ana-

lyst Thomas Wolfe told me, "South African officials say Marsh's charges about Soviet-South African collusion were a bit overdone, but there's no denying that Oppenheimer and the Soviets are both quite interested in how the strategic minerals markets develop. Anglo-American, like all the major gold producers, are already major minerals producers. Furthermore, all the gold producers, led by Oppenheimer, are now diversifying out of gold and going deeper into strategic minerals."

EIR said April 7 that the mining companies concerned are attempting to swindle the U.S. through a manufactured scare over so-called strategic materials.

A British friend with excellent contacts in both the Oppenheimer family and the U.K. defense ministry explained it this way: "You can certainly make a case that Oppenheimer is collaborating with the Soviets on strategic minerals. It would increase their clout in dealing with the United States tremendously to have this kind of monopoly over world resources. They have a common interest with the Soviets in increasing their clout."

Would Interior Secretary Watt attempt to stop the Oppenheimer interests from increasing their U.S. holdings, which they appear eager to do? "Watt is not important," my British friend said. "He's only going to be there for four years. Oppenheimer is out for the very

long view. If he's selling three or four strategic minerals that the U.S. needs, he's strengthened. His policy is to control the markets."

Note from the Economics Editor: To Montresor's analysis it should be added that if Secretary Watt's policy of fostering American mining, including opening of federal lands to exploration and development of related internal improvements, is realized, there will be no shortage. Ahead of minerals development are development of skilled labor and cheap nuclear energy, without which the U.S. will not even be able to use the mineral resources it has already developed.

The actual content of the strategic materials debate—and perhaps also of the Oppenheimer-Soviet connection—is political. There have been discussions between an American faction represented by the Action for World Development committee, and that Soviet faction represented by the Russians' U.S.A.-Canada Institute, on this topic, as *EIR* revealed last week. Relevant names include Gen. Maxwell Taylor and Georgii Arbatov.

They both argue that the Soviets should allow Secretary Haig et al. to pursue a policy of regional wars and depopulation in the Third World unimpeded, letting the U.S. chase resources it could just as well develop at home. The Russians, so the argument goes, have all the metals they need at home.

Neither the American supporters of this program, which we refer to as the Carter administration Global 2000 proposal, nor the Russians who believe this to be in their interest, are in power. But the Oppenheimer connection may be a sounding for this strategic deal behind the scenes.

Time, place, and prices

A case study of an Italian painting whose resale value quintupled in a six-month period.

To invest successfully in fine arts or collectibles, the investor who has the widest knowledge of the field will always come out ahead. The most efficient way to provide this overview for the reader is to trace a successful transaction.

A very important painting by an Italian master of the 17th century appeared on the art market in Switzerland six months ago. This painting belonged to the class of works of art that represent precious assets of civilization in world terms, in contrast to the current "speculative bubble" of hot money seeking investment in objects of no enduring worth.

The painting obviously came out of a private collection in Italy, but because of the export restrictions on old works of art in Italy, its source was not revealed.

Italy requires export licenses on all paintings and charges an export tax based on a percentage of the sale price as listed by the exporter. If the exporter should put down an artificially low figure he runs another risk. The Italian government can stop any painting from export that it chooses, and can acquire it at the listed price. To further discourage the exporter, the customs officer will often allow a painting to languish for months before an export license is issued. The predictable result is to encourage clandestine export of works of art.

A second law governing works of art in Italy is considerably more important. This is an old law, re-

newed in the Fascist era, which establishes a list of national monuments for which export is a criminal violation (violation of the first law carries only a fiscal penalty). Therefore, the prudent dealer or collector will always ensure that he is not involved with a painting that has been "notified," as these listed paintings are called.

In the present case the painting was unknown and clearly not "notified." One of the results of the Italian laws is that a class of paintings in Italy is considerably less expensive than the world market price for them, so that if they can be bought near the frontier, as it were, they can be bought exceedingly well. One cannot do this long-distance, but only on the spot, and one has to assess the quality of the work for oneself; the Italian dealers involved in such trade function as feeders to large international centers such as New York and London.

Since the time of Bernard Berenson and before, Duveen and Colnaghi's benefited greatly from this trade. Therefore, to intercept the market at the point of entry where the painting is freshly available in Switzerland is advantageous. Since it is a fast turnover trade, it does not allow for drawn-out negotiations.

This particular painting was bought for \$60,000. It was offered in London to a major American museum at \$175,000 and was considered inexpensive for the artist. The museum eventually turned it down. The reason had to do with

the condition, that is, the physical state of preservation of the work.

Note that when a painting is offered to a museum, one finds that to complete a sale one has to treat not only with the director and the curator, but also with the museum's restorer and its board of directors, so that in the end one is dealing with 6 to 10 persons, all of whom have to agree on the purchase. This explains why museum purchases usually require protracted negotiations. Only the large London and New York dealers can afford to be tied up so long.

The present painting is a case in point. After the museum rejected the work, it was immediately sold to a New York dealer for \$100,000 cash plus a third interest in the eventual resale. Since the painting was now priced at \$300,000, this meant that the total value of the transaction would eventually be \$165,000. The painting is now being considered by a major museum for \$300,000.

Clearly, the earlier an investor is placed in the chain of events, the better. We also see that the museum market is extremely unreliable. Often, a museum director will prefer to offer its board a painting for \$300,000 rather than \$150,000, especially if it comes from one of a half-dozen dealers. Therefore, it is important to have the option of selling at a profitable margin to a big dealer in this vertically oriented business. This depends upon how well the work was bought originally.

Dr. D. Stephen Pepper is an internationally prominent art scholar specializing in Old Masters, and a consultant to PFA, Inc. in New York.

World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$8 bn.	Venezuela from U.S.A.	C. E. Lummis, subsidiary of Combustion Engineering, beat out 18 companies to win contract to supervise development of Venezuela's Orinoco heavy crude. Lummis will get an estimated \$700 mn. for coordinating design of project, procurement, and construction. It will gain those additional parts of project which Venezuelan companies can't do. Project involves drilling 1,000 wells, building steam-injection facilities, building a plant to upgrade tar-like crude to light crude, pipeline and coastal terminal. Subsidiary of Vollmer-Zuluaga, Venezuela's most powerful private group, will be Lummis junior partner.	Project, owned by Venezuelan state of Lagoven, will only be turning out 125,000 bpd crude when completed in 1988. Bechtel expected to win deal, but lost on political grounds.
\$1.8 bn.	Hong Kong from U.K.	GEC of England won order for 2,640 megawatt coal-fired electric plant from China Light and Power of Hong Kong. Exxon is part owner of new plant. British Babcock will subcontract boilers.	Largest project credit in London history; credit arranged by Schroder Wagg; 8.5% on dollar; 12 yr. term after completion; 85% British govt. ECGD coverage.
\$1 bn.	Malaysia from Japan	Nippon Electric Co. won order for digital switch systems as part of Malaysia's \$4 bn. telephone expansion program. Systems will be assembled over 10 yrs. by 40% to 60% Malaysian govt. joint venture.	Is NEC's biggest order; tenders for remaining \$3 bn. expected soon.
Almost \$200 mn.	U.S.A. from Italy	FIAT's Comau won order from General Motors for 200 automated robot car-body welders to be installed on 14 GM assembly lines.	FIAT claims will save 70% of body assembly-line labor costs.
\$100 mn.	Mexico from U.S.A.	<i>Financial Times</i> reports U.S. govt. has approved sale to Mexico of 12 F5 supersonic fighters. Mexico has rejected Israeli Kfir as too expensive.	Mexico has <i>not</i> announced F5 order.
\$425 mn.	Canada from Europe/U.S.A.	Canada's largest charter line, Wardair, ordered 6 Airbus A310 planes. Engines will be made in U.S.A. by GE or Pratt & Whitney.	85% of financing from European banks.
UPDATE			
	Brazil/U.S.S.R.	Preliminary agreement reached on Soviets' drilling for oil in São Paulo state. Negotiations in progress on Soviets exporting hydroelectric, coal, and coal gasification equipment and chemicals in exchange not only for Brazilian grain and breakfast foods, but also manufactures and semi-manufactures.	Reagan administration made Brazil ineligible for General System Preferences on \$63 mn. exports to United States. Soviets filling vacuum.
\$1.6 bn.	Saudi Arabia from Japan	Mitsubishi and Saudi govt. will form joint company in Japan for building petrochemical project in Al Jubayl. Plant will produce 230,000 tpy ethylene glycol.	Saudis guaranteeing Japan extra 110,000 bpd crude supply for its technology in this project.
CANCELLED DEALS			
\$405 mn.	China from Japan	Mitsubishi Industrial announced termination of contract to build steel rolling mill at Baoshan.	
\$114 mn.	China from Japan	Nippon Steel notified by China of cancellation of raw materials processing facilities feeding second stage of cancelled Baoshan steel works.	Kobe Steel notified of cancellation of Baoshan oxygen plant.

Venice and the enemies of the Renaissance: a new view



Pope Julius II

by David Goldman

The Pope, His Banker, and Venice

by Felix Gilbert

Harvard University Press
Cambridge, Massachusetts, 1980. 157 pages.

Professor Gilbert's new book adds some important clues to the solution of one of the great problems of modern history, that is, how the enemies of the High Renaissance threw Europe back into chaos that finally bled itself out in the Thirty Years War. We are not done today with the Venetian problem. The modern *form* (if not the real origin) of all contemporary problems in counterintelligence dates to the turn of the 16th century, and nothing important can be done in intelligence analysis without reference to the continuity of what we tentatively call the Venetian problem.

Because most American policy-makers are illiterate with respect to the last 500 years of history, they are infinitely susceptible to "Venetian" forms of manipulation. Venice perfected, for the modern era, the art of persuading great powers to throw their weight against their own best interests. This finds expression in today's Alexander Haig problem. As *EIR* reported in its March 3, 1981 cover story, Haig's lie that *all* international terrorism is due to Soviet intrigue came initially from an Italian Socialist leader, President Sandro Pertini. The conduit was outgoing ambassador Richard Gardner, whose wife, Daniele Luzzatto, is from one of Venice's oldest families. Now that the White House has reportedly become aware that Haig set a trap on this and the related El Salvador issue, it should consider what sort of evil is capable of setting traps of this sort.

Venice was a high-priority counterintelligence concern for American leaders after the Revolution. Using Benjamin Franklin's dossier on the "Mesmerism" hoax, Friderich Schiller, Germany's greatest poet, published what is still the most comprehensive report on Venetian intelligence in the form of a roman à clef, *The Apparitionist*. An American author and counterintelligence specialist, James Fenimore Cooper, surfaced additional

finds in the form of a novel, *The Bravo*.

Since *EIR* has made frequent reference to the unbroken power of Europe's old financial oligarchy, and the importance in that light of the Bank for International Settlements, it is past time to identify some of the relevant background. Professor Gilbert's contribution is a good place to start.

Gilbert has found the check stubs showing how a Genoese pope, Julius II (Giuliano delle Rovere), and his Sienese banker Agostino Chigi paid for the Venetian victory against the League of Cambrai—an alliance of all the great European powers formed in 1508, which sought to crush The Most Serene Republic for all time. Delle Rovere and Chigi—the forefather of the "Siena Group"—used the revenues of the papal salt and alum monopolies to buy Venice the Swiss mercenaries who held out against the League.

This evidence tends to confirm the published judgment of the period's greatest intelligence analyst, Niccolò Machiavelli, that Venice was the pivot of the ruinous foreign invasions into Italy between 1494 and 1527, the engine of ruin of the High Renaissance. More work is needed to establish that this Venetian-Genoese alliance was decisive, but what we have now is compelling.

Venice against Italy

Consider what was at stake: in the 40 years after the Italian League formed in 1454 under Medici direction, Italy had its longest interval of peace. With Cusa's friends the Piccolomini family in sometime control of the papacy, the Italian Church intermittently collaborated with the great Cardinal Nicholas of Cusa in Germany and the "Spider King," Louis XI of France. The world saw the work of Leonardo, Raphael, Dürer, Titian, Erasmus, Reuchlin, and Cusa, among others—the greatest concentration of creative output in any period of human history.

By 1498, the fanatic Dominican Savonarola had exiled the Medici, the Venetians had brought Louis XII of Orléans into Italy, and the League had crumbled. The Borgia Pope Alexander VI kept up a grim kind of rearguard, by killing as many members of the factious

Roman nobility as he could. On his death the Sacred College installed another Piccolomini, Pius III, who died after only a month, presumably by poison. Julius II became Pope, in 1503, and was the butt of Erasmus's attacks for the next 10 years. He was able to use the Vatican's financial resources to frustrate the League of Cambrai—France, Germany, England, and Spain—in their effort to eliminate what Machiavelli at the time called the city “chiefly to be watched.”

Genoa's control over the Vatican broke in 1513 with the election of a Medici as Pope Leo X, but the damage was done. Charles V of Spain was already installed, extending Austrian Hapsburg power to the Iberian peninsula, and in 1519 he would become Holy Roman Emperor. The concordat of the European powers Cusa and the Piccolominis had sought collapsed. In 1517 Martin Luther issued his first theses. By 1527 Lutheran mercenaries had sacked the Vatican, French power in Italy was broken, and Julius II's Genoa had become banker to Emperor Charles. The Peasant Wars had scourged Germany of the great humanist revival of Cusa and Erasmus and ended in 100,000 deaths. Erasmus's friend Sir Thomas More had fallen from power in England, beginning Henry VIII's political and moral decline.

Venice and Genoa had already taken the loot of the third and fourth crusades two centuries earlier, but had been eclipsed during the 1400s by the trade and manufacturing power of the Medici. But the sudden, 1494 collapse of the Medici and their allies left the Venetian-backed Fuggers and Genoese bankers a clear way to the loot of the next century. Genoa's grip over the Spanish debt was such that the gold and silver output of the Spanish mines of the Western Hemisphere colonies went directly to Genoa and Genoa's Dutch offshoots.

Apparently, the commercially declining Venetians concentrated on intelligence and “cultural” operations of the type Schiller exposed in the cited work, creating what was for two centuries the most feared and biggest intelligence service in Europe. As Professor Gilbert notes, Venice degenerated from an oligarchical republic in which at least the forms of debate were preserved to the model of a totalitarian regime, ruled by the Council of Ten, Venice's equivalent to the KGB:

“The Great Council, originally the source of all power, had to concede part of its functions to the Senate; then the [smaller] Collegio and the Savi began to take over many of the activities of the Senate; and, in the 17th and 18th centuries, the Council of Ten became all-powerful. The years of the War of the League of Cambrai turned out to be a crucial step in this development,” Gilbert concludes. In 1508, Venice had imported leaders of the Florentine artistic Renaissance, and their efforts in the visual arts and music kept a foothold through the century. But by 1600 Venetian music fell to

the “new wave” miseries of Claudio Monteverdi, in a city where a full 20 percent of the 100,000 inhabitants were prostitutes or cutthroats.

Machiavelli has informed us that Venice manipulated the 1498 French invasion, the source of the great destabilization. What role did the Council of Ten play in the 1492 death of Lorenzo de' Medici and the ascension of the monk Savonarola, in the Fugger banking house's backing for the leaders of the Peasant Wars in Germany, in the Hapsburg takeover of the Holy Roman Empire? Professor Gilbert's find in the Venetian archives suggests that the archives will yield answers to these questions, too.

The rise of Genoa

The story of Genoa's ensuing financial power is less obscure than the contemporary oligarchy likes to believe. Two of the world's great insurance companies, the Riunione Adriatica di Sicurtà and the Assicurazione Generale di Venezia remain in Venetian-Genoese hands. But the bulk of the Genoese fortune was exported via foreign investment and intermarriage, beginning with the 1602 formation of the Dutch East India Company and the sub rosa role of the Genoese Spinola family. The bulk of remaining Genoese money was already in Geneva when Napoleon destroyed the Genoese state in 1797, and thence to London—and eventually the United States.

As for surviving Venetian influence, we need only examine the role of the Pan-European Union leader Count Coudenhove-Kalergi, the descendant of a Greek-Byzantine family that settled in Venice in the 14th century. Kalergi created the Mont Pelerin Society, the agency which, as *EIR* has documented, is principally responsible for infiltrating remnants of the old oligarchy into Washington.* In several ways which there is no room to go into here, the case of Kalergi makes sense of Alexander Haig.

It is both enjoyable and disconcerting to read Professor Gilbert's present book. Unlike most American leaders, who imagine they make policy on the basis of this morning's phone calls and daily newspaper, he is as much at home in 16th century politics as today's. Unfortunately he writes with sympathy and nostalgia for Venetian power, and his monograph does not tell enough of the contextual story for the American reader to grasp its very real importance. Professor Gilbert has nonetheless made a basic contribution to our understanding why the leaders of the American Revolution reserved a special hatred for the Most Serene Venetian Republic.

*For a fuller treatment see *Britain's New Dark Ages Conspiracy*, by Carol White, and *The Ugly Truth About Milton Friedman*, by Lyndon H. LaRouche, Jr. and David P. Goldman, both published by New Benjamin Franklin House.



Predator control for U.S. ranchers: a history of government sabotage

by Don Meike, Chairman, National Woolgrowers Association

The problem of predator control that Western ranchers face is not well appreciated. The attack on predator control programs and methods was one of the first springboards for the environmentalist movement. Interior Secretary James Watt and Agriculture Secretary John Block have expressed their resolve to restore a vigorous U.S. predator control program. With this in mind, EIR presents this history of the fight on the issue of predator control, contributed by Don Meike, chairman of the board of the National Woolgrowers Association. Meike lives in Kaycee, Wyoming, where he is co-manager of Peter Meike & Sons, Inc., a sheep and cattle ranch operating on 30,000 acres of rangeland and 1,200 acres of irrigated cropland.

There were many forces at play in the decline of the U.S. sheep population to its present level of 12½ million head, and predation was certainly one of them. In fact, it was the numerical decline itself that singled out the sheep industry for the envirocratic attack.

In 1971, a few dead eagles were found in central Wyoming. Tests revealed that the eagles had died from thallium sulphate, an illegal, nonselective, and cumulative poison. Thallium had previously been abandoned for use in the animal damage control program carried out by the U.S. Fish and Wildlife Service of the Department of the Interior. In the minds of the general public, all toxicants were immediately under indictment.

A combination of chemicals were being used by field agents to reduce coyote impact in major sheep areas. The U.S. Fish and Wildlife Service, in cooperation with state governments, placed control devices, treated baits, and mechanical equipment in the field. The costs of these programs were borne by ranchers, state agencies, and the federal government. Sodium monofluoroacetate (Compound 1080), sodium cyanide, or strychnine were located by professionals in areas where sheep and lamb kills were frequent and extensive.

Even with this comprehensive program, predation continued. The losses were unwillingly absorbed by some ranchers, while others were forced out of business. The sheep industry had struggled to recover from the effects of artificial fibers and imported lamb meat, but of all factors considered, the predation of sheep by eagles,

dogs, and coyotes was the most destructive element affecting the industry. Stockgrowers can't control the weather, taxes, or consumer demand for their products. They can suppress predator damage to the herds.

Shortly after the dead eagles were found, the Defenders of Wildlife and the Sierra Club filed suit in district court in Washington, D.C. to halt the animal damage control program. Their suit charged injury to several species of wildlife, and possible danger to humans.

A secret agreement

The suit was denied, but the Defenders and the Sierra Club continued their harassment and threats of legal reprisal to the point that an assistant secretary of the interior, Nathaniel Reed, was prompted to make a secret deal with the two environmental groups. A sealed stipulation between the principals agreed that the Interior Department would remove all toxicants from the predator management program if the Defenders and Sierra Club would forego additional legal actions.

The only problem was that there was no official basis for the removal of the toxicants; no hearings, no legislation, etc. Assistant Secretary Reed chose a yet to be completed document on predation (the Cain Report) as the rationale. Curiously, when the Cain Report was finished, it not only recognized the value of some toxicants, but recommended the retention of Compound 1080.

Nevertheless, Executive Order No. 11643 was signed by Richard Nixon in January 1972, suspending the use of toxic chemicals for predator control.

A lawsuit by the State of Wyoming against Interior subsequently uncovered the sealed stipulation. It was the first step in removing the predator control program from the field of science, into the political domain. Then the Environmental Protection Agency abolished the registration of chemicals used in the predator management program. EPA's cancellation order was inaccurate and misleading in its charges, particularly where Compound 1080 was concerned. EPA cited 13 human deaths recorded from the use of 1080. What they failed to mention was that these fatalities occurred only in urban areas where the chemical is used for rodent control!

The Environmental Protection Agency also erroneously claimed that sodium fluoracetate is highly toxic to all species. This claim is contrary to reams of scientific information emphasizing the selectivity of the chemical when used in proper dosage. EPA cancelled the registration and then refused to hold a hearing on the cancellation.

The least tolerant species affected by 1080 is the canine. Consequently, the chemical is effective in coyote control. As the Western Regional Coordinating Committee, a consortium of 31 eminent scientists, recently stated: "Since there are no known human safety hazards if reasonable care is used, and no significant primary or secondary hazards to non-target animals, no biological reason supports prohibiting the use of Compound 1080."

The chain of events surrounding the executive order led to confusion among the general public and exploitation by politicians and environmental action groups. Well-publicized hearings were held in Washington before committees charged with environmental responsibility. Empty promises of accelerated research and the emphasis of "mechanical" control techniques as a substitute for the toxicants sent the wool growers home with a gleam of hope.

But over the next seven years, 8½ million lambs and 2½ million sheep worth a respectable \$592 million would be destroyed by coyotes and dogs. Coincidentally during the same period, sheep numbers would drop by 8½ million head, the number of lambs killed by coyotes during that same period. Several states filed for emergency use of 1080, but these requests were turned down. 11,000 sheep ranchers went out of business, attributing their enterprise failure to predators.

• The State of Wyoming filed a lawsuit claiming that the government erred when it cancelled the registration on 1080 without an environmental impact statement, as required by the National Environmental Policy Act (NEPA). The district court found in favor of the suit and suspended the federal ban on the interstate shipment of toxicants. The 10th Circuit Court of Appeals overturned the ruling and the Supreme Court refused to hear the case. The 10th Circuit, a pawn of the Eastern environmental community, then ordered the district court not to hear the issue, as it related to the cancellation of 1080. The lawsuit was gutted.

In 1977, the National Wool Growers again appealed to the Department of the Interior, requesting relief from accelerating predation. Secretary of Interior Cecil Andrus offered another study, and eventually an environmental impact statement on the predation issue.

Andrus and the CEQ

The draft version of the Environmental Impact Statement was condemned by both the environmental

interests and the wool growers. The final EIS was reluctantly accepted. Secretary Andrus then promised a revised policy for Animal Damage Control based on the EIS. Sheep growers relied on scientific proof as assurance that the revised program would endorse accelerated control methods.

It was on Nov. 9, 1980 when the sheep people realized that the amended control policy was a political document. The policy Andrus announced was a non-lethal, non-capture approach banning or restricting the few remaining tools left in the program. It was later determined that the policy was designed by the Council on Environmental Quality (CEQ), without regard for even the Environmental Impact Statement. CEQ has consistently maintained that livestock losses can be reduced without lethal control although the methods they propose are too expensive, ineffective, unproven or have limited application.

Sheep growers again requested hearings on predator control, with the usual results. The environmentalists charged the rancher with a failure to provide adequate protection for his flocks, and the rancher accused the environmentalists of aborting the facts. The scientists again defended the control program and the elected officials remained somewhere in the middle.

Shortly after the hearings, 13 major agricultural organizations requested the transfer of the Animal Damage Control program to the Department of Agriculture. In January 1981, Sen. James McClure (D-Idaho) attached an amendment to the agriculture appropriations bill that would transfer the program to USDA. The amendment passed the Senate by a substantial vote, but Congressman Jamie Whitten held up the proposal in the joint conference committee on the basis it wasn't germane to the "money" bill. After nine long years, it was another disappointment for the wool growers. The conference committee stipulated that \$500,000 was to be appropriated to study the transfer. The sheep people groaned at the prospect of another lengthy analysis.

There is little need for further research on coyotes or predation since over 5,000 studies already exist. There has been enough litigation, emergency use requests, and experimental use inquiries. Sheep have been dipped in garlic, spray painted, and fitted with collars. Ranchers have been harangued and harassed by the government and environmental groups.

The Animal Damage Control Act of March 2, 1931 directs the secretary of the interior to control predators. There are no legitimate scientific or environmental reasons why the law shouldn't be enforced. To further deny the sheepmen the right to protect his private property disparages the Constitution and perpetuates a glaring federal injustice. America needs lamb and wool. Does America need an uncontrolled coyote population?

Business Briefs

Insurance

Prudential gobbling up bank stock

Prudential Life Insurance Company has increased its holdings of U.S. commercial bank stocks.

Prudential, which was recently in the news for its takeover bid to acquire Bache, Halsey, Stuart, the eighth largest commercial bank in America, disclosed that it has purchased the following percentage ownership of American bank stock: Chase Manhattan, 5.4 percent; Continental Illinois, 5.7 percent; Citicorp, 4.0 percent; Bankers Trust, 5.0 percent; Western Bancorp, 5.0 percent; and Bank of America, 1.5 percent.

Prudential has indicated that it is increasing its ownership of U.S. bank stocks, because the prevailing gap between commercial bank prime rate, and the current rates for certificates of deposit, etc. range between 300 and 400 basis points. This represents effectively the spread the commercial banks have enjoyed, as money market rates have come down much faster than the prime. Thus banks are enjoying very large earnings for the last part of the first quarter and will probably continue to enjoy these earnings even if the economy goes into recession, because the Fed has indicated it will keep the interest rates such that the large banks can continue to enjoy their super-high prime.

Foreign Exchange

Revaluation inside the EMS?

Usually reliable West German banking sources predict a revaluation of currencies within the European Monetary System (EMS), a fixed interest-rate agreement between the members of the European Community excepting Britain. The revaluation will reportedly follow the expected re-election of France's President Giscard early in May.

According to these sources, the Ger-

man mark will rise 3 percent above its former central parity, while the Belgian franc, the Danish kroner, and the Italian lira will fall by 3 percent from their previous parity. The French franc will reportedly remain unchanged, and the Dutch guilder, which usually moves in close step with the German mark, may also be revalued upward by 3 percent.

A report last week in the Swiss *Neue Zürcher Zeitung* gives some credence to this report. The *NZZ* cited Belgian central bank officials predicting another realignment within the EMS, following the recent devaluation of the Italian lira by 6 percent. No numbers were given. However, since the Belgian central bank is currently pressing to avoid a franc devaluation, this forecast may indicate that the present franc defense effort is already discounted for failure.

Banking

'S&LS don't recognize their enemy'

The savings and loans thrifts are being deliberately "tracked" into criticizing unregulated money market funds, which steal thrifts' deposits using higher interest rates, to "keep them from attacking Fed Chairman Volcker's high interest rates," a source at the Treasury told *EIR*.

"The fact is that we are going to have a high rate of inflation and high interest rates for some time," said the official, "and the savings and loans are going to have to be rationalized. Continued high interest rates will mean that they will not be able to afford the deposits they need, and home buyers will not be able to afford their mortgages. So there will be fewer S&Ls. This is the main danger to the S&L industry."

But "luckily," he said, "the S&LS don't recognize their enemy, and have chosen to attack money market funds instead of the Fed." The U.S. League of Savings Associations is lobbying for Congress to regulate the money funds and cap their interest rates, which are twice those paid to depositors by the S&Ls. The S&Ls charge the funds have

bled them of \$60 billion in potential deposits in the last six months.

"The S&Ls are getting bad advice from their economists," some of whom are supporters of the Volcker Fed, said the source, "and they've been told the money funds are an easier target."

World Trade

Ito to Haig: resume nuclear trade

Japanese Foreign Minister Masayoshi Ito requested Secretary of State Alexander Haig to end the obstruction of Japan's nuclear energy program that had prevailed under Carter, according to Washington sources. Carter had halted Japan's reprocessing of plutonium by threatening to cut off uranium supplies and had hindered Japanese industries' plans to export nuclear reactors.

At a March 25 joint press conference with Ito, Haig agreed only to "further discussions . . . with a view toward greater flexibility" by the U.S., which has been interpreted as a stalling gesture.

Following a March 26 cabinet meeting, the government licensed the construction of three nuclear plants for a total output of 2 gigawatts, the first in two years. In addition, Hitachi announced plans to resume development of nuclear reactors intended for export.

Energy

Japan to overtake U.S. in fusion

The Japanese government's Science Council has proposed a \$5 billion fusion program for 1982-1993, including the achievement of a demonstration engineering reactor prior to anything now planned in the U.S., according to sources in the Japanese fusion community.

U.S. sources said the program is equivalent to a \$10 billion U.S. budget, about twice the level now being spent in the U.S. and a 150 percent increase from

Briefly

current Japanese budgets.

The heart of the program is a \$3 billion fusion engineering device (FED) to be completed by 1993. It will produce net power and will be the last device needed before a commercial prototype. It is much larger than the FED mandated by the U.S. McCormack fusion act to be built here by 1990.

Japanese sources say the Ministry of Finance has given "tacit budgetary approval" to the proposal.

Japanese Foreign Minister Masayoshi Ito and former Prime Minister Takeo Fukuda, whose administration launched U.S.-Japan joint fusion research, both urged President Reagan to continue the research cooperation, during their March visits to Washington.

Corporate Strategy

Congress to stop foreign takeovers?

A group of congressmen is attempting to stop the takeover of U.S. mining concerns by foreign interests which has recently become a deluge in the U.S. This includes the British Petroleum-owned Sohio "friendly" bid of \$1.77 billion to take over Kennecott Copper and the Bronfman-owned Seagram \$2 billion hostile bid to take over St. Joe Mineral's Company.

Congressmen Gephardt and Emerson, both from Missouri, the state where St. Joe has large holdings, have introduced H.R. 2826, which would establish a six-month review cooling-off period from the time a foreign concern made a bid for an American minerals firm with leases covered under the Mineral Leasing Act of 1920, until the time that such a takeover could be approved. During this cooling-off period, the Congress would decide whether the takeover posed a security threat.

The 1920 Mineral Leasing Act covers all mineral firms that have mineral leases under the act, which includes oil, gas, coal, and some of the nonfuel minerals. Other minerals, such as lead and zinc, are covered under the 1872 Minerals Act.

The House Mining and Mines subcommittee has scheduled hearings for April 9 on the takeover bill.

Military Technology

British moving on Trident deterrent

The Defense Subcommittee of the British Parliament spent several days in Washington during the week of March 22 for semisecret consultations with U.S. officials on likely British purchases of Trident missile technologies.

The MPs came on request from British Prime Minister Margaret Thatcher, who has launched a confidential inquiry to determine what would be involved both financially and industrially in producing Trident missiles for the British armed services. Current estimates are that Britain does not have the money to purchase the range of Trident equipment it would like to possess.

The talks in Washington were kept confidential because the guidance system designs for the Trident warhead are classified and Britain is currently attempting to determine whether it has the electronics capacity to produce parts of the guidance apparatus. Members of the House and Senate Armed Services and Foreign Relations Committees agreed, in addition, to keeping the talks hush in deference to Thatcher's request.

However, it is possible that a more politically sensitive issue has pressured Britain to keep its study of Trident out of the U.S. press. Trident is currently being developed as a replacement for the outmoded 1960s Polaris submarine technology. Britain acquired the Polaris system in 1962 as an "independent" nuclear deterrent, only after a very bitter fight with sectors of the U.S. military who wanted to ensure that Britain could never have final say over whether to launch a nuclear offensive on its own. Thatcher may be concerned to prevent any current discussion of the role of Britain's independent deterrent in the NATO alliance since it is not known what the Reagan administration's views are on the issue.

● **WEST GERMAN** construction activity fell 5 percent in February compared to 1980, although the pattern of downturn is different from the U.S. pattern. The largest downturn was in office building construction, with housing second. Industrial plant construction stayed flat at last year's levels.

● **ETIENNE DAVIGNON**, the EC steel commissioner, was in Washington this week for the Trilateral meeting and to propose a U.S.-Japan "auto committee," according to Washington sources, which would rationalize the world auto industry into eight companies with vastly reduced production.

● **INTERNATIONAL** Banking Facilities (IBFs) are under staff review at the Federal Reserve, and the New York banks' plan for free banking zones may have to be "re-vamped," Fed sources said, before the Fed can approve it. The Chicago and California Clearing House banks have protested they want national banking to be implemented before they'll support IBFs.

● **U.S.** government pressure on Tokyo may be behind the failure of the Japan-Soviet talks to reach agreement on sale of approximately \$3.5 billion worth of steel pipeline. The talks broke up March 28 after weeks of discussion but are expected to resume. The steel firms, plagued by loss of sales elsewhere were eager to make the deal, according to Japanese sources, but the government's Export-Import Bank complained the interest rates sought by the Soviet Union were below the 8.5 percent limit set by the Western powers. But this may be just a pretext since the limit is often abridged. U.S. government sources said Washington indicated to Tokyo that reaching a big economic deal "would be sending the wrong signal to Moscow during the Polish crisis."

The profile of a conspiracy

by Criton Zoakos, Editor-in-Chief

The assassination attempt against President Reagan on March 30 was part of a broader political plot to immerse the United States in a protracted period of domestic crisis, confusion, and disintegration of policy-making. This broad-ranging plot had been initially formulated and advanced by the leadership of the Socialist International which met in Washington, D.C. a few weeks before the President's inauguration.

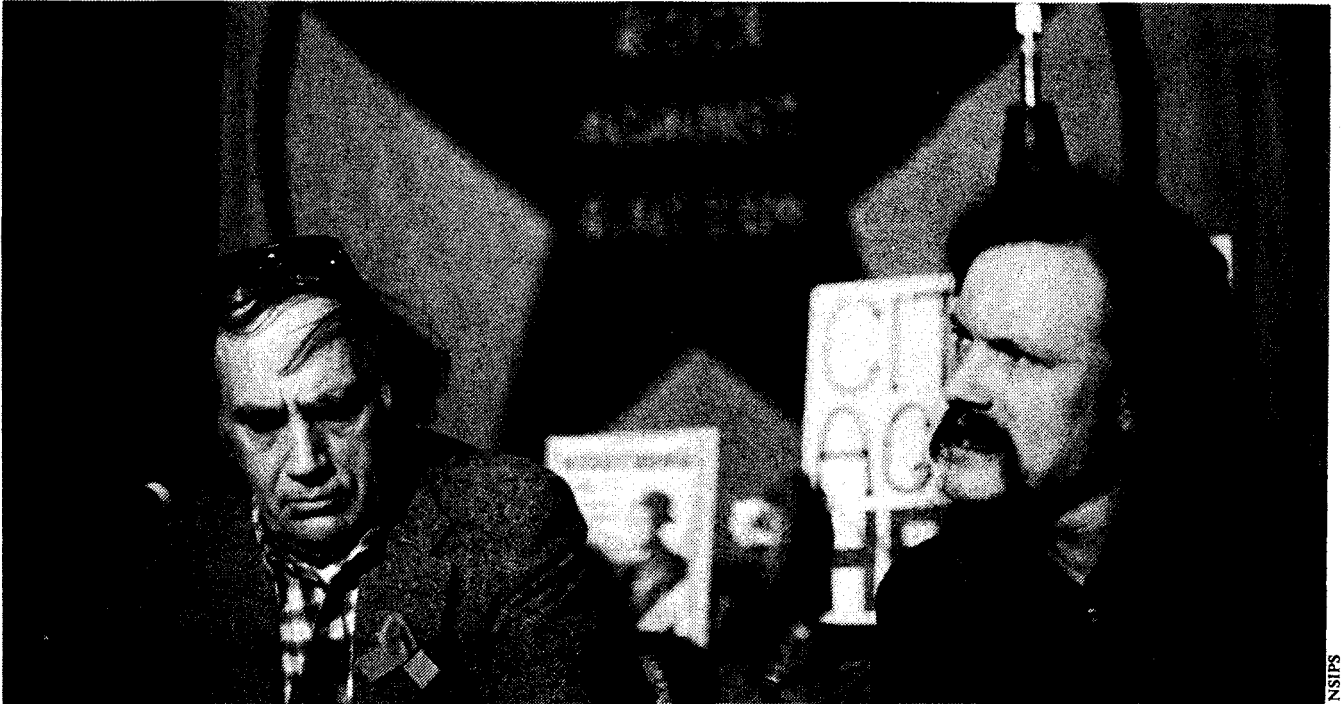
The assassination attempt itself represented a branching point for that "chaos and confusion" scenario. Had the attempt been successful, the scenario would have proceeded in a self-evident way; the attempt's failure, on the other hand, triggered a massive speculative orgy, mostly led by Socialist International-linked press outlets, respecting the so-called succession struggle among Secretary of State Haig, Vice-President Bush, the White House Staff, Defense Secretary Weinberger, and others.

Anti-American campaign

The intended purpose of this speculative orgy is precisely what the leaders of the Socialist International could utilize to feed the flames of a renewed international campaign of anti-Americanism centered on the theme of "instability" and "chaos" in Washington. The President was shot at primarily because his personality and political style so far have made him a symbol of stability.

Two important sets of considerations argue in favor of viewing the actions of assailant John W. Hinckley, Jr. in the context of the indicated plot. First, the context of deliberately cultivated political hysteria against President Reagan; second, the important, unanswered questions surrounding Hinckley's action.

Regarding the first of these two considerations, it has been widely noted that a gigantic international rumor mill has been circulating the idea that "Reagan is not going to live through the year," or, alternately, "Reagan is not going to complete his term in office." Such themes have been played up



Yippie cofounder William Kunstler, a leading attorney for accused terrorists, with Yippie leader Dana Beal at last month's Yippie gathering.

almost continuously on the pages of fringe-radical socialist publications internationally, hinted at in more respectable publications, and discussed rather freely among intelligence-connected circles, especially British and Canadian.

Washington rumor mills

Within Washington itself, rumor mills close to the *Washington Post*, and others close to the seedier side of certain places within the Library of Congress, have been freely cultivating a climate of anticipation around the theme of whether the President's first term in office might survive an assassin's bullet.

Gridding of the rumor mill indicates an unusual "heating up" around the time of President Reagan's visit to Canada on March 10-11. The entire Canadian press was obsessed with the issue of President Reagan's security arrangements, an obsession ranging from complaints about "excessive security" to formal recommendations by the Royal Canadian Mounted Police that the President's entourage should prefer a posture of "open access" by the public at the expense of "excessive security." Individuals from Prime Minister Trudeau's office were involved in this disgrace.

At approximately the same time, "anti-Reagan" hysteria was reaching new heights among radical-fringe networks around the United States, all of it deliberately "fed" from higher-up circles. The high-point was perhaps the Yippie conference in New York on March 19-22. The Yippie conference room was decorated with

posters reading "Now Is The Time To Kill Reagan," "Reagan: The President Who Is Already Dead," and similar themes. All participants were given buttons that read "Kill Bush First."

The Yippies' controllers

The significance of this Yippie outrage is mostly located in that influential group of people *above* the Yippies, which in fact controls and deploys them. That group is a central part of the international drug and pornography racket which is closely associated with the Socialist International. Paul Krassner, editor of *Hustler* and former editor of *Playboy*, is a longtime Yippie; attorney William Kunstler is a long time Yippie member and currently the key political controller of Yippie leader Dana Beal; the network includes Robert Gutwilig, a former top executive of *Playboy*, and others.

The overt Yippie agitation to have the President assassinated was only one component of the climate-setting effort. Similar activities have been observed throughout the lunatic fringe and numerous law enforcement agencies have reported the existence of small "cult groups," produced and sustained by brainwashing (behavior modification) techniques, whose belief structure is pivoted around the idea of "shooting Reagan." The sustenance of these groups is described as similar to the Symbionese Liberation Army affair notorious for the Patty Hearst kidnapping, and the "psychotherapy" group which inspired the "Son of Sam" killings in New York two years ago.



No one thought Oswald was a loner. Therefore 'crazed' assassins were created.

The 'lone assassin' hoax

Last Monday's assassination attempt must be viewed against the background of these considerations. The current theory promoted by the press, that of a "lone assassin" living out a "romantic fantasy," has some flaws which render it incredible and useless. There are three sets of facts that puncture it completely.

First: On the basis of his so far known past, John W. Hinckley, Jr., the assailant, should have been on the potential presidential assassin list of approximately 25,000 names retained by the Secret Service according to standard procedure. A number of incidents of his past life, known by law enforcement authorities, would have justified his inclusion on this list. The single most important such incident was his arrest, last October, at the Nashville, Tenn. airport for carrying firearms at a time when President Carter was visiting. On March 31, Nashville police officials reported that they had at the time forwarded the suspect's name to the FBI. The following day, the major national media carried a story which denied that the FBI ever received such report from Nashville.

According to standard procedure, if the FBI had received such a report, the suspect's name would have been included in the Secret Service list. Other incidents from the assailant's life would also have been cause for his inclusion in such a list. Therefore, person or persons influential enough existed to have kept his name off such a list.

Second, the security arrangements around the President's person at the Washington Hilton Hotel were, by universal admission, a complete violation of standard procedure. Up until the second when the shots were fired, there had been a breakdown of security which will require explanations.

Third, the story of the "motives" cannot survive scrutiny on the basis of currently known facts. The alleged existence of love letters to actress Jodie Foster, in which he threatens to "kill the President" in order to demonstrate his love, does not constitute evidence of "motive." It, however, constitutes powerful evidence that the assailant is severely psychologically deranged.

Brainwashing

In the face of such evidence, any competent investigator turns to a detailed examination of the psychological history of the subject, and refocuses the investigation on the hypothesis that a person of such extensive suggestibility is likely to be under the influence of individuals expert in the techniques of behavior modification and behavior control. Instead, the public side of the investigation so far indicates that the love letters are being used to establish "motive" and thus discourage further inquiries.

The behavior of the assailant during and after his arrest, as reported by law enforcement officials present on the scene, strengthens the hypothesis that he may have been under alien psychological control during his action. Police officers reported that Hinckley was in a completely disassociated state, that "he did not know what had happened," and that only after a few hours at the police station did he go into psychological eruptions and began giving indications that he was only then realizing what had happened. Later on, FBI physicians put him on tranquilizers, presumably to prevent violent eruptions, a usual symptom of abreaction.

Quite apart from the particulars of this assassination attempt, that which is in fact breeding political violence and potential presidential assassins, is not what the liberal press, led by Katharine Graham's *Washington Post*, so piously condemn. It is not the outrageous generalization that Americans are "a nation of gun-happy, violence-prone individuals." What is feeding the current wave of political violence is the gameplan of destabilization laid out by the leadership of the Socialist International conference last December in Washington, D.C. Those same, ultimate moral perpetrators of this outrage are now attempting to further exploit the aftereffects of the failed attempt in order to exacerbate a climate of "chaos and confusion" in Washington on the basis of which to build yet another anti-American campaign internationally. If there are serious and responsible people inside the White House who place greater importance on the task of preserving the appearance of government stability over and above the need to publicly investigate the forces behind the assassination attempt, then this is only another indication of how serious the destabilization effort by this country's enemies really is.

Unanswered questions about the attempt to assassinate the President

by Jeffrey Steinberg

In preparing this initial investigative report, *EIR*'s counterintelligence editor and his staff polled dozens of law enforcement and intelligence professionals all over the world. Out of these discussions, a number of questions have repeatedly been posed that represent the key to unlocking the "Manchurian Candidate" closet and unraveling the full story behind the events of March 30.

1) Where did John W. Hinckley Jr. receive his weapons training? Careful review of the videotape film footage of the assassination attempt demonstrates conclusively that Hinckley was an extremely proficient shooter, particularly skilled in the execution of rapid fire under combat stress conditions. His choice of weapons and his now-speculated use of explosive bullets bears all the earmarks of an individual technically prepared to succeed in his mission: kill the President from close range.

Not one word has surfaced publicly as to Hinckley's training in combat handguns. Furthermore, the speed and accuracy of his firing on March 30 would have required consistent practice with the designated assassination weapon during the period leading up to the attempt on President Reagan's life. Are there any records of Hinckley's turning up at shooting ranges in Washington, D.C., Evergreen, Colorado, or Hollywood, California over the last two-month period?

2) Why did the FBI fail to act on the basis of the arrest information received on Hinckley in Nashville, Tennessee during October 1980? Hinckley was detained by Nashville airport police attempting to board a New York City flight carrying at least three weapons and 50 rounds of ammunition. Yet the U.S. attorney's office in Nashville reports that the FBI did not indicate that multiple weapons had been seized. Despite the fact that Hinckley was flying into New York City, where both President Carter and candidate Reagan were scheduled speakers—from a city where both had been scheduled to appear—no report was made to the Secret Service or to the Alcohol, Tobac-

co and Firearms Division. Was Hinckley possibly already a known entity to federal agencies at the time of his Nashville arrest?

3) Did Hinckley's psychiatric treatment at any point intersect: behavior modification institutions involved officially or unofficially in MK-Ultra or any other drug-conditioning experiments; "est" or any other Lewinist sensitivity training; the Church of Scientology or any other cult-therapy centers employing linguistics methods of brainwashing; the Esalen Institute; the RAND Corporation; the Aspen Institute for Humanistic Studies; clinics and/or therapeutic communes run by Dr. Frederick Hacker, Dr. David G. Hubbard, or any of their protégés; any U.S.-based institutions affiliated with the London Tavistock Institute and its affiliated Center for the Study of Conflict? These institutions in their totality represent some of the leading witting centers of brainwashing that currently operate in the United States. Any one of these institutions possesses the resources and the trained personnel to create a "Manchurian Candidate" assassin.

At this point, the totality of evidence made available through public channels and through sources accessed by *EIR* overwhelmingly points to such a "Manchurian Candidate" profile of Hinckley.

Numerous prior cases, such as that of the Symbionese Liberation Army and the Black Liberation Army, and another purported "lone assassin" David Berkowitz, have all been documented by *EIR* specialists to have been the work of professional behavior modification programs. These programs, such as the Vacaville Prison behavior modification unit run by Dr. Frederick Hacker, employ behavior-conditioning techniques first rigorously employed at the pre-World War II Tavistock Clinic in London and subsequently massively exported to the United States. Drugs such as prolyxin and thorazene, as well as torture techniques such as electroshock and sensory deprivation, are rigorously applied to targeted vic-

tims. The result is programmed killers, whether they belong to so-called political cells, to Satanic cults, or even to the growing ranks of "lone assassins."

The past decade's proliferation of drug use among the nation's youth, the epidemic proportion outbreak of homosexuality, and the popularization of T-Group and other self-brainwashing techniques among particularly the nation's middle and upper class population, have created a massive recruiting ground and labor pool for "Manchurian Candidates" schools such as those listed above.

Both *Playboy* magazine and key affiliated sections of the motion picture industry have played pioneering roles in the fostering of this climate. *Playboy's* sponsorship of homosexuality, drugs, and cultism has recently been documented in a special report prepared by a team of *EIR* investigators. The role of the motion picture industry has already become a matter of direct concern to the Hinckley investigation.

Script writer Paul Schrader's screenplay for *Taxi Driver* had remarkable parallels with the psychological profile of the assassination attempt by Arthur Bremer against George Wallace. Hinckley has cited that film as one of the triggering factors in his own attempt on the life of President Reagan. While the media publicity surrounding the *Taxi Driver* revelations has been principally directed at proving the bogus "lone assassin" claims, the same evidence points in a fruitful direction as well: the witting role of elements of the motion picture industry in profiling and popularizing vulnerability to efforts such as the March 30 effort to assassinate the President.

The fact of such mass aversive conditioning of the American people, and the more targeted and recruiting of Manchurian Candidate assassins, poses a necessary further question: *How many more John W. Hinckleys are presently roaming the streets as controlled human time bombs?*

4) Has the summer meeting of the Group of Five heads of state been designated as a high-feasibility time and place for a second attempt on the life of Ronald Reagan? The fact of that conference's taking place in Ottawa, Canada should be a matter of grave concern to all individuals responsible for the security of the President and the other heads of state scheduled to participate.

It is a confirmed fact that during President Reagan's recent trip to Canada to meet with Prime Minister Pierre Trudeau, there were a string of severe security breaches that several times placed the life of the President in immediate jeopardy. *EIR* investigators have established that those security breaches were part of a "dry run" profiling of the Reagan security screen; and that personnel on the private staff of Trudeau, on the prime minister's Crisis Management Staff, and within the Privy Council were all witting in this effort. Affiliates of the

International Law Association connected to a forthcoming conference on international terrorism at Carlton University in Ottawa have been identified as part of this "dry run" profiling team. These same individuals, including Thomas Mitchell, acknowledge at least correspondent collaboration with Dr. David G. Hubbard and Dr. Frederick Hacker, both cited above.

both cited earlier in this memorandum.

The special role of Canada in current and future assassination efforts against President Reagan and other political targets of opportunity is underscored by the prevalent political power exerted over that "British Crown Colony" by the remnants of the wartime Special Operations Executive (SOE) within British intelligence. The SOE networks, through the person of Major Louis Mortimer Bloomfield, sponsored the "joint assassination bureau" of the 1958-68 period that was identified as the control over the assassination of President John Kennedy and the aborted assassination efforts against French President Charles De Gaulle. This Canada-based SOE network, known in the 1958-68 period as "Permindex," is itself a subsidiary capability of the broader intelligence apparatus that includes Tavistock, *Playboy*, and other component elements cited.

The five levels of investigation

The following memorandum was released by Investigative Leads, a subsidiary of EIR.

March 31, 1981, 1500 hours—On the basis of the first 24 hours of investigation following yesterday's assassination attempt against President Ronald Reagan, the *IL* counterintelligence staff has developed the following grid of investigative leads. These leads represent five different levels of command, all of which would have potentially been involved in aspects of the assassination effort. This initial memorandum will be updated as appropriate new elements of the investigation are developed.

1) John Warnock Hinckley, Jr.

John W. Hinckley, Jr., presently in FBI custody for the attempted assassination of President Reagan, bears the initial profile of a "Manchurian Candidate" assassin. Based on his proficiency with the .22 revolver he used at the Washington Hilton scene, his technical abilities are those of an expert gunman. However, no professional "hit man" would have ever attempted to carry out a presidential assassination under the circum-

stances of March 30. Any avenue of escape was virtually out of the question.

The information presently available regarding Hinckley's personal profile points in this overall direction. Sources close to the Hinckley family stated publicly that John Jr. was undergoing as yet unspecified psychiatric care. It is known that from March 8-23, 1981, he was living in Lakewood, Colorado at the Golden Hour Motel. He had no visitors at the motel and paid for all of his expenses in cash. He drove into Lakewood in a Plymouth Volare bearing Texas license plates. It has been reported that he was either a patient or an employee at the Mt. Airy Hospital in Denver. Mt. Airy Hospital is a very exclusive, private, 100-bed hospital which specializes in psychiatric care including drug and alcohol addiction treatment. Spokesmen for the hospital have refused to either confirm or deny Hinckley's presence there.

From 1978-80, Hinckley was an on-again off-again student at Texas Tech University in Lubbock, Texas. It is known that during 1978, he was a student in the history department, during which time he studied under Prof. Otto M. Nelson.

As the term paper for Nelson's course on "Modern European Social Movements: Socialism, Communism, Anarchism and Fascism," Hinckley prepared a study of Adolf Hitler's *Mein Kampf*. At this time, Hinckley was a member of the National Socialist Party of America (NSPA), a neo-Nazi organization. On March 12, 1978, Hinckley was in St. Louis, Mo. for meetings with members of the NSPA. According to Michael Allen, a leader of the NSPA, Hinckley was expelled from the party some time in 1979 as the result of his continued demands that the group should "blow up and shoot up everything."

Hinckley's studies at the Lubbock, Texas campus continued through at least the summer session, 1980. In the first and second weeks of October 1980, Hinckley was actively stalking Ronald Reagan and/or Jimmy Carter. On Oct. 9, Hinckley was arrested by airport police at Nashville Airport as he attempted to board a flight for New York City carrying a duffle bag with several hand guns and ammunition. President Carter was scheduled to hold a town meeting in Nashville that night; and candidate Reagan was due to be in Nashville the previous day until his plans were interrupted. Both Reagan and Carter were scheduled to be in New York City beginning on Oct. 10.

By all standard procedures, Hinckley's name should have been added to a computerized list of individuals posing a threat to the President as the result of his detention in Nashville. For reasons that have yet to be clarified, Hinckley was allowed to leave Nashville after paying a \$62 fine, and his name was apparently never added to the list. That list is principally maintained by

the Alcohol, Tobacco and Firearms Division of the U.S. Department of the Treasury and is accessed by the Secret Service, the Federal Aviation Administration, the U.S. Sky Marshals, the FBI and other agencies.

Within approximately one week of his detention in Nashville, Hinckley was in Dallas, Texas purchasing two .22 caliber revolvers.

In addition to his profiled neo-Nazi affiliations, Hinckley has been characterized as a radical environmentalist who was reportedly incensed at the anticipated anti-environmentalist policies of the Reagan administration. It has been suggested that during a period of residence in Hollywood, California Hinckley was directly involved in environmentalist activities; however, no confirming evidence of this has emerged yet. It is known that Hinckley—during his recent visits to the Lakewood, Colorado area—had been associated with the local drug-rock-environmentalist circles through a rock band called "Kamikazi Klones," led by one Jimmy Murphy.

2) The neo-Nazi connection

Hinckley's several-year association with the National Socialist Party of America represents one level of fruitful potential leads. NSPA is associated with both the Skokie, Illinois riot provocations of the 1978 period and with the more recent November 1979 Greensboro, North Carolina gun battle with members of the Communist Workers Party (CWP) in which five communists were killed. Among the leading identified members of the NSPA are:

- **Frank Collin**, leader of the Skokie march efforts, now in jail on charges of child molesting and related sex crimes. Collin is widely reported to be the son of Jewish concentration camp victims and a potential informant for the Anti-Defamation League of B'nai B'rith, a private intelligence agency.

- **Harold Covington**, leader of the NSPA in the Carolinas and the principal figure behind the November, 1979 shootout.

- **Karl Hand**, leader of the NSPA in the Buffalo, New York area. Hand is closely associated with neo-Nazi circles in Canada, including Don Andrews of the Western Guard Party, now called the Canadian Nationalist Party. These networks were involved in the 1973-74 project known as "Unity Now," an amalgam of both left-wing and right-wing extremist groups who constituted themselves as a phony Canada-based cell of the Arab terrorist "Black September" group and were prepared to conduct a wide-scale terrorist activation until U.S. intelligence agencies intervened to pre-empt the actions.

- **Vincent Allen**, an NSPA member in Chicago with links to a nationwide network of Nazi motorcycle gangs. These gangs go under the name National Social-



Reagan and Trudeau in Canada last month, where the President's security was stripped in a 'dry run.'

ist Liberation Front in several areas around the country, including Los Angeles. They are known to be the most violent of all of the neo-Nazi gangs, openly advocating the overthrow of the U.S. government through the barrel of a gun. In the southern New Jersey-eastern Pennsylvania area, there are active National Socialist Liberation Front cells. Among the identified members are: Ed Reynolds, Frank Duffy, and William Sickles. Sickles operates throughout the Northeast, particularly in Connecticut, in conjunction with a network of hardcore Nazi criminals with long records of prison behavior modification treatment.

It should be noted that the area of Colorado that includes Lakewood, Evergreen, and Denver is heavily populated by neo-Nazi and related extremist paramilitary groupings. This profile of the area dates back to the 1950s and 1960s when organizations such as the Christian Soldiers of the Cross (a West Coast parallel to the Minutemen organization of Robert DePugh) were running active training camps in the Evergreen area.

Furthermore, the Lubbock, Texas area has long been associated with right-wing extremist paramilitary causes. These connections, in turn, track into higher levels of the command apparatus through the 1960s assassination bureau, Permindex, which maintained safehouse and training facilities on large private ranches in the area.

3) Behavior modification

The existence of "national socialist" countergangs in the United States is properly viewed as a "political cult" capability consciously fostered through the use of behavior modification techniques frequently within prison and drug detoxification settings. It is in this context that the role of the NSPA in shaping the profile of would-be presidential assassin Hinckley is properly

investigated. During his recent stay in the Denver area, as well as during his immediate post-Hilton interrogation, Hinckley was reported in a "spaced-out, dazed state—as if he did not know what had happened." His involvement with the NSPA must be viewed in the context of his reported severe mental problems and possible involvement in psychiatric behavior modification treatment.

It should be noted that the Evergreen-Lakewood, Colorado area is dotted with radical psychiatric programs—some of which take the form of therapy communes. In a recently published book, *The Aquarian Conspiracy*, by Marilyn Ferguson, a series of radical psychotherapy programs were cited in the Evergreen area that engage in precisely the kinds of radical psychotherapy that leads to the fostering of political cults of both the extreme right-wing and left-wing profile. Hinckley's reported neo-Nazi and environmentalist background conforms to these kinds of programs.

Among the most immediately identified leads for investigation with respect to Hinckley are:

- **Dr. George Dovenmuehle**, formerly the director of the Evergreen Institute and now a private psychotherapist in the Lakewood area. Dovenmuehle was reportedly involved in the founding of a Gestalt Institute in the Denver area, an institute associated with the Colorado Holistic Health Network, also located in Denver.

- **Naropa**, a Boulder, Colorado center advertising training in philosophy, music, and martial arts. Both the Evergreen Institute and Naropa have been preliminarily identified as behavior modification programs formerly linked with the MK-Ultra experimentation in the inducement of psychosis through the use of mind-altering drugs.

- **Mt. Airy Hospital** (see above).

It should be noted that the Esalen Institute in southern California, a similar radical psychotherapy center, was the last known address of Charles Manson during the several-week period leading up to the mass-murder spree of the Manson family. The Nazi cultist aspects of the Manson family directly intersected the activities of the National Socialist Liberation Front and related motorcycle gang elements in California.

4) The profilers

Proceeding from the view that a broader conspiratorial network was behind the March 30 assassination attempt against President Reagan, and that the assassination plan had the character of a "Manchurian Candidate" deployment, a further level of command is suggested. This level of command involves the profiling of both the potential assassin and the potential target of assassination.

A tightly knit network of professional behavior

modification experts and criminologists has been identified that bears special investigative attention in this regard. Members of this network represent themselves as some of the world's foremost experts on terrorism.

Among the individuals most relevant to the Hinckley case are:

- **Dr. David G. Hubbard**, director of the Aberrant Behavior Center in Dallas, Texas, and former psychiatric consultant at the Medical Center for Federal Prisoners in Springfield, Missouri. The Springfield facility is known to be a center for behavior modification and is believed to have been the location where Minutemen head Robert DePugh had been subjected to psychiatric conditioning. Hubbard is listed as a consulting psychiatrist for the International Law Association, an international network of lawyers involved in the higher levels of deployment control over terrorist networks.

- **H. H. A. Cooper**, a British subject residing in the United States for the past several years. Cooper has personally acknowledged close ties to Italian Red Brigades controller Prof. Toni Negri. Despite this, Cooper has served as a terrorism adviser to the International Association of Chiefs of Police and the Law Enforcement Assistance Administration. A close collaborator of David Hubbard, Cooper is presently believed to be in attendance at an international terrorism conference in Syracuse, Sicily.

- **Major Louis Mortimer Bloomfield**, a leading figure within the above-cited International Law Association. During the 1960s, the former Special Operations Executive major was exposed by U.S. and French security services as the director of Permindex, a Montreal-based company that bankrolled the assassination of President John F. Kennedy and the over 30 aborted attempts on the life of Charles de Gaulle (see article below). Bloomfield is a special antiterrorism consultant for the United Nations and has in that capacity drafted every U.N. convention on terrorism and air piracy.

- **Vittorfranco Pisano** is the director of the European law division of the Library of Congress and another self-described expert on international terrorism. Pisano is currently in attendance at the Syracuse, Sicily terrorism conference.

The particular group of behavior modification and criminology specialists cited above are an inner core within a larger environment of witting operatives who profile for future terrorist acts. They have been singled out because their immediate activities potentially intersect the particulars of the Hinckley case.

The most significant point of intersection (aside of the case of Dr. David Hubbard, whose center in Dallas may have direct bearing on the Hinckley profile) involves the early March 1980 state visit by President Reagan to Ottawa, Canada. During that visit, President

Reagan was subjected to a severe security threat in the form of a several-thousand-strong demonstration by hostile and, in many cases, proterrorist leftist protesters. At points during the President's public appearances, the demonstrators were within 50 feet. Radio reports at the time indicated that the Secret Service detachment traveling with the President had been stripped of their weapons.

The presidential security situation during that Canada visit was the subject of reported profiling by a group of university-based associates of Bloomfield, Hubbard, et al. According to Thomas Mitchell, a professor at Carlton University in Ottawa and the sponsor of the soon-to-take-place Carlton "Conference on International Terrorism in the 1980s," he personally conducted a profile study of the behavior of President Reagan, the Secret Service and the Royal Canadian Mounted Police on being faced with a severe security problem. Mitchell is himself known to be a sympathizer of environmentalist causes in addition to being an expert on terrorism. Among his cosponsors for the Carlton conference on terrorism is Michael Widdington, a member of the Canadian government's crisis management team. Thomas Mitchell is identified as a consultant with the International Law Association. In his own written works, he has cited personal gratitude to Dr. David Hubbard for his contributions.

Such professional, in-depth profiling of security procedures and the precise mannerisms of the targeted victim are preconditions for any professional hit attempt—even an attempt in which the assassin is a "Manchurian" deployable.

5) The British Security Commission

While the activities of the behavior modification specialists, and those criminologists who interface with their activities, constitute a critical area of investigation, the overall command over such an ambitious terrorist effort does not reside with these technicians.

In the case of the Permindex assassination activities of the 1960s, that command level decision-making process was traced to the highest levels of a "one-world command structure" deeply interfaced with the intelligence networks in the Royal Household of Britain.

One of the vehicles through which the Permindex assassination apparatus was activated was the British Security Commission, then known as the Radcliffe Commission. The Radcliffe Commission was constituted in 1962 under the pretext of conducting a thorough review of the security procedures of the British MI-5, MI-6 and other secret services. Strong evidence indicates that the conducting of this procedural review was merely a cover for the activation of a massive international dirty-tricks campaign dedicated to preventing the

United States and continental European governments from embarking on an independent economic and political policy profile contrary to the interests of the British oligarchy. Permindex director Louis M. Bloomfield was an asset of the Radcliffe Commission at the time of the John Kennedy assassination and the aborted attempts on General de Gaulle.

In the past week, under the guise of the MI-5 "spy revelations," British Prime Minister Margaret Thatcher has announced the reactivation of the Security Commission, now called the Diplock Commission after its chairman, Lord Diplock.

The Diplock Commission consists of seven long-time secret service executives who report only to the Royal Household. The members of the Commission are:

- **Lord Diplock**, Law Lord
- **Lord Bridge of Harwick**, Lord of Appeals and a former member of the High Court
- **Lord Greenhill of Harrow**, former director of the Diplomatic Service and former director of British Petroleum
- **Lord Allen of Abbeydale**, former permanent under-secretary of the British Home Office
- **General Sir Dudley Ward**, former commissioner of the Royal Electrical and Mechanical Engineers
- **Admiral Sir Horace Law**, former commander-in-chief of the Naval Home Commission
- **Sir Allen Cottrell**, former science adviser to the government and to the Defense Ministry, currently the Master of Jesus College, Cambridge.

The disinformation factor

It should be noted that much of the detailed information coming out of public sources will tend to have a strong disinformation factor. It is for this reason that a broad range of leads bridging different levels of the assassination command have been identified in this preliminary memorandum. Simultaneous pursuit of all five levels of the investigation is one of the most effective insurances against severe misdirection. It is the overall environment that produces the terrorist capabilities activated on March 30 that is the proper subject of any serious investigation. The agencies cited above have the capacity to deploy thousands of Hinckleys provided that they themselves remain aloof from criminal investigation.

In addition to the areas of investigation cited above, special critical attention must be devoted to establishing the reasons behind the security breach that allowed Hinckley to enter the immediate environment of the President after his October 1980 detention in Nashville. The rigorous pursuit of that line of investigation will most surely lead to the opening up of leads that are yet to surface and that represent crucial evidence.

The Permindex

by Linda de Hoyos

This brief outline of the Permindex organization is based on an investigation by the EIR's Investigative Leads staff, also using the results of the New Orleans District Attorney Jim Garrison's 1967 investigation and the suppressed Permindex papers written by "William Torbitt" (an apparent pseudonym), itself based on reports by U.S. and French intelligence agencies. A full exposé of the Permindex organization will appear in the second edition of Dope, Inc., by Investigative Leads' Jeffrey Steinberg and David Goldman, published by the New Benjamin Franklin House Publishing Company, due for release this spring.

In the spring of 1963, a series of planning sessions was held at an exclusive resort club in Montego Bay, Jamaica, called the Tryall Compound, built at the close of World War II by Britain's Chief of Special Operations Executive (SOE) William Stephenson. Present at various times for the planning sessions were: Major Louis Bloomfield, still an officer, then of British SOE; Ferenc Nagy, a wartime cabinet minister in the pro-Hitler Horthy government in Hungary and later its prime minister; Giorgio Mantello, a Romanian-born Jew who had served as trade minister under Mussolini; Col. Clay Shaw, a former officer of the U.S. Office of Strategic Services and in 1963 the director of the New Orleans International Trade Mart; Jean de Menil, a White Russian emigré and president of the Houston-based Schlumberger Corporation; and Paul Raigorodsky, another White Russian emigré who had served as Special Representative to Europe for NATO and was a high-ranking official of the Tolstoy Foundation.

Without exception, each of these people was also a member of the board of directors of Permindex (Permanent Industrial Expositions). The subject of their meetings: the assassination of President John F. Kennedy in Dallas, Texas on Nov. 22, 1963.

President Kennedy was not the first target of the Permindex international assassination bureau. In 1967, the French intelligence agency SDECE released the result of a five-year investigation into the 1962 aborted assassination attempt against President Charles de

connection

Gaulle, carried out by the right-wing Secret Army Organization (OAS). While the SDECE report traced the origins of the assassination plot to the Brussels headquarters of NATO and to a specific group of disgruntled French and British generals, as well as remnants of the old Nazi intelligence apparatus, it also singled out Major Bloomfield's PermindeX trading company as the agency responsible for conduiting \$200,000 into the OAS to bankroll the attempt.

The Division Five role

French intelligence traced the funds to Division Five (counterespionage) of the Federal Bureau of Investigation, whose chief contract recruitment officer was Canadian Major Louis Bloomfield. According to the SDECE investigation, \$200,000 in black-market revenues were channeled into the Banque de Cr dit Internationale accounts maintained by PermindeX. Among the sources of those funds was the Bank Hapoalim, the Israeli bank owned by the Histadrut, for which Major Bloomfield was the primary Canadian fundraiser.

The funds were then passed from Bloomfield's Montreal law offices to the New Orleans station chief for Division Five, Guy Bannister. From there, Bannister dispatched one of his agents, Jerry Brooks Gatlin, to Paris with a suitcase full of cash for hand delivery to the OAS generals.

The address of Bannister's Division Five offices, 544 Camp Street, had also been the address Lee Harvey Oswald had placed on the bottom of his Fair Play for Cuba Committee leaflets he passed out in New Orleans in September 1963.

The same PermindeX organization was named in the investigation of the Kennedy assassination by New Orleans District Attorney Jim Garrison. In 1969, Garrison managed to win an indictment in a case against Colonel Clay Shaw for the conspiracy to kill the President.

At the outset of Garrison's investigation in 1967, Gatlin, the bagman for the OAS, had died when he was thrown out of a sixth-floor window in a San Juan,

Puerto Rico hotel. Bannister himself had died a year earlier under similarly mysterious circumstances, and his files removed by officers of Division Five, never to show up again.

It would take the unexplained deaths of 17 key prosecution witnesses and the launching of a nationwide media witch-hunt against the New Orleans D.A. to bring a halt to the Garrison investigation.

At minimum, Garrison had "cracked" the Kennedy assassination plot at the operational level directed by New Orleans case officer Clay Shaw. On March 14, 1967, Garrison brought Perry Raymond Russo, an insurance salesman from Baton Rouge, Louisiana, before a three-judge criminal district court panel. Russo testified that during the middle of September 1963, he had been witness to a conversation between Clay Shaw, his coworker David Ferrie, and an individual named "Leon Oswald." The topic of the conversation—which took place at Ferrie's house in New Orleans—was the murder of the President. In the conversation, Ferrie, an agent of Division Five, emphasized the importance of using at least three marksmen to produce a "triangulation of fire."

In February 1967, three days before Garrison was to take Ferrie into custody, he was found dead of a massive hemorrhage of the brain.

According to the Garrison investigation, the person introduced to Russo as "Leon Oswald" at the September 1963 meeting was in all likelihood not the Lee Harvey Oswald charged by the Warren Commission with being the "lone assassin" who killed the President. The individual was more likely William Seymour, one of several persons assigned to impersonate Lee Harvey Oswald in the several-month period leading up to Nov. 22, 1963.

Seymour was an agent for a Miami-based detective agency called Double-Check, a U.S. subsidiary of the Rome Centro Mondiale Commerciale (World Trade Center), an offspring of PermindeX. Double-Check was reported to be the CIA channel for weapons into the Bay of Pigs invasion force. These weapons were provided through the Schlumberger company of Houston, Texas, whose president was PermindeX's Jean de Menil.

Jack Ruby, the man who killed Lee Harvey Oswald in the basement of the Dallas police headquarters, is also known to have been associated with PermindeX through David Ferrie and Clay Shaw, with whom he was involved in gun-running and other ventures in Cuba. It is presumed that Ruby drew the "short straw" in the plot to assassinate the President, and was given the task of shooting the "patsy."

Garrison had other evidence linking Ferrie et al. to the Kennedy murder. In February 1964, a Winnipeg businessman overheard a conversation between a man (whom he later identified "100 percent positive" as

David Ferrie) and another man (tentatively identified as Major Louis Bloomfield) in the Winnipeg International Airport. The topic of the conversation was the successful completion of the assassination plot against Kennedy. The businessman reported the conversation to the FBI, who several months later told him he should forget about the episode as it was "too big," and "we can't protect you in Canada."

When the businessman saw David Ferrie's picture in the paper with a report of the Garrison investigation, he reported the incident anew, and gave an interview on the exchange to *McLeans* magazine.

A massive campaign was mounted by the Justice Department to quash the Garrison investigation. Not only had 17 key witnesses died before they could take the stand. On Oct. 13, 1967, a few days after his confirmation as attorney general of the United States, Ramsey Clark delivered a speech at the University of Virginia Law School, stating: "Much as I hate to do it, I just might have to prosecute Jim Garrison . . . [who] took a perfectly fine man, Clay Shaw, and ruined him just for personal aggrandizement." Twenty-four hours later, the public relations office at the Justice Department was forced to issue a full retraction of Clark's statement.

The guts of the operation to discredit the Garrison investigation was carried out by Walter Sheridan, the head of Robert Kennedy's "Get Hoffa Squad," who was hired by NBC-TV just long enough to prepare a "white paper" against the Garrison probe in July 1967. Sheridan has interesting connections of his own. Now the chief investigator for the Senate Labor Committee, he had started his career, after graduation from Jesuit Fordham University, with Division Five of the FBI, and had then entered the counterintelligence division of the National Security Agency, the most secretive of all government intelligence agencies and the creation of British SOE chief William Stephenson.

By July 1967, Garrison had won four indictments against Sheridan on charges of public bribery in efforts to wreck the Garrison investigation.

Who is Permindex?

According to evidence presented in the course of the Garrison inquiry, Clay Shaw, Georgio Mantello, and Ferenc Nagy, all members of the board of Permindex and the Centro Mondiale Commerciale, were in place in New Orleans, Dallas, and Los Angeles on Nov. 22, 1963, handling aspects of the assassination and coverup.

Their deployment had been arranged months earlier by Bloomfield, and Bloomfield is perhaps the best starting point for a brief outline of the apparatus that is the international assassination bureau called Permindex.

Throughout his life, Bloomfield, of Romanian Jewish extraction, was an agent of the British Special

Operations Executive, to which he was recruited in 1938. Under SOE commission and through the SOE's prewar special relationship with the United States, he was given an officer's rank in the U.S. Army and assigned to the newly created Office of Strategic Services—although he was a Canadian national. As a major in the OSS, Bloomfield was detailed to the FBI, especially its counterespionage Division Five, where he remained up to and throughout the period of the Kennedy assassination.

Until 1968, when President de Gaulle exposed the role of Bloomfield's Permindex, Bloomfield's name was on the letterhead of the law firm Phillips, Vineberg, Bloomfield, and Goodman. The firm's most prominent client is the Bronfman family, whose vast Seagram empire and holdings are itself a front for the Eagle Star insurance group of top British financial interests and the \$200 billion a year British drug cartel.

Bloomfield also assumed the directorship of the Israeli-Canadian Maritime League and became the Consul-General in charge of the Western Hemisphere of the African state of Liberia. Liberia is, of course, a tax shelter and smuggler's port of call, whose unregulated banks account for \$7 billion in average daily transfers, most of it related to black-market transfers.

In 1952, Bloomfield became a ranking official of the United Nations Organization, from his position as Overseas Representative of the International Executive Board of the International Law Association. Bloomfield's area of expertise: international terrorism, air piracy, and civil aviation. To this day, the International Law Association has representatives in nearly every nation, including the socialist bloc, with a heavy component of so-called international terrorism experts.

Bloomfield's abbreviated dossier places him, first, squarely in British intelligence, and makes him a point-man both for dirty-money operations and international terror. He maintains his headquarters in Montreal.

Joining Bloomfield on the board of Permindex are four operatives of the White Russian Solidarist movement, centered in the United States in New York City's Tolstoy Foundation:

- **Ferenc Nagy**, the late wartime cabinet minister in the pro-Hitler Horthy government in Hungary who attended the Tryall Compound planning sessions;
- **Paul Raigorodsky** of the Tolstoy Foundation, who was associated with Lee Harvey Oswald in Dallas when Oswald returned to the United States from the Soviet Union in 1961;
- **Jean de Menil**, of the Schlumberger Corporation. After fleeing from Russia, de Menil's family settled in France, where Jean de Menil married into the Neuflyz, Schlumberger, Mallet banking empire. In 1958, de Menil became president of the Schlumberger oil diagnostic equipment company, which accounts for 50 per-

cent of all such equipment in the industry. During the mid-1960s, de Gaulle's intelligence services established that the Neuflyz, Schlumberger, Mallet Bank was channeling funds to OAS leader Jacques Soustelle for the purpose of bankrolling OAS terrorist activities;

- **Ferenc Simonfay**, former Nazi collaborator in Hungary, leader of the Solidarist movement.

The Italian component of the Permindex board centers around the figures of:

- **Prince Guttierrez di Spadafora**, former undersecretary of agriculture under Mussolini, sponsor of the Sicilian separatist movement, and the chief oligarch and landowner in Sicily, whose name has come to light in the continuing terrorist activities in Italy and in connection with the semisecret terrorist cult, the Muslim Brotherhood, which is the power behind the Khomeini regime. Spadafora is undoubtedly associated with another Permindex board member, **Munir Chour Bagi**, uncle of King Farouk of Egypt;

- **Carolo D'Amelio**, attorney in Rome, representing the financial holdings of the House of Savoy and the House of Pallavicini. D'Amelio is also the attorney for the "Circolo Rex" of Italy's black nobility and is general counsel for the Centro Mondiale Commerciale;

- **Giuseppe Zigiotti**, head of the Italian political party, Fascist National Association for Militia Arms;

- **Georgio Mantello**, financial adviser and investment banker to the House of Savoy. A Romanian Jewish emigré, Mantello is a chief suspect for the 1977 kidnap-murder of former Italian Prime Minister Aldo Moro. He is the owner of Permindex's subsidiary Capocetto, which was revealed by Italian journalists to be the liaison between the B'nai B'rith International and such terrorist gangs as the Red Brigades of Italy and the Baader-Meinhof of West Germany.

Central Europe is represented on the board of Permindex by:

- **Hans Seligman**, the head of the Seligman Bank of Basel, Switzerland. Seligman is the last remaining European-based member of the Seligman family that made its vast fortune in the United States during the 19th century. The Seligmans originated in Bavaria as part of the Hofjuden entourage built up around the Wittelsbach and Hapsburg courts;

- **Max Hagerman**, editor in Munich of the *National Zeitung*, a neo-Nazi publication.

In the United States, members of the board of Permindex aside from Clay Shaw are:

- **Roy Marcus Cohn**, attorney, New York City, former general counsel to Sen. Joseph McCarthy. Aside from representing members of the dope-linked mafia in New York City, Cohn was a member of the board of directors of the Lionel Corporation in 1958, when the corporation was an initiating stockholder in Permindex.

- **Joseph Bonnano**, syndicate boss of Montreal and

Phoenix, now deceased, and chairman of the board of the Lionel Corporation;

- **Major-General John Bruce Medaris**, former director of the Defense Industrial Security Command, which attempted in the late 1950s to place all U.S. space programs under armed forces instead of civilian control, and a member of the board of directors of the Lionel Corporation in 1958.

Permindex today

The international assassination capability of Permindex has not been downgraded since its board members met to plan the assassination of John Kennedy in British SOE's Tryall Compound in the spring of 1963. Rather, the success of the MK-Ultra project launched by British intelligence, led by Aldous Huxley, to create the drug counterculture in the United States and the ensuing spawning of hundreds of cults and left- and right-wing terrorist organizations out of that culture has provided the Permindex assassination bureau with a "sociological" screen for targeted assassinations.

This applies to the professional assassins who operate in the name of the terrorist Red Brigades in Italy, and the terrorist Baader-Meinhof of West Germany.

In the case of the March 30 assassination attempt against President Ronald Reagan, the Yippie organization is a case in point (see above).

The Yippie connection to Permindex runs through its sponsorship and bankrolling by the Playboy Foundation, also a bankroller for the marijuana lobby NORML. *Playboy's* editor Robert Gutwillig is also a principal shareholder in the Munich-based publishing house NewMag. In 1980, NewMag deployed one Hans Magnus Enzensberger to the United States for a profiling operation against Democratic Party leader Lyndon H. LaRouche, Jr., whose name appeared on a 1977 hit list of the Baader-Meinhof and who has been the target of assassination threats continuously since. Enzensberger is also a member of the Playboy-bankrolled P.E.N. International—an organization of literary radical journalists, who specialize in giving literary support to terrorist operations.

NewMag itself fits squarely in the networks identified with Permindex. Its publisher, von Nouhuys, was the Munich control point for the OAS would-be assassins of de Gaulle. Jacques Soustelle himself is a director of NewMag, and arranged for NewMag to provide the safehousing of the OAS terrorists in the early 1960s.

The fact that another bankrolled organization of the Playboy Foundation—this time the Yippies—is now publicizing its desire to kill the President of the United States should not be taken lightly. It must be assumed that the Permindex international assassination bureau has many options available for the murder of a U.S. President. The Yippies are but one of them.

Who will gain the upper hand in Poland?

by Rachel Douglas

In early February, Polish Defense Minister Gen. Wojciech Jaruzelski took the reins of government as prime minister, in hopes of ending the brushfires of local-issue strikes that were inflaming Poland. He appealed for 90 days of calm, without strikes, to permit recovery from staggering industrial production shortfalls while economic reforms were drafted.

Lech Walesa, the head of the Solidarity trade unions, exhorted union members to view the Jaruzelski government as the "last" that would treat Solidarity as a partner and therefore to obey the plea for labor peace.

But on March 19, while West German Foreign Minister Hans-Dietrich Genscher was in Warsaw for talks on economic aid to Poland and renewal of regular political contacts between the two countries, the peace was broken. Police in the northwestern city of Bydgoszcz confronted Solidarity organizers who were carrying out a preplanned filibuster in the provincial assembly hall on behalf of the not-yet-legalized farmers' union, Rural Solidarity. Expelled into the street, some Solidarity members were beaten by identified men in civilian clothes, and three of them landed in the hospital.

Solidarity immediately staged walkouts in Bydgoszcz, and the union's national leaders went into continuous sessions to prepare a nationwide strike in retaliation for the Bydgoszcz incident. Negotiations with the government followed. The U.S.S.R. responded, in turn, with a barrage of press releases containing more and more serious charges against Solidarity, up to the point of calling it a counterrevolutionary "fifth column" on March 29. Meanwhile, Warsaw Pact military maneuvers

under way in and around Poland were extended beyond their original schedule, so that the forces for a Soviet military intervention to curb Solidarity were already mustered.

Not until the night of Monday, March 30 was a nationwide general strike averted by a government-union accord, scarcely an hour before it was to begin.

During the 11 days of confrontation, it emerged that the incident in Bydgoszcz was a provocation on both sides: Solidarity militants, defying Walesa's directive to oblige Jaruzelski, led the Bydgoszcz sit-in, and the plain-clothes thugs who attacked Solidarity were out of the control of the central authorities.

Both the threatened general strike and its prevention resulted from decisions taken outside of Poland, and played out by pawns on the Polish chessboard.

The militant wing of Solidarity centers on the KOR (Workers Defense Committee) grouping, which was instrumental in launching the Polish crisis last year. Through its leaders Jacek Kuron, Adam Michnik and Oxford University-based Prof. Leszek Kolakowski, KOR is under the control of British intelligence services and the European leftist support networks that also assist terrorism in Western Europe. It has been an instrument of provocations by the Soviet KGB as well, in tacit alliance with these British networks.

The Polish secret police, believed to be responsible for both the Bydgoszcz beatings and the recent appearance in Warsaw of inflammatory anti-Semitic literature, are closely interlocked with the KGB as well.

The dramatic escalation of the Polish crisis by these

two sides, leading to increased expectations of a Soviet invasion, came at an extraordinarily sensitive time in international politics—even before the attempted assassination of President Ronald Reagan.

France and West Germany, renewing their moves to expand the European Monetary System into its second, credit-generating phase, are pressing the Reagan administration to abandon monetarist policies and high interest rates. The open factional sparring inside the U.S. administration poses the possibility that Reagan could link up with the Franco-German alliance on these policies.

The jaundiced British interpretation of this state of affairs was candidly revealed by a senior British official to the *Frankfurter Allgemeine Zeitung*. “The real threat to security in Europe is not Poland,” he said, “but the Franco-German alliance.”

And the Polish crisis, tested last summer against Polish leader Edward Gierek, who was the foremost East European collaborator of France and West Germany before his ouster, is the way to smash the efforts of Paris and Bonn.

The motive of the East European networks implicated in the latest destabilization of Poland stems from abiding opposition to the Brezhnev leadership's stake in rebuilding détente with the West Europeans. The presence of this factional view in East bloc councils is demonstrated by repeated Czechoslovak and East German media demands for Solidarity to be crushed, regardless of the consequences.

Several U.S. administration officials anticipated countermeasures against a Russian invasion and proclaimed them in advance with stridence. Secretary of Defense Caspar Weinberger, for instance, said March 27 that a Soviet military intervention would spell an end to possible East-West arms talks.

Senate Foreign Relations Committee Chairman Charles Percy (R-Ill.) suggested in a March 29 television interview that arming China would be part of a Western response to the Russians.

Breathing room

The March 30 government-union agreement deflated such scenarios for the time being.

Jaruzelski and communist party First Secretary Stanislaw Kania, advocating moderation, carried the day in an 18-hour party meeting March 29—an outcome encouraged by the prospect of West European economic assistance and the continued confidence of the Brezhnev leadership. Even though the Soviet news agency TASS issued daily warnings that Solidarity had become a threat to socialism in Poland, the daily *Sovetskaya Rossiya* wrote that the Polish government still had the overwhelming trust of the population.

And Lech Walesa outlasted the radicals to obtain

approval from Solidarity's national coordinating commission for the agreement to pledge the union to refrain from tension-creating activities such as the occupation of buildings. Two of the militants beaten in Bydgoszcz sat up in bed long enough to dispatch a letter to the commission meeting, accusing Walesa of selling out, but their bid failed.

Walesa, originally a KOR-selected organizer of the August 1980 strikes, has reached his current advocacy of moderation in large part due to his close ties to Polish Catholic Church officials, including the entourage of Primate Stefan Cardinal Wyszynski. Although Catholic radicals developed the ideology of “solidarism” and its movement in Poland, the Catholic advisers to Solidarity are concerned not to jeopardize the institutions of the Church by inviting Soviet tanks to roll into the country; they will go as far as they can to implement their low-technology, “human value” economic policies without pushing Moscow over the brink.

The other tempering influence on Solidarity is the fatigue of the Polish population, worn down by the effects of eight months of constant strikes: with 1981 industrial output at 20 to 50 percent below 1980's in various branches of industry, Poland is facing food supply disruptions so serious that in mid-March many Warsaw stores had nothing on the shelves except peas and vinegar. When the Warsaw local of Solidarity passed a resolution to reject the national union-government agreement, its worker constituents rejected the rejection.

The next milestones

Party members initially favorable to Solidarity are now also fed up with the radicals. Even Deputy Prime Minister Mieczyslaw Rakowski, who as a leading party liberal and member of the Anglo-Polish Friendship Society aided the formation of Solidarity in 1980, complained March 25 that “some Solidarity people” were attacking him personally without cause and launching “colossal actions” at the slightest excuse.

The next questions facing Poland are whether party feuding will stymie Jaruzelski's political and economic stabilization plan, whether Walesa continues to rein in the Solidarity radicals, and what foreign economic aid can be obtained to cover both the food crisis and Poland's rugged debt repayment schedules (see International Credit.)

With the food shortage causing panic hoarding throughout the country, the Polish foreign ministry called in ambassadors of the European Community nations and the United States in mid-March to request emergency food aid. And Poland has reportedly begun to miss some loan payments, starting a flurry of consultations and strategic planning in the West on how to handle the Poles' requests.

LaRouche specifies recommendations on U.S.-Mexico economic policy

This magazine's Latin America editor locked horns with one of the Reagan administration's top policy-makers for Mexico and Central America at a well-attended Washington seminar sponsored by *Executive Intelligence Review* March 26. The debate occurred at the final session of a two-day seminar on "The U.S., Mexico and Central America: Conflict or Cooperation?" which brought together a high-level audience of over 100 diplomats, Reagan administration representatives, and members of the business and intelligence communities.

Present at the *EIR* seminar were representatives of the White House; Defense, Agriculture, Commerce, Treasury; Labor, and State Departments; the Army Corps of Engineers, the Naval Reserve, and the Nuclear Regulatory Commission; diplomatic representatives from European, Asian, African, and a half-dozen Latin American embassies; and various participants from think tanks and intelligence agencies in the Washington area.

Al Zapanta, a member of the Reagan transition team with responsibility for Mexico and Central America, currently a vice-president at ARCO Ventures, presented the high points of what he said was the thinking that went into formulating Reagan's foreign policy. On Mexico, Mr. Zapanta urged the adoption of a "North American Accord," which would be a cleverly disguised version of the North American Common Market proposal which calls for uniting Mexico, Canada, and the United States. Zapanta also suggested that a model of U.S. ties with area nations should be with the new Seaga government in Jamaica.

EIR Latin America Editor Dennis Small attacked Zapanta's idea of Jamaica as a model. "Seaga's 'free enterprise' approach has meant legalizing Jamaica's large marijuana exports to the U.S., and the financial flows from it. This is no ally of America," Small charged, "this is a bill of goods we are being sold."

The *EIR* editor counterposed to this a U.S.-Mexico relationship based on an exchange of oil-for-technology first proposed by former Democratic presidential contender Lyndon H. LaRouche. Small argued that this—and not a trilateral common market accord that Mexico

has already publicly rejected as a threat to its industrialization plans—is the basis for economic and political stability in the region, including Central America.

Democratic Party leader Lyndon LaRouche outlined the strategic context for the entire discussion in his afternoon keynote address. If the Reagan administration accepts Mexico's offer to trade oil for advanced American technology and capital goods at the upcoming April 27-28 meeting of two countries' presidents, LaRouche argued, America's entire economic and foreign policy can be put back on the right track.

"We now have a real strategic possibility for change," LaRouche told the attentive gathering, if the U.S. helps Mexico fill its "shopping list" of high-technology goods it needs to meet its ambitious industrialization goals. This is the best way for the U.S. to abandon the "Global 2000" antigrowth policy pushed by the Haig State Department, LaRouche said.

Alexander Haig and Federal Reserve Chairman Paul Volcker "want to halt technological progress," the Democratic Party leader charged. "This is a policy of genocide, of bringing the world population down from 6 billion projected in the year 2000 to 4 billion. This is 100 times worse than Adolf Hitler."

But can we produce enough?

LaRouche's address came after a morning session had heard Dr. Uwe Parpart, the director of research of the Fusion Energy Foundation, present a detailed profile of the prospects for Mexico's rapid economic growth. Dr. Parpart, who recently completed a groundbreaking study of the Mexican economy based on the LaRouche-Riemann econometric model, argued that Mexico would in all likelihood be purchasing upwards of \$150 billion in capital goods imports over the decade of the 1980s, to fuel an 11 to 12 percent growth rate. "We can sell Mexico \$100 billion in capital goods over that time period," Parpart claimed, if the right bilateral political relations are established between the two countries.

Parpart argued that the U.S.'s major problem would be that Volcker's wrecking policy against the U.S. economy had left it physically unable to match Mexico's demand, and that a prompt reversal of those policies was required.

Parpart was followed by Dr. Joseph Dietrich, a former president of the American Nuclear Society and chief scientist at Combustion Engineering, who discussed how U.S. nuclear policy had to be changed in order to take advantage of export markets like Mexico's; and by Dennis Small, who reviewed the policies of U.S.-Mexico relations and the steps needed to improve those ties.

Full discussion followed the three presentations, with the audience asking for details on the political and economic feasibility of the oil-for-technology proposals outlined. Is it possible to modernize Mexico's agriculture without changing that country's *ejido* system of land tenure? Will the United States be able to compete with Europe and Japan for the Mexican market? Will Mexico's next president follow in López Portillo's pro-development footsteps?

Who runs terror?

The worsening civil war in Central America, which threatens U.S.-Mexico relations and hemispheric stability as a whole, was put under a microscope on the second day of the conference. In particular, the controversial question of who really runs terrorism in Central America was asked, and answered in detail.

Criton Zoakos, editor-in-chief of *EIR*, explained that the key to understanding the entire chaotic situation in Central America was knowing State Department policy in the area. It is that policy which is shaping the supposed "ideological dispute" between "left" and "right" there. And that policy, Zoakos charged, is deliberate genocide, depopulation as prescribed by the Global 2000 report.

"Ideologies are manipulated to create this policy result," Zoakos explained, "and there are fools in Latin America who aid and abet this population policy."

Zoakos was followed by Paul Goldstein, contributing editor of *Investigative Leads* and a counterintelligence specialist who has studied Central America closely. Goldstein flatly characterized Haig's charge that only the Soviets and Cubans run terrorism as "a lie." The State Department has 18 pounds of documentation on the role of organizations like the Socialist International and the Jesuits in El Salvador, but they have released only a tiny portion which concerns the Soviets and Cubans. "Why are they covering up?" asked Goldstein.

Transcripts of the EIR conference are available at \$100 per copy. Order from Peter Ennis at (212) 247-8820, or write to EIR.

Mexican press covers LaRouche in Washington

Lyndon LaRouche recently returned from a 10-day tour of Mexico. And on the day after he addressed the Washington EIR conference on U.S.-Mexico relations, the Mexico City dailies Avance, El Universal, Ovaciones, El Heraldo, and the semi-official El Nacional, as well as El Norte and El Porvenir in Monterrey, all covered the following March 26 UPI wire on the LaRouche speech.

It has been said that Mexico is sitting on top of "a sea of oil," but an American economist suggests that the future of that nation lies in nuclear technology.

"The most important characteristic of overall investment during the next decades should be nuclear technology," declared Lyndon LaRouche. . . . LaRouche, who is an energetic proponent of his country's exchanging technology for oil with Mexico, stressed that "only the capabilities of nuclear energy could satisfy the necessities" of Mexican development. . . . LaRouche emphasized that "every nation which seeks a technological future, including the majority of the semi-industrialized developing nations, should begin right now developing thermonuclear technologies.

"Mexico," proposed the economist, "should be owner of nuclear technologies, developing research and the necessary training programs, just like [the state petroleum entity] Pemex did in respect to oil technologies."

LaRouche recommended that Mexico complement thermonuclear development with extensive pumping of gas, especially in the eastern part of the country where natural gas is abundant. He said that if oil exports to the U.S. reached 2.5 million barrels per day, during the first decade of this agreement Mexico would receive \$150 billion in high-technology capital goods.

"These figures are not so impressive when it is observed that it works out to only \$2,500 of investment for every Mexican living in 1991," he added.

As far as the U.S. is concerned, if it reached an agreement with Mexico, it "would produce an increase in employment in the production of capital goods, which would stabilize for a long time the U.S. balance of payments and would guarantee that Mexico would achieve its objectives by the year 2000."

On his thesis of exchanging oil for technology, LaRouche said that this "would represent, in principle, a model for a new world economic order in North-South relations. A U.S. government which rejected Mexico's offer of exchanging oil for technology would deserve to be locked up in an insane asylum because of its clearly galloping lunacy."

A program to rescue Central America

by Dennis Small

The final panel discussion of the Washington, D.C. EIR seminar centered on the best means to stabilize the currently explosive Central American region. The following excerpts were taken from the presentation made on this subject by EIR's Latin America editor, Dennis Small.

The situation in Central America and in El Salvador specifically, as it stands right now, is a no-win situation for the United States. No matter which way we turn, within the current defined options, there is no solution. Both sides of this civil war, both the Christian Democratic Junta and the Social Democratic and Jesuit-run opposition, are in fact controlled by the same international forces at the top. And you can trace this command structure right back into the European nobility that runs the Christian Democracy and similarly runs the Society of Jesus. I think it is crucial to remind ourselves of this to keep the El Salvador situation in proper focus. . . .

Our proposal is different.

The United States and Mexico, on the basis of the kind of oil-for-technology accords which we've discussed in earlier panels, should jointly address the Central American problem from the standpoint of encouraging rapid economic development as the basis for geopolitical stability. This approach would include:

1) U.S.-Mexico economic cooperation projects throughout Central America. A first element of this must be immediate food relief. This is an urgent problem. Secondly, there was a project floated once by certain Mexicans to construct a natural gas pipeline south—since there didn't seem to be any interest in the north. This would be very useful. Relatively economically it could be extended throughout Central America, providing urgently needed energy supplies and industrial feedstocks for what could then be built up as an industrial region south of Mexico's border. A related project would be for private sector companies in Mexico like ICA, and public sector companies like Fertimex, to expand their already significant activities in the region in the areas of construction and fertilizer plants, respectively. These would be the kinds of industries which could in fact

develop Central America.

Perhaps the Alfa group of Monterrey could then be interested in using their HYL process of direct reduction steel fabrication in Central America. The natural gas that could be provided through the proposed pipeline would be one of the necessary feedstocks; the only other major needed input is iron ore, which both Brazil and Venezuela have plentiful supplies of. This would be an excellent area for immediate cooperation between the Mexican and Brazilian economic giants of Latin America: to aid the industrial development of Central America.

I also think it would be very interesting politically to get the Monterrey Group involved in Central America.

Pemex's activities in aiding the exploration for oil in the Central American region would also be very useful. The Mexican-Venezuelan oil accord could be usefully reoriented in these industrial and related ways.

2) We need significant flows of U.S. credit for development in the region. This is self-explanatory. It should only be added that this would have to be made conditional on the absolute elimination of the offshore banking networks that operate throughout the Caribbean basin and in Central American nations like Panama. These offshore banks, as we have documented, are primarily drug-money laundering centers, whose financial functions are not only not a contribution to the industrial growth of the area, but they are actually a cancer on it.

This damned thing should be stopped, the drug-running in the area should be stopped. U.S. credit should be provided for the kind of industrial production we're talking about, but on the basis of the elimination of these offshore financial centers.

3) The flip-side of this antidrug operation must be fulfilled within the realm of direct drug interdiction. The Jamaica problem is perhaps only the region's most extreme one, after Colombia, of the way narcotics production can entirely take over an underdeveloped economy. The participation of the Drug Enforcement Administration in making sure that Central America ceases to be the transshipment point that it is for drugs into the U.S. would be very useful. This is also a tailor-made opportunity to apply Mexico's expertise in combatting narcotics—which they demonstrated in their own successful efforts in the 1975-77 period. . . .

4) The final point I propose for a viable stabilization packet for the Central American region, I would like to call the "Charles III Memorial Point." Charles III was the Bourbon King of Spain who played a very important role in helping to develop the entire New World in the 18th century. Perhaps one of his most significant accomplishments was that he expelled the Jesuits from the entire Hispanic empire of the time.

This fourth and final point is urgently needed, if we are to be successful in the project of economic development which we have laid out.

Bhutto family targeted by Britain's Libyan-KGB agents

by Daniel Snieder

MAY 1980—Somewhere in Western Europe I am sitting talking to a Pakistani friend, an exile and activist in the circles of the Pakistan Peoples Party (PPP), the party founded by the executed Prime Minister Zulfikar Ali Bhutto. We are discussing a recent newspaper report, alleging that Murtaza Bhutto, the exiled son of the late leader, is in Kabul, Afghanistan. The source of the report, he tells me, is an exiled Pakistani army officer active in anti-regime politics.

"I am worried" he says to me as we talk quietly in the corner of a restaurant. "Zia [referring to the military dictator, General Zia Ul-Haq, who overthrew the Bhutto government in 1977] is planning something. This report was planted by Pakistani intelligence to provide an excuse to eliminate Begum Nusrat Bhutto and Benazir Bhutto." He is referring to the wife and daughter of the late prime minister who now leads the PPP.

OCTOBER 1980—General Zia announces the indefinite cancellation of national elections that were promised (for the third time since the coup) for November; cancelled when it was obvious that the PPP would win an overwhelming victory, a tribute to the memory of the martyred leader and the vast unpopularity of the fundamentalist Islamic military regime.

FEBRUARY 1981—Despite a ban on political parties and their activity, nine opposition parties—almost all those in the country—led by the PPP form the Movement for the Restoration of Democracy. Shortly after, waves of student protests calling for an end to the martial law regime and restoration of democracy swept the country, forcing the regime to close colleges and universities. The protests spread to strikes of doctors and lawyers and the Movement planned an escalating series of actions, aimed at culminating in a nationwide demonstration/strike on March 23.

MARCH 2, 1981—A Pakistani Airlines Boeing jet is hijacked on a domestic flight from Karachi to Peshawar in the northwest. The hijackers, three of them, claim to represent a previously unheard of organization called Al-Zulfikar, presumably named after the late premier. The plane is taken to Kabul where for almost a week negoti-

ations go on, then flies on to Syria where finally after tense moments the Pakistani regime yields to demands for the release of political prisoners who are flown out of the country.

In the midst of the hijacking and after comes a wave of propaganda from the Zia regime, echoed in the Western press, claiming that the terrorists are part of a "foreign" conspiracy involving the Afghan government (and by implication the Soviets) and that the hijackers are led by Murtaza Bhutto. Young Bhutto is accused of plotting with the infamous international terrorist Carlos "the Jackal."

Amidst this propaganda a massive wave of arrests and political repression is launched in Pakistan. The target is the Bhutto family and the PPP, who are linked by the regime to the incident. Mrs. Bhutto and Benazir are thrown in jail along with hundreds of others.

The nature of the plot

The Pakistani hijacking is part of a plot, but it is not the one described by the regime and its supporters around the world. It is part of a carefully knit conspiracy, one which my Pakistani friend smelled in the making almost a year ago.

It is a plot against first of all the Bhutto family, a terrible conspiracy to finish the job the junta began when it overthrew the Bhutto government, the only democratically elected government in the history of the country, hauled Bhutto before a military controlled kangaroo court on phony "murder conspiracy" charges, and subsequently executed him in the dead of night April 4, 1979 despite worldwide protests.

Bhutto had become the target of Henry Kissinger after the Pakistani leader went ahead with the purchase of a nuclear reprocessing plant from France, despite Kissinger's protests. In 1976, then Secretary of State Kissinger warned Bhutto that he "would make a horrible example of Pakistan," if he did not give up the reprocessing plant deal. Kissinger remained active in the persecution of Bhutto even after he left his state department post, and is seen by many leading Pakistanis

as the man responsible for Bhutto's execution.

As to General Zia's motives, the military junta was desperate to extinguish the one leader they knew could challenge their rule if he was alive anywhere. When the job was done they felt safe to pursue their policies of "Islamization," the policies of the Muslim Brotherhood which runs General Zia. But they were wrong, for Bhutto became perhaps even more a threat as a martyr than he was alive—the popularity of the regime is non-existent.

The regime meanwhile was facing doubts as to its viability even from its backers in London and Washington. Pakistan is seen by the geopoliticians as occupying a key strategic position as the eastern anchor of the Persian Gulf and the "front-line" against "Soviet aggression" in Afghanistan. Rumors abounded in Western capitals that "Zia must go" or perhaps the entire game would be lost. But, it was argued, if we remove Zia, we may lose control entirely.

While these games went on, the plot unfolded, heading toward a "final solution" to Zia's problem—the elimination of the entire Bhutto family, the wiping out of the memory of a national leader, and the guaranteed destruction of any hope to unify the opposition to the regime.

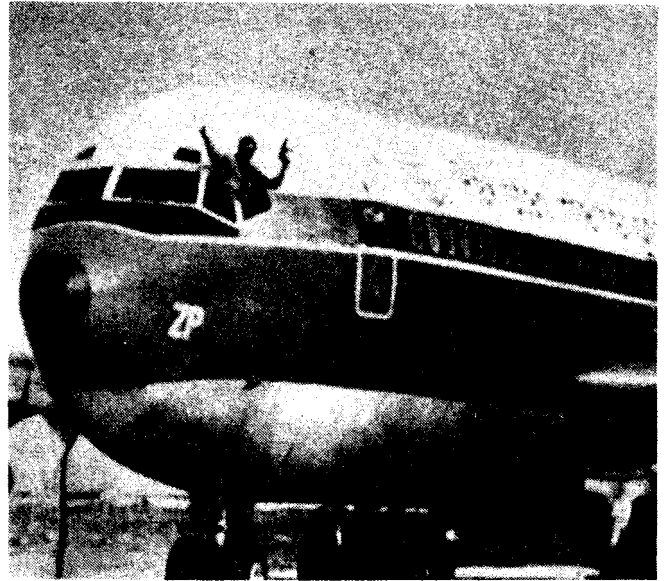
The unfolding of this plot takes place as the Thatcher regime mounted a heavy-handed effort to drag the Reagan administration into backing for the Pakistani regime, part of a general buildup of the military deployment into the Persian Gulf region, and piggy-backed as a policy of support for the "valiant Afghan freedom fighters" against "Soviet invaders." The Zia regime will not allow an escalation of the arms supply to the rebels unless Pakistan is protected by both security guarantees and by large-scale arms supplies. The Reagan administration is actively contemplating these moves now.

The hijacking has all too conveniently helped set the stage for these moves.

Now let us examine who is really involved and the details of their actions. But before we start I should add that I have decided to reveal information which I have gained through privileged access to the movement against the Zia regime, a movement I have been a friend of for many years and whose cause, in the dear memory of Z. A. Bhutto, I have often supported. Not all of what is reported here may be complimentary to my friends, but it is part of the truth that will be told here.

The plotters

The principal elements of the hijacking plot, and what led up to it, were constructed by the intelligence services of Pakistan (particularly military intelligence) and Britain, the latter being the colonial trainers of the former. But the plot could not have gone as far as it did



if it were not laundered through two countries where it gained credibility in the eyes of those who needed to be duped—Libya and Afghanistan. In the case of both of these countries the role played by the Soviet intelligence service, the KGB, is such that their involvement is also evident. But the evidence suggests that these were not acts of Soviet state policy but rather of elements linked to British intelligence "triple agent" KGB General H. "Kim" Philby, whose specialty is particularly in this part of the world.

As I have watched detailed accounts of the alleged conspiracy behind the hijacking appear, mostly in the British press, accounts which usually trace the role of Murtaza Bhutto, a curious feeling has come to me. The trail of evidence is presented, sometimes with a degree of truth, but when that trail is examined closely it becomes clear that the footprint must have been planted in advance with the aim of leading to the door of Murtaza Bhutto and by implication from him to his family inside the country.

The planting of the clues

Murtaza Bhutto, the eldest son of the Pakistani leader, was studying in England at the time of the 1977 coup and subsequent arrest of his father. Until April of 1979, when his father was murdered, Murtaza campaigned unceasingly to try to save his life and his country. He traveled all over the world, including to the United States and to the Middle East, where Bhutto had many friends, to seek support for this cause. Despite letters and telegrams from heads of state from Moscow to Washington, Bhutto was killed on April 4, 1979.

Murtaza was determined to avenge this deed and to serve the cause to which his father had dedicated his

life, the development of his nation. He left London on April 18, 1979 returning after that date for only a few short visits. He first went to the Middle East with the aim of trying to build a political organization of exiles against the Zia regime. Searching for support he arrived in May in Kabul, capital of neighboring Afghanistan, which had the virtue of providing access for propaganda and organizers into Pakistan and a haven for those fleeing Pakistan. It was Murtaza's presence in Kabul that provided the circumstances for the trap to be laid.

It was during this time that two crucial actors in the plot entered the scene. They are Major Iftikhar Ahmed and Brigadier Usman Khalid, both officers in the Pakistan army who ostentatiously defected from the army and became political exiles in London, where they claimed to be supporters of the Bhutto cause. The major arrived in early January 1979 and the brigadier in September of that year. A third officer, a colonel, also defected with them.

All of these men were in fact agents of Pakistani military intelligence planted by the regime. All of them served in the military intelligence branch of the service and were working in London in close collaboration with the British Home Office and British intelligence. Major Iftikhar in fact received curiously good treatment from the Home Office. He was granted the status of political asylum and a U.N. passport for a stateless person—privileges denied far more prominent Pakistani political exiles.

Their job was to set up an operation inside the exile movement, get close in particular to Murtaza Bhutto, who led the exiles, and implicate him and his followers in "terrorism." With great publicity they held press conferences denouncing the regime, established their opposition "credentials," and moved themselves into place. Privately they claimed links to disaffected army officers inside Pakistan who would provide their services in case of an armed struggle.

The curious case of Flight 702

In January of 1980 another actor entered the scene. He was Afzal Bangash, a Pakistani leftist lawyer from the Northwest Frontier Province (NWFP) bordering Afghanistan, where he had organized the Kisan Mazdoor party. Bangash had been a communist who broke from the party on his own and formed the Kisan Mazdoor in the 1960s, based among tenant farmers from the NWFP. He had been accused among the left of being a Maoist, but in recent years had presented himself as pro-Soviet and a sympathizer of the April 1978 Afghan revolution.

Bangash arrived in London after "fleeing" Pakistan through Afghanistan. In February Murtaza Bhutto visited London, seeking political support for the organ-

ization he was setting up, later to be called the Peoples Liberation Army (PLA). Major Iftikhar, by then having gained a relationship with Murtaza, introduced him to Bangash, whom he met in the major's house in London. After several meetings Murtaza was persuaded to form an alliance with Bangash and his party, and in early March the "Peoples Liberation Movement" was formed.

Bangash's offer was to provide the services of his organization in NWFP, said to be the best-organized leftist group in Pakistan, including the offer to carry out armed activities against the regime.

On March 2, 1980 Major Iftikhar boarded Ariana Afghan Flight 702 from London to Kabul, carrying with him a list of names of Bangash's people to be given to Murtaza's associates there. Curiously the flight detoured to Karachi, Pakistan due to bad weather and for two nights Major Iftikhar, a public defector from the army carrying a British Home Office-approved U.N. passport clearly identifying him, stayed in a Pakistani hotel.

How did the major explain this to his confederates? How did he escape the watchful eye of Pakistani authorities? Later he claimed that he had destroyed the documents with the names of Bangash's people while in Karachi and told authorities there that he "lost" his passport. He arrived in Kabul on March 6 and left on March 13, returning to London.

On April 13 Murtaza Bhutto traveled to Kabul in the company of Bangash. Bangash claimed that he could provide a link to Babrak Karmal, the Afghan president who had been installed by the Soviets when they intervened in December 1979. (Bhutto's patron had been Afghan leader Hafizollah Amin, deposed by Moscow and accused of being a CIA agent). On April 20, 1980 the major again came to Kabul, returning to London on May 18 and to our knowledge not returning since.

In April a series of bombings took place in the NWFP, apparently the work of Bangash's people, perhaps an effort to establish the "credibility" of his credentials. Curiously when the PLA tried to send a group of organizers secretly into Pakistan, where they were to make contact with Bangash's people, they found the Pakistani army waiting for them.

The Libyan connection

Simultaneous with these developments, another part of the trail was being put into place—the Libyan connection. The key to this was the other Pakistani military intelligence officer, Brigadier Khalid. Khalid, working with the major, set up a newspaper based in London called *Inqilab* (Revolution), a paper with only a thousand or so circulation which was in fact a front and

a useful device in later implicating Murtaza Bhutto in alleged terrorist activities.

Khalid was a Khomeini type in his proclaimed ideology—opposed to the PPP and for a Qaddafi style “one-party state” to be formed in Pakistan. Clearly such were not the views of Murtaza Bhutto.

Inqlab was financed out of the Libyan embassy in London—hardly a concealed fact as the paper was full of pro-Qaddafi propaganda including advertisements to purchase Qaddafi’s “Green Book” from the Libyan embassy. Khalid set up a Peoples Liberation Movement (PLM) as a political front and with lots of money at his disposal became very visible and active among the large Pakistani community in Britain, and elsewhere in Europe. He claimed also to be a defense adviser to Qaddafi.

Khalid in collaboration with the Libyans—whose links to British intelligence and British-KGB networks are known—set up a training camp in Libya supposedly to train young Pakistanis for guerrilla warfare. The camp was run by his sister, Samina, and his brother-in-law, Col. Usnan, also a Pakistani military officer.

Through a connection inside Pakistan, also run by Pakistani military intelligence, leftist and pro-PPP students were recruited and provided visas and tickets to Libya. According to an eyewitness account the students were told that this was an operation of the PPP and that everything was being done “on the orders of Begum Bhutto.” They were told “you will be met in Tripoli.” In Tripoli, they were met by Khalid, the sister, and Col. Usnan and taken to the camp where they were trained to blow up bridges, hijack planes, etc. Some 30 students were brought in on this basis.

In the meantime the *Inqlab* operation was being run to drive a wedge between Murtaza Bhutto and regular circles of the overseas PPP as well as to move to set up the “incriminating evidence.” The crucial piece of “evidence” was placed in the Sept. 27, 1980 issue of *Inqlab*. Under the headline “Bhutto’s Son Forms a Guerrilla Army,” the paper claimed that Murtaza Bhutto was the head of the PLA which was carrying out armed activities against the army. Also in that issue of *Inqlab* was a purported interview with Murtaza claiming credit for alleged guerrilla actions carried out in Pakistan.

The importance of the *Inqlab* operation has only recently become apparent. In January of this year it was announced that a closed military tribunal was being formed in Peshawar to try 24 people including Murtaza Bhutto (12 of them were not in the country) for “waging war against the country” and committing acts of “sabotage” and “subversion.” The penalty is death and could also mean the confiscation of all the Bhutto property in the country.

The key to the evidence being presented in the tribunal and now being reproduced throughout the

Pakistani government controlled media is none other than that Sept. 27 issue of *Inqlab*. The evidence thus was manufactured by the same people who now are using it to the hilt—the Pakistani military junta.

The final acts

The convening of the tribunal, whose decisions could be announced any day, helped set the stage for the final acts.

We must first pick up the trail of Afzal Bangash, the Northwest Frontier Province leftist. According to informed sources Bangash left Kabul in the late fall, sometime around October-November of 1980 and by December was in London again where he has since stayed. According to our source Bangash had been publishing a paper which was being smuggled into the NWFP which took a left, militant and anti-PPP line. This activity at some point crossed the boundary of Soviet toleration (assuming there was some Philby-KGB control previous to this, which is likely), and the Soviet and Afghan authorities moved in and closed down his operation. This may reflect moves by the Brezhnev elements who would not favor the destabilizing politics Bangash was pushing.

The beginning of this year found Bangash, Brigadier Khalid and Major Ahmed all in London, and, our sources report, all working together in something called the Organization of Overseas Exiles.

The hijacking itself is almost an anticlimax. Its major purpose has been to surface all the parts of this trail of footprints at the door of Murtaza Bhutto and provide the pretext for the massive political crackdown in Pakistan. One major source for much of the stories in the British press is none other than Maj. Iftikhar Ahmed, who was identified in the March 19 *Guardian* as the London end of the PLA. Major Iftikhar is also employed by Credit Commercial Insurance Company in London, a subsidiary of the Bank Commercial and Credit International (BCCI).

This bank is owned by a Agha Hasan Abidi, the key financier of the destabilization operation against Bhutto. A strange employer indeed for the intrepid major!

The hijackers

The case of the hijackers themselves is less conclusive but fits the pattern. The leader of the hijackers is Salamullah Tippu Khan, described as a student at Karachi University wanted for the bombing murder of a Muslim Brotherhood youth leader during the campus disturbances in February. Tippu is a member of the Pathan ethnic group from the NWFP, as is one of the other hijackers, suggesting in fact that they may have come out of Bangash’s network.

One story which appeared in the Indian press originating from the United News of India press service,

claimed that he was a member of the Pakistani Secret Service Group who was trained at a special camp in Pakistani-occupied Kashmir by Chinese instructors. The third hijacker is from Azad, the Pakistani-held portion of Kashmir.

But it is other features of the job which give it away. According to even the Pakistani accounts, it is the hijackers who identified their "leader" as Murtaza Bhutto. Despite their claims that Murtaza Bhutto met them at the Kabul airport, Bhutto, in a message reported in the *Guardian*, explicitly denied any foreknowledge of the hijacking.

Indeed, aside from the footprints placed at Murtaza's door, there is no evidence at all, even of the kind the regime is manufacturing, to link Mrs. Bhutto and Benazir to these activities outside the country or to the hijacking.

This writer can reveal that well before these events, early in 1980, Benazir Bhutto sent a message to London in which she explicitly warned that the army "defectors" were "fifth-columnists" who were not to be trusted. She sent instructions to regard all army "defectors" as plants of the regime. Apparently these messages never reached Murtaza. Further, to our intimate knowledge, there was absolutely no contact for an extended period of time between Murtaza and members of the family inside the country. We also know that it was the wish of Mrs. Begum Bhutto that the use of Kabul as a base of operations cease precisely for fear that the regime would use that fact to its own ends.

The plot against the Bhuttos

The plot against the Bhuttos is not over yet. Pakistani circles seriously fear that the regime is now set to eliminate the entire Bhutto family. On March 18 General Zia proclaimed that he would take "severe action" against the hijackers and those responsible. Asked how he would do that with the hijackers now in Syria, the general replied: "You just keep quiet and see the result. If they are not in the country, it doesn't mean that they will escape Allah Almighty."

Indeed, according to well-informed sources in London four teams of Pakistani hitmen, four men in each and trained as commandos, have now been dispatched. Their targets are the two sons of Bhutto, Murtaza and his younger brother Shahnawaz. Mrs. Bhutto and Benazir are under arrest in an increasingly repressive situation in which the regime is trying to isolate them from the rest of the political opposition.

Will General Zia and his backers in London and Washington succeed in this plot? That cannot be foretold. But, the Pakistan Peoples Party and the Bhutto tradition remain the best hope for stability and development in Pakistan and the region. Any attempt to remove that hope is a formula for disaster.

Israel

Shimon Peres makes overture to Arabs

by Mark Burdman

The intensifying political fight in Israel leading up to that country's June 30 national elections has taken an important turn with the March 25 unveiling by Labour Party prime minister candidate Shimon Peres of a major new initiative toward Israel's Arab neighbors and, indirectly, toward resolution of Israel's economic problems.

Although Peres's initiative, detailed in an interview with the Jerusalem Domestic Television Service, has gone almost completely unreported in the Western news media, it is potentially the most significant policy formulation made by an Israeli statesman since at least the October 1973 Arab-Israeli war.

In the March 25 interview, Peres offered to several of Israel's Arab neighbors an arrangement in which "promoting economic cooperation" would be linked to "joint action against terrorism and fanatic movements."

While not all the details of this conception were made public in the interview itself, Peres indicated that a key salient feature of his plan was Israeli cooperation with France and other European nations in opening up lines of communication with the Arab states—a departure from the wall-to-wall hostility toward France that has tended to operate in the Israeli political spectrum.

Peres also asserted that his plan signaled the opening of a "new chapter" in Israel's history, as Israel makes efforts to become a working partner in the development of the Middle East. This, again, is a new departure, this time away from the dominant geopolitical notion of Israel serving as a NATO-connected proxy power.

Finally, Peres insisted that Israel must "take the initiative" in launching a new political arrangement in the Middle East. This quality of voluntarism challenges the "victim mentality"-induced passivity that has characterized mainstream thinking in Israel for much of its history. In the past, Israeli leaders have characteristically used the excuse of Arab hostility to avoid extending economic cooperation-linked peace offers to its Arab neighbors.

According to an assessment presented to *EIR* by an associate of Peres, the March 25 offer is "not only meant for Egypt, Jordan, and Saudi Arabia [the countries named explicitly by Peres in the interview], but also to Iraq and other countries as well, as the circumstances become appropriate."

The same source told *EIR* that Peres hopes to “make the outlines of his policy clear in personal meetings with Arab leaders and to enlist Western European leaders, particularly West Germany’s Helmut Schmidt, in exploring the viability of the plan.”

The source indicated that Peres’s plan is “fully consistent” with the many Middle East policy statements made by *EIR* founder Lyndon H. LaRouche. LaRouche has insisted that regional economic development packages are the only basis for isolating the fanatical Qaddafi-Khomeini axis and shifting the regional configuration out of the destabilization-and-crisis-management framework defined by British intelligence and its allies in the European black nobility.

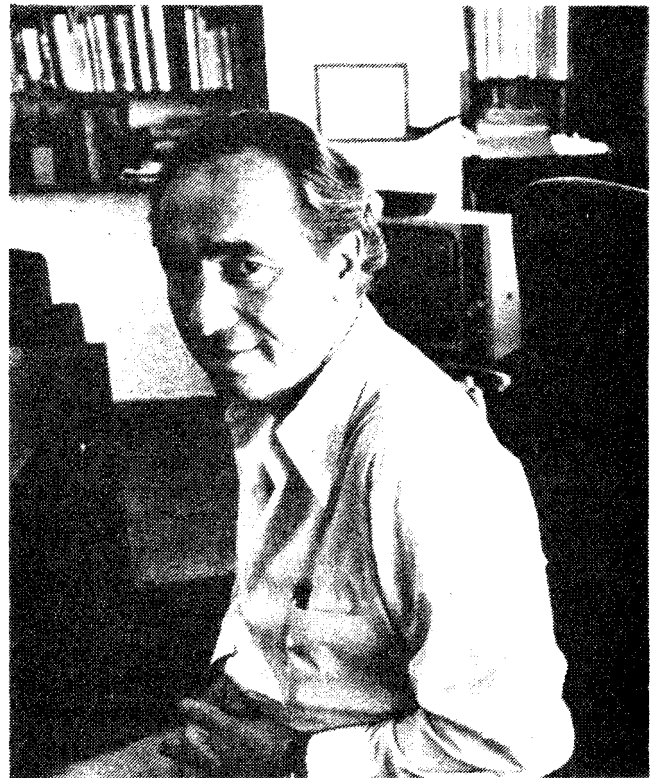
LaRouche has also indicated that a credible Israeli offer of regional economic cooperation and approaches toward Europe would open up the possibility for Israeli integration into the French-German plan for eventual expansion of the European Monetary System into a European Monetary Fund capable of extending vast gold-based credits for large-scale nuclear-energy-based projects in the developing world.

Peres’s nod toward France is particularly interesting in this light, since it is the French who have most vigorously pursued an atoms-for-peace conception in the Middle East, through nuclear reactor export arrangements with Egypt and Iraq, and well-advanced discussions with Morocco, Algeria, and other Arab nations.

A new Israeli nationalism?

As promising as Peres’s “new initiative” may be, the danger exists that it will die in its infancy, unless it becomes the *foundation* for actively mobilizing the Israeli electorate around a new role for Israel in the Middle East. Such a mobilization would depend on defining clearly, for the first time in Israel’s 33-year history, what Israel’s interests are as a *sovereign nation-state in the Middle East*. Heretofore, Israel’s interests have largely been defined in terms of Zionist ideological baggage and British geopolitical gamesmanship, a combination that has created a capability for a certain kind of unity in times of crisis, but hardly for a truly positive sense of national identity.

A *nationalist* alternative to the Zionist-geopolitical conception that would be consistent with Peres’s March 25 design would be to define Israel as the *radiating center of technological and scientific development for the entire Middle East*. Such a conception would reflect the density of scientists, engineers, and skilled workers that Israel has developed over the past decades. It would also be the key to reversing the profound sense of national malaise reflected in sagging national economic performance, high rates of emigration, and growing talk about the need for a dictatorial “strongman” to run the country.



Shimon Peres

Short of the aggressive organizing perspective indicated above, Peres’s plan is likely to fall prey to some of the seamier facts of life in the Middle East today.

A delicate situation

The Middle East is presently entering an extremely delicate phase, as a result of the intersection of several factors, including the irresolution of policy determination in Washington, the continuation of the Iraq-Iran war, and scarcely disguised British intelligence efforts to destabilize Saudi Arabia and its Gulf neighbors. The situation is made even more volatile by the incendiary antics of certain of Peres’s political opponents in Israel.

For the past several days, Prime Minister Menachem Begin and Chief of Staff Rafael Eytan, in collaboration with their mirror-image extremists in the Palestinian movements, have been heating up border tensions with both Lebanon and Jordan, tensions that could be transformed into giant international crises in the weeks leading up to Israel’s elections. Top-level Israeli intelligence sources have in fact warned *EIR* that the Begin team may be counting on just such an eventuality to declare a national emergency and usurp the election process by virtual fiat.

Particularly menacing is the sudden—and timely—March 31 raid into Israel by Palestinian guerrillas operating out of Jordan. Chief of Staff Eytan labeled

the raid a "very unusual development which is viewed with extreme gravity in Israel." The "development" occurred only days after both Syrian President Hafez Assad and Ahmed Jibreel, the leader of the Syrian-controlled extremist Popular Front for the Liberation of Palestine General Command, announced that Jordan would be used as a base for Palestinian terrorist operations into Israel.

Reliable intelligence experts estimate that Assad, Jibreel, Begin, and Eytan are in full alliance in a conspiracy to destabilize Jordan's King Hussein, and thereby knock the props out from one of the main countries mentioned by Peres in his March 25 interview. Assad notably accused King Hussein on March 26 of "high treason" because the king's brother Muhammad had reportedly met with Peres in London. In a parallel deployment, the pro-Begin press in Israel has been lambasting Peres for his public and private overtures to Arab leaders.

The Dayan factor

Another is the close collaboration in the Israeli electoral campaign between the Herut-Likud and Moshe Dayan, whose family is intimate with top Israeli mafioso Mordechai Sarfati ("Mentesh"), according to revelations published in the March 27 *Jerusalem Post*. *Post* reporter Mark Segal reveals that "Mentesh" funded the weddings of Dayan's children; one of these children was arrested by West German authorities in the 1970s and implicated in coordinating a massive drug and prostitution ring extending throughout Europe and into Latin America.

Dayan has become the near-linchpin of the entire Likud-Herut re-election strategy. He is expected to announce at any moment that he is going to head a new political party in the elections. Previously, Dayan had acknowledged that such an election bid would have only one aim: to wreck Labour's chances for a majority.

Begin aides and Dayan representatives have meanwhile been meeting to map out how they can prevent the public release of the Agranat Commission Report on the 1973 war. The report allegedly contains extensive sections, never before made public, documenting how Dayan sabotaged Israel's intelligence capabilities on the eve of the war. According to one Israeli source, "Release of the report now could wreck Dayan's career forever. Begin is determined to prevent this from happening."

Peres's allies are lobbying for the report's release, as a countermove to Dayan. One irony of the current Israeli situation is that it was Labour's anxiety over Dayan's moves that was in part responsible for motivating Peres's March 25 new foreign policy offer. But precisely to nip Peres's initiative in the bud, Begin and Dayan are greatly intensifying their collaboration.

From the Peres interview

Excerpts of a March 25 interview granted by Israel Labour Party Chairman and prime ministerial candidate Shimon Peres to the Jerusalem Domestic Television Service.

In my estimation, the entire Middle East, and Israel in particular, is currently in a special predicament. The next four years will not be like the previous four years. After Camp David, given a new administration in the United States, and Reagan signifies not only a personal change but a change of world concept and a view of this area in a regional and global perspective. . . .

Yet I am convinced that with a correct Israeli policy it would be possible to establish a regional antiterror setup to counter Soviet or alien penetration and fanatic forces and at the same time promote economic cooperation. Israel should take this initiative. As party leader, it is my duty, on the eve of the elections, to go and meet all the prominent figures to examine the possibilities and the incumbent interlocutors. Let me tell you one thing: I have returned optimistic from my travels. . . .

In my opinion, under the term "Jordanian option," a host of things can be done, such as, for instance, beginning economic cooperation—and I talked about this with Arab leaders and European leaders, and, again, I am not impressed with declarations. . . . I am not walking around feeling that I represent a weak Israel; I walk around feeling that I represent an Israel that has strength, an opinion, initiative, and also needs the appropriate—restrained—style. . . .

I believe that Saudi Arabia needs peace and stability in the Middle East no less than we do. . . . Let us fight terrorism together. . . . We can achieve economic cooperation, we can achieve joint war against terrorism, we can face up to fanatic movements. . . .

[O]n the regional level, Israel can make a contribution in the region. In my opinion, the Middle Eastern chapter has now opened in Israel's foreign policy. I know many people do not like this. It is not the first time in my life that I, and not only I, have reached a conclusion that there is room for a new situation, for a new initiative, and then all the people of routine who are accustomed to slogans begin to ask: What is this? Who is this?

Believe me, the same happened to me in France . . . surprise and criticism. I do not intend to be frightened by this. It is my duty, as a representative of a responsible party, to examine new situations. I believe that the Middle Eastern chapter has now begun in the Israeli foreign policy. We are not used to this. It seems strange to us. . . . I believe that a lot depends on Israel's initiative. . . . I do not want others to make peace for us and instead of us.

Britain stirs unrest on Saudi border

The travels of U.K. Defense Minister John Nott coincided with South Yemeni intrigues.

Kept in a state of controlled tension since the Yemeni civil war in the early 1960s, the Yemeni region on Saudi Arabia's southwest border appears to be headed for another blowout, of even bigger dimensions. The instigator is the Marxist regime in South Yemen (the People's Democratic Republic of Yemen), a longstanding enclave of British intelligence covert operations.

A major turn within the regime of North Yemen was signaled last week when its Radio Sanaa announced that a number of parliamentarians and political leaders, closely allied with Saudi Arabia had been placed under house arrest.

North Yemen's more conservative regime has close links to the Saudi ruling family, historically opposed to any unification of the two Yemens for fear that the renegade regime in Aden would dominate a reunified state and destabilize Saudi Arabia.

South Yemen has been actively organizing liberation movements throughout the Arabian peninsula and the Persian Gulf to confront "pro-American" regimes, most importantly Oman, for cooperating with the controversial Rapid Deployment Force.

The day that British Defense Minister John Nott arrived in Oman last week, a border conflict reportedly erupted briefly between South Yemen and Oman. South Yemenese President Mohammed Ali Nasser is said to have been dis-

satisfied with efforts of the Popular Front for the Liberation of Oman, based in South Yemen, to destabilize the Omani regime, and envisions a military challenge of the Omani regime of Sultan Qaboos.

For ordinary political observers the Yemens have remained an enigma, as they are one of the most backward areas of the Third World, a status enforced by British colonial policy.

Since the civil war the Yemens have been cultivated by Britain and the notorious British triple agent, Soviet KGB General Kim Philby. Before defecting to the Soviet Union, Philby was in the Yemens, manipulating the civil war that produced the original division between the moderate North Yemeni regime and the ultra-Marxist regime in South Yemen.

Behind the current unrest, London is also running a protection racket with the Arab regimes of the Gulf. As rumors spread about the Oman-South Yemen border skirmish, Nott proposed to Oman, Kuwait, Bahrain, and the United Arab Emirates that Britain increase its ground forces in the Gulf states to provide security for the unrest British intelligence is creating.

The prime target is Saudi Arabia. Riyadh has repeatedly declared that it is not interested in any foreign military presence in the area. The reason Britain and its Gulf assets have crafted a propaganda campaign against the U.S. Rapid

Deployment Force is essentially to stir up anarchistic rebellions aimed at challenging the Fahd faction of the Saudi elite, seen as American allies.

There were reports in March that Saudi forces had engaged North Yemen in fighting to halt what Riyadh perceives to be a turn in North Yemen toward its southern neighbor. And last week, British reporter Michael Adams, editor of *Middle East International*, a mouthpiece for a British intelligence front, the Committee for Arab-British Understanding, wrote that there is growing hatred of Saudi Arabia by Yemenis, and Yemeni workers in Saudi Arabia, a signal of future tensions on Saudi Arabia's southern border.

British Foreign Office agent Professor J. B. Kelly, at a recent Washington briefing, warned that the Yemenis in Saudi Arabia would be used "by Marxists" as "cannon fodder" against the Saudi regime.

Kelly is known to have had lengthy transatlantic telephone discussions beforehand with British lawyer Lionel Bloch on the future of the Persian Gulf. That week Bloch himself issued an editorial commentary in the London *Sunday Times* advocating a "Western military invasion" of the Persian Gulf. Bloch expresses the view that it "would not be a catastrophe" if the West occupied the oilfields and even destroyed them. Both Bloch and Kelly are members of the newly formed Committee for the Free world, a gaggle of social-democratic cold warriors whose aim is to steer the U.S. into a deadly military move into the Gulf.

This column was contributed by Thierry LeMarc, Bonn bureau chief.

Time to clean out Alan Riding

The New York Times correspondent in Mexico is a one-man disinformation service.

Since President Reagan has scheduled a meeting with Mexico's President José López Portillo this spring, it is important to clean up one of the persisting contributory factors in the troubled U.S.-Mexico relations: dishonest news reporting.

A husband-and-wife news mafia operating out of Mexico City is responsible for three-quarters of what most U.S. opinion-makers see as their daily-press news from Mexico. They are Alan Riding of the *New York Times*, a British national, and his wife, Marlise Simons, Mexico correspondent for the *Washington Post*. Their coverage is an unbroken stream of disinformation and distortions.

On Dec. 28, 1980 Riding teamed up with a faction in Mexico's Foreign Ministry to try to scuttle the Reagan-López Portillo meeting at Ciudad Juárez set for one week later. Foreign Minister Castañeda and his stepson in charge of "North American relations," Andrés Rozental, called up Riding to give him 24 hours previous notice that Castañeda intended to let existing fishing treaties with the United States lapse.

Riding knew what to do and the next morning the story was prominently featured on the front page of the *New York Times*, complete with Riding's warning that the issue could derail the Reagan-López Portillo summit and would definitely figure on the agenda at the border meeting. Wife Marlise duti-

fully reworked the same story for the *Washington Post*. The first news most Mexicans heard of their foreign minister's action was from the *New York Times* wire service; only as an afterthought did the foreign ministry circulate a release for the domestic press.

When López Portillo and Reagan met the next week, the fishing issue was not even mentioned in the singularly cordial meeting.

But Riding is usually much more circumspect, reflecting the refining influence of his Jesuit associates. Alan Riding is the journalist of the left-Jesuit Theology of Liberation, and from intimate personal knowledge poured streams of favorable coverage of Central America's Jesuits into the U.S. media in the two years leading up to the current slaughter in El Salvador. To no one's surprise, the flashy front-page *New York Times* interview Dec. 27, 1980, announcing with as much fanfare as it lacked foundation the "final offensive" of the left in El Salvador, was conducted by Alan Riding.

Riding currently is attempting to set Mexico and the United States at odds over El Salvador as his crowning achievement.

The characteristic form of Riding's dispatches is promotion of the same conditions of Jacobin anarchy in Mexico as that spreading through Central America. At a time when Mexico's exciting industrialization projects, based on its new oil

wealth, make our southern neighbor a pre-eminent partner for U.S. friendship and trade, Riding slickly and cynically manufactures a panorama of "rich getting richer and poor getting poorer" in which an "authoritarian" state sets the conditions for an Iran-style explosion.

Take a look at the individuals and organizations Riding has favored in his background features over the past three years. It is a catalogue of Mexico wreckers.

There's the Jesuit-run clearinghouse for environmentalism, "human rights" causes and terrorism, the Center for Social Communication (Cencos). There's Rosario Ibarra de Piedra, a virtual Riding creation, who heads a fraudulent "political prisoners defense committee."

The catalogue goes on: Herber to Castillo, the proterrorist engineer and would-be ayatollah who is leading a crusade to stop Mexico's oil development and thus its economic development. Riding calls him the "respected critic" who is "the conscience" of his nation. Then Carlos Hank González, the "strongman" mayor of Mexico City who coordinates terrorism from backstage to clear his route to the presidency.

No list would be complete without Francisco de la Cruz, the man Riding extolled in 1977 as the savior of Mexico City's land squatters. In March 1981 de la Cruz landed in jail with a hundred charges against him in the most spectacular antiterrorist bust in Mexican history.

If you see Riding's byline on any coverage of the next López Portillo-Reagan meeting, assume the opposite of what is reported and you will be headed in the right direction.

International Intelligence

Weinberger wants Japan for regional security

U.S. Defense Secretary Caspar Weinberger told visiting Japanese Foreign Minister Masayoshi Ito that Japan should go beyond simple self-defense to take on a regional security role, according to Japanese press reports. All governments in Japan have officially viewed their post-war constitution as limiting Japan to self-defense.

Specifically, according to a March 28 Kyodo News report, confirmed to *EIR* by Pentagon sources, Ito told a Tokyo cabinet meeting that Weinberger urged Japan to take responsibility for the entire northwestern Pacific region including sea lane defense extending to Guam, northern Phillipines, and Taiwan.

Answering questions in Japan's Parliament, Ito denied the press accounts of his report to the cabinet and said Japan could not play a regional military role. Ito did admit Japan was requested to "improve its ability to guard the neighboring waters." At present Japan limits its sea lane defense to 1,000 miles, far short of the Weinberger request.

Japanese sources told *EIR* that despite Ito's public opposition, both Japan Defense Agency and Foreign Ministry officials have long studied and favor the regional sea lane protection role for Japan. They only fear it will be politically unacceptable to the Japanese people, so it is not discussed in public.

Haig cuts aid to Nicaragua

The State Department announced April 1 that it would terminate all economic aid to Nicaragua on the basis of that nation's assistance to the Salvadorean guerrillas. The decision has fallen as a political bombshell in Central America and is clearly designed to drive ultraradical Sandinista elements in the Nicara-

guan government into a psychotic "anti-imperialist" mood. The Eastern Establishment liberal press such as the *New York Times* is pointing to the "strange" fact that the State Department did not have to do this, since only weeks ago, Alexander Haig's people had announced that Nicaragua was restricting its aid to the guerrillas.

Haig's provocations are already having the desired effect. A Sandinista leader called on April 2 for Nicaragua's popular militias to get themselves ready for war, arguing that the fact that the United States is cutting aid while Somocista exiles in Miami increase paramilitary training means that the U.S. is preparing to invade.

The decision not to give Nicaragua the last \$15 million aid package approved last year can only exacerbate the critical situation in Nicaragua's economy.

State to relaunch Namibia negotiations

The Reagan administration is sending a fact-finding mission to Africa to relaunch efforts to reach a negotiated settlement for the independence of Namibia, the White House said on March 31.

By insisting on relaunching the negotiations conducted by the U.S., Canada, Britain, France, and West Germany for the independence of South African-controlled Namibia, the Reagan administration has dealt Secretary of State Haig a setback. Haig had been publicly advocating that the U.S. build up an insurrectionary movement in Angola to weaken that government before settling the Namibia independence issue.

Assistant Secretary of State designate for African Affairs Chester Crocker will conduct the mission, which will also visit Mozambique, Angola, Zimbabwe, and Nigeria.

Due to the Reagan administration's insistence on Namibia negotiations, State had to postpone for the second time in March a trip to the U.S. by South

African-supported Angolan rebel Jonas Savimbi. His trip was sponsored by the right-wing social democratic organization Freedom House to lobby in the U.S. for military support.

Haig, who had originally called for the U.S. to build up Savimbi for anti-Angolan operations, switched gears in his meeting with Nigerian Foreign Minister Audu May 27 and said that U.S. southern Africa policy was going to focus on negotiations for Namibian independence instead.

Berlinguer stumbles; will Italy fall?

The Italian oligarchy, operating through its assets in the Christian Democracy, is setting Italy up for another government collapse, making the Communist Party the fall guy.

After announcing British-style austerity measures last month, the government is now threatening to directly challenge the PCI-dominated union movement with restrictions on the right to strike, slashes in the cost of living escalator, and similar measures, provoking the three trade union confederations to counter with a threatened general strike that would collapse the government.

The union decision to issue its threat was made only after an unprecedented delay, pending proposals for an alternative government coalition should the present one fall.

Such a proposal has finally been made by PCI head Enrico Berlinguer, previously a supporter of a progrowth PCI-DC "historical compromise" between the nation's two largest parties.

Berlinguer, in a volte-face, denounced the DC, saying that no new coalition should accept them. Instead, there should be a "left alternative": the PCI and Socialists. Later, another PCI spokesman said the Communists would accept PSI leader Bettino Craxi as premier. Bettino Craxi has, in the past, been resoundingly denounced for his role in

supporting austerity and running terrorism by the PCI.

The PCI's current proposal threatens it with a complete loss of credibility among its party base, which is thoroughly fed up with the corruption, austerity, and terrorism in Italian politics.

Gaza administrator admits drug collaboration

In an interview with the *New York Times* March 28, Israeli Gen. Yitzhak Segev, the military governor of occupied Gaza, revealed that the Israeli authorities freely collaborate with local drug traffickers and the extremist leaders of the Muslim Brotherhood.

The *Times* quotes Segev as saying, "Usually drugs and cooperation with intelligence go together," and then cites Palestinian contentions that "the Israeli military authorities do nothing to combat drugs, and may even be intentionally encouraging the problem through benign neglect."

Times reporter David K. Shipler next reveals that "the Islamic fundamentalists are also receiving some Israeli aid." Noting that Segev was military attaché at the Israeli embassy in Teheran just before the Khomeini upheaval there, Shipler avows that funding of fundamentalist-controlled mosques and religious schools is aimed at "strengthening a force that runs counter to the pro-PLO leftists."

Spike' reviewer attacks EIR

Die Welt columnist Harold Vocke attacked *EIR* as a conduit for Soviet intelligence disinformation in an April 2 review of *The Spike*, a novel by Robert Moss and Arnaud de Borchgrave, specifically citing *EIR*'s exposé of the British intelligence takeover of Iran as an example of "KGB disinformation."

The novel, a semifictional account of KGB efforts to mislead Western public opinion, was the leading propaganda cover for Secretary of State Alexander Haig's "the Russians run all terrorism" statements last month.

The original charges of Soviet terrorist control came through the Italian Socialist Party's Sandro Pertini, whose leading associates have been exposed as a controlling element in international drugs and terror in a line of command that stretches to the British intelligence connection of Moss in particular.

Vocke, who praises *The Spike*, called the *EIR* unveiling of British control over Khomeini "a pure case of madness," and referred to the Muslim Brotherhood as the "famous Islamic reformist movement." The combined efforts of de Borchgrave, Moss, and Vocke is aimed at breaking *EIR*'s longstanding credibility with the Iranian exile movement.

Charris winds up ADC tour

Fausto Charris Romero, president of the Colombian Antidrug Coalition, completed his European-wide speaking tour in France with a speech in Versailles.

During the course of his tour, Charris was widely covered by European newspapers and broadcast media, reaching an estimated tens of millions of Europeans with his appeals to stem the tide of drugs through international drug enforcement treaty arrangements.

In France, he was interviewed by the three government television stations.

At his March 28 Versailles speech, Charris made a special appeal to Europe to forge ahead with the European Monetary System. Only by instituting the second plank of the EMS, the European Monetary Fund, he said, could drug-producing nations like Colombia challenge the conditionalities of the IMF that force them to grow cocaine, marijuana, and opium for debt repayment cash. Charris now heads for the United States.

Briefly

● **CHEVRON STANDARD**, Ltd. announced last week that development of the huge Hibernia oilfield on the Grand Banks off Newfoundland will not be economical because of Canadian government ownership and tax restrictions, although, "Hibernia will rank with the top fields of the world." For the same reasons, the Beaufort Sea Fields, termed a "small Middle East" by Dome Petroleum, may not be exploited.

● **MENACHEM BEGIN**, Israel's prime minister, made a secretive visit to the United States on April 2, informed Lebanese sources claimed. Begin's trip is linked to an imminent "heating up of the Lebanese crisis and the return of Lebanon to 1975-76 levels of civil war."

● **VILLA SERBELLONI**, the Rockefeller estate in Bellagio, Italy, was the site for a secretive meeting on "the resurgence and triumph of Islam" beginning April 1. Among the attendees was Egyptian diplomat Tahseen Basheer.

● **PRINCESS ASHRAF** Pahlavi, sister of the late Shah of Iran, gave a speech to the northern New Jersey chapter of the Association of the U.S. Army March 20 in which she charged that the Shah's overthrow was possible only with the assistance of "supposedly liberal western politicians." Princess Ashraf also stressed that Iran would soon be faced with the choice of "monarchy or communism" once Ayatollah Khomeini dies.

● **HELMUT SCHMIDT** denounced "Greenies" and radical "citizens action groups" who are trying to block construction of a highway between Berlin and Hamburg for "ecological" reasons. These actions are costing jobs, he stated; in addition, he will not hand the German Social Democratic Party over to a bunch of hippies, alluding to the party's pro-"Greenie" left.

Gen. Maxwell Taylor, the Soviets, and Global 2000

by Lonnie Wolfe

"There is a faction in the Soviet Union that is perfectly willing to let most of the Third World go under," Maxwell Taylor, former commander of U.S. forces in Vietnam, told an interviewer late last month.

Taylor is a member of the Population Crisis Committee/Draper Fund, a core group initiating the State Department's Global 2000 report. That report advocates reducing world population by 2 billion people by the year 2000. In the interview excerpted below, the retired general identifies himself as among the U.S. strategists who have cultivated such a faction in the U.S.S.R. His colleagues in that effort include former ambassador W. Averell Harriman, former Defense Secretary Robert McNamara, and former Undersecretary of State George Ball, all of whom share the Global 2000 outlook.

Their Soviet counterparts are centered around the KGB intelligence apparatus and the Soviet think tanks IMEMO and the U.S.A.-Canada Institute, the latter run by Georgii Arbatov. IMEMO is a longstanding channel of Soviet liaison with the zero-growth Club of Rome, which overlaps with the PCC/Draper Fund; both institutions reject advanced "capitalist" technology for the Third World for World Bank subsistence economies. They are politically backed by Boris Ponomarev of the Central Committee and other sponsors of "radical revolution" for the sake of destabilizing the West.

Taylor and his cothinkers believe they have a deal with the KGB-IMEMO group that will set limits on the level of conflicts between the superpowers in the developing sector, in a modern form of surrogate warfare whose major purpose will be to produce conditions of continuous war and famine to destroy populations. In

this way Taylor hopes to meet the goals prescribed by Global 2000.

As General Taylor fails to note, this Soviet faction is in overall opposition to the elements of the current Kremlin leadership centered around President Leonid Brezhnev, which continues to seek cooperation with Western Europe for the development of the Third World.

It should also be noted that, while Taylor claims that the U.S. has no population-planning center, he and his friends built into the U.S. State Department and related foreign policy agencies just such a capability during the Vietnam war, that continues to function through the Ball-created State Department Coordinator for Population Affairs and the Kissinger-established National Security Council Ad Hoc Group on population policy.

Taylor: 'The U.S.S.R. will let Third World die'

The following excerpts are from an interview with General Maxwell Taylor, provided to EIR. General Taylor, former special military representative of President Kennedy and commander of U.S. forces in Vietnam, is the author of a 1980 policy paper draft for the Population Crisis Committee, redrafted in January 1981 under the title "The Population Crisis and U.S. National Security Interests." The paper lists the Third World nations vital to U.S. interests as: Bangladesh, Bolivia, Brazil, Central America, Egypt, India, Indonesia, Kenya, Korea, Morocco, Nigeria, Pakistan, the Philippines, Somalia, Thailand, Turkey, Vene-

zuela, and Zimbabwe. Taylor contends that their stability is jeopardized by excessive population growth rates.

Q: Have you and the other Draper Fund people considered what will happen to the countries that are not on your list as important to U.S. needs? Won't the Soviets have a free hand to come in and aid them and extend their influence?

A: We are of one mind that there is a Soviet faction who for the last 30 years has been perfectly willing to let parts of the Third World go under. You have to understand the mind of the Soviet "Mother Russia" faction. They care about their country. They care about the countries on their immediate borders. They don't give a damn, really, about the rest of the world. They have no desire to develop anything outside this limited area. Their view is that the Soviet Union and its immediate colonies are totally self-sufficient energywise and in minerals. They have no use for the minerals supply of the Third World. Their goal is to deny this to the West. They will use the population crisis to foment rebellion and coups d'état in these countries. They may take over a country here and there for a time, but their only real policy is continuous destabilization to deny resources to the West.

Q: Very strong statements came out of the 26th [Soviet] Party Congress about science and industrial growth. You don't believe this will affect their foreign policy, I take it.

A: All their congresses talk about building up Mother Russia. They were talking about making the Soviet Union strong and keeping it that way. What is their development policy toward the Third World? They don't have one.

Q: Is your paper intended for circulation within the new administration?

A: It was written as a strategic document. You should note that my report is already quite selective about what can be saved. I have already written off more than a billion people. These people are in places in Africa, Asia, Latin America. We can't save them. The population crisis and the food-supply question dictate that we should not even try. It is a waste of time. The Soviets are not about to save them, either.

There will be horrible consequences for our failure to heed the warnings of General Draper and others. These people will suffer from continuous cycles of natural disaster, famine, hunger, floods, drought. Upwards of 500 million people will try to escape, become refugees, flee across borders. Most of them will never make it. Some old fools and young ones may talk of trying to mount a noble effort to help these people, and I am sure we will try to do the humanitarian thing. But they can't be saved, and we must be selective.

Q: You mean that we should focus relief efforts on the countries you list.

A: We cannot even save all the strategic countries. We don't have the resources. The Soviets will make things very costly by stirring up trouble. What we must do is make some difficult choices. If we can get oil from places like Mexico, then we can write off Nigeria.

The demographics dictate that there will be breakdown crises in these countries. The Soviets may pick up a few, but they won't be able to keep them alive, either. They can't afford too many Cubas; it drains their resources. . . . They really don't look at the demographics any differently than we do. It is just that they don't have to worry about what their population thinks about difficult political decisions, ones that write off millions of people. There is not enough food or capital to save everybody. To save a few, it will take hundreds of billions of dollars. Each will have to reduce population growth rates, and population where necessary.

Q: Do you have a sense of whether Bill Draper would take the General's views into account in running the Eximbank?

A: It's an excellent thing that the boy is going to take it over. I've known him for years; he's a good boy, just like his father. But he won't be able to do much at the bank. What does he have to work with—a couple of billion dollars? He can do some seed work, not much else. It's going to take all the money in Europe and all the petrodollars to make even a credible effort at saving a few countries; the boy knows that.

Q: How is population policy shaping up elsewhere in Washington?

A: There is no real population crisis response mechanism in the U.S. government. Ideally, the National Security Council would become a National Policy Council and expand its function to implement population policy. For now, decisions will be made through the NATO command, which thinks demographically. Their decisions must be imposed with the full weight of the West. The Soviets are aware of this; they will conduct limited surrogate warfare, for certain areas. They will not fight a world war over areas of the world they don't need. These are the rules of the modern game.

Q: Were you personally close to General Draper?

A: Yes, I admired him very much. He was a wonderful person. I heard my first lecture on the population explosion by him at the Army War College in 1940. MacArthur never really understood this. He was really wrong.

At this point in human history, a population-induced catastrophe is unavoidable. We must plan for it. We started to deal with the population problem far too late to spend more wasted time. . . .



Taylor on population

Below are excerpts from the revised January 1981 draft of "World Population Growth and U.S. Security Interests," written by Gen. Maxwell Taylor for the Population Crisis Committee/Draper Fund. Emphasis is in the original.

The relationship between U.S. security interests and rapid population growth abroad can be stated very simply: nearly all those Third World countries in which the United States has one or another vital security interest have very serious population problems. These population problems, because they threaten the long-range economic and political viability of such countries, undermine their dependability as U.S. allies and trading partners. Included prominently are countries in Latin America, East Asia, South Asia, and the Middle East. . . . Any number of them could become the next Iran.

One need, in fact, look no further than the Middle East region to understand these dangerous trends. This area contains the so-called "arc of crisis" extending from Pakistan to Egypt and Turkey. . . . Other countries affected by severe population pressures include additional key suppliers (or potential suppliers) of U.S. petroleum imports, such as Indonesia, Mexico, Venezuela, and Nigeria—already heavily populated countries with high rates of growth. They also include Bolivia, Brazil, Morocco, the Philippines, Zimbabwe, and Thailand, which supply essential U.S. imports of tin, antimony, tungsten, manganese, vanadium and columbium ore, chromite and tantalum. The U.S. Department of the Interior estimates that by the year 2000, the U.S. will be dependent on imports for 12 out of 13 of the most critical minerals required by U.S. industry. Some of America's principal allies in the Third World, including those where U.S. bases or staging areas are now located or under consideration, also fall into the high-population-pressure category. . . .

[N]o amount of aid will keep these countries from eventually going under if population growth continues unchecked. . . . If, as a result of horrendous population pressures, U.S. allies are unable to satisfy the most basic

needs of their countrymen over the long run, they will be able to contribute little to U.S. efforts to block communist expansion and maintain a peaceful balance in strategic regions of the world like the Middle East. . . .

Regional political conflicts are likely to intensify as population pressures increase the scramble for land, water, and other essentials and as unemployment spills over national borders in the form of larger labor migrations. . . . As resentment and frustration grow, new opportunities are created for extremist forces to foment civil unrest and ultimately to bring down governments friendly to the U.S. . . .

Competent observers, such as former Undersecretary of State George Ball, who conducted a study of Iran for President Carter, cite the overcrowded slums of Teheran as an important factor in the 1978-79 upheaval in Iran. By the year 2000 there will be 46 cities of over 5 million people in developing countries, and 18 of over 10 million. . . .

Even the People's Republic of China, though successful in reducing population growth to nearly 1 percent per year, has been frustrated in its efforts to enforce regulations of migration to its cities. . . .

There are several ways in which the United States can exert pressure on governments to make such a commitment to population planning:

First, we can analyze all countries receiving U.S. development assistance according to the strength of their population efforts and use these findings as one factor in the allocation of economic assistance. At the same time, we can offer to increase [U.S.] population planning assistance. . . .

Second, we could earmark some of security-supporting assistance to Egypt, Jordan, Turkey, and others for their population programs. Security-supporting funds represent a somewhat larger sum than general bilateral development funds, yet while 16 percent of the latter are allocated for population planning, almost none of the security-supporting funds are so allocated.

Third, we can and should require that State, Commerce, and Defense Department officials and others who do business with the top levels of government in these countries (a) have a thorough understanding of population problems and their importance to long-range U.S. and host countries' security concerns, and (b) document their efforts to drive this point home on every appropriate occasion. To facilitate such a process, the State Department should be instructed to place a population officer in all U.S. embassies or AID missions of any size in the developing world.

Fourth, we should ensure that population funds which are now in the President's budget are increased and insulated from the deep budget cuts which will be necessary to bring government spending in line with expected government revenues. . . .

Response to Haig's move for control

by Freyda Greenberg

An hour and forty-five minutes after the March 30 attempted assassination of President Reagan, Secretary of State Alexander Haig issued the following statement from the White House: "As of now, I am in control here in the White House, pending return of the Vice-President. . . . Constitutionally, gentlemen, you have the President, the Vice-President and the Secretary of State in that order." Mr. Haig's remarks, which contradicted both the U.S. Constitution and the established military command authority, drew the following fire from policy spokesmen in the U.S. and Europe:

- Columnist George F. Will, in a March 30 TV interview with ABC reporter Ted Koppel, called Haig "constitutionally illiterate" and "astonishingly insensitive politically."

- Radio Jerusalem said, "Haig was guilty of an ill-conceived act." The station had a constitutional law expert attest that "there is no basis for any of Haig's statements in the U.S. Constitution."

- The secretary of the Royal Institute for International Affairs, David Watt, asked whether Haig's role was related to an international plot, replied: "There is no conspiracy of any kind operating here. Haig disregarded the Constitution yesterday. He will pay dearly for that."

- Malcolm Rutherford of the London *Guardian* was asked the same question as Mr. Watt: "Those kind of theories are irrelevant to real life. The real issue here is the economy. [But] Haig is in trouble."

- The foreign affairs editor of the London *Observer*, Andrew Wilson, said: "Haig tried it again. He is really moving too fast. He made an interesting factual error on the succession question. This will be commented on adversely. . . . Serious thinkers here are making arrangements for the U.S. government if anything like this should happen again. I'm not sure how Bush would behave. He was not seriously tested during the campaign. We are not sure about him."

- A high-ranking U.S. military official in West Germany said: "In the opinion of myself and my friends, Haig pulled the trigger. His performance was disgusting. This is really too much."

- A banker in Düsseldorf, West Germany: "This all

comes as an extremely bad coincidence for Haig. The situation for Reagan is like what happened to JFK after Cuba. He changed his political stance, and he was killed."

- An executive at the Dresdner Bank in West Germany: "I surely hope Reagan will draw the right lesson on Haig. Haig's support in Europe is decreasing because of his off-the-wall speeches about the Soviet Union. If you want to talk like that you have to be prepared to put three divisions down in Red Square, or else you should shut up. Haig is a Kissinger remote-controlled robot in a three-piece suit!"

- The West German *Bildzeitung* reports that press secretary Jim Brady circulated a joke last week: "There is big excitement in heaven; the doctors think that St. Peter suffers from megalomania. God comes to the doctors and asks them, 'why do you think so?' The doctors reply: 'St. Peter thinks he is Alexander Haig!'"

Coming to Mr. Haig's defense in the U.S. were:

- Midge Decter, wife of *Commentary* magazine editor Norman Podhoretz, and affiliated with the Committee for a Free World, Coalition for a Democratic Majority, and Social Democrats U.S.A., who insisted that: "yesterday's incident was the result of the press gunning for him [Haig]. The mistake he made about the succession was very minor and unimportant. The incident last week was over territory, and absolutely not a disagreement on policy."

- A political analyst at the Heritage Foundation: "This whole affair is much ado about nothing by the press. It's a carryover from the week before. The Secretary of State is always traditionally number three. It's a question of order of authority, not of presidential succession. At best there have been misunderstandings between Haig and the White House. I have yet to see one issue of difference between them. The press is just blowing the whole thing out of proportion."

- A top analyst at the Georgetown Center for Strategic and International Affairs: "I'm not impressed by any discussion about Haig. There is no policy dispute between the State Department, the NSC, the President; just maybe divergences on presentation."

- A spokesman from the Brookings Institution: "There are no serious differences."

- A close associate of right-wing ideologue Richard Viguerie protested: "I think George Will was too hard on Haig. It is not at all clear that Haig is wrong."

- Henry Kissinger in a TV interview on March 31 declared that Haig acted appropriately under the circumstances.

At a Washington press briefing March 31, Reagan spokesmen James Baker and David Gergen stated that Haig "did one hell of a job." They also officially acknowledged the preceding day's dispute between Haig and Defense Secretary Weinberger.

Arms for Peking pressed by CFR

by Richard Katz

A high-pressure campaign has now begun to ensure that the United States responds to any Soviet intervention into Poland by "realigning ourselves with China," including building up China's military, in the words of Senate Foreign Relations Committee Chairman Charles Percy (R-Ill.). In fact, Percy's March 29 call on CBS-TV's "Face the Nation," echoed the same day in columns in the *New York Times* and *Boston Globe*, has little to do with Poland—that is just a tactic to sell the deal to President Reagan. Behind the campaign lay a March 19-22 conference on "The China Factor" sponsored by the Council on Foreign Relations that took place at Averell Harriman's secluded Arden House estate in New York.

The more than 40 attendees included Winston Lord, Richard Solomon, William Hyland, and Helmut Sonnenfeldt from the Kissinger-era National Security Council (NSC), and, from the Carter administration, former Assistant Secretary of State Richard Holbrooke, former NSC staffers Michael Oksenberg and Roger Sullivan, and former Ambassador to Korea Richard Sneider. From the Reagan administration and other current policy-making centers were NSC staffer James Lilley, State Department China desk chief Charles Freeman, Defense Intelligence Agency Director Lt.-Gen. Eugene Tighe, Jr., and Joint Chiefs of Staff Director of Operations Lt.-Gen. Philip Gast.

Alliance with China

One of the attendees, a longtime associate of Henry Kissinger, told *EIR* the purpose of the conference was to push Reagan into joining a long-term military alliance with China. "The Reagan administration will begin selling arms to China during its first term," he confidently predicted, "it's inevitable."

Indeed, the final report of the conference—attended by Kissinger and Carter associates as well as Reagan officials—declares: "Security cooperation should be expanded to authorize the licensing of defense-related industrial production technology," and suggests there should be "joint staff consultation and the removal of the current prohibition against the sale of lethal but defensive weaponry."

The Carter administration "had drafted a list of weapons to sell to China," announced Percy, a leader of the CFR's Chicago affiliate. "Congress would back Reagan if he decided to do it." But the November election put the Carter plan in limbo and many conference attendees fear it will now be very difficult to sell the plan to Reagan.

"All that has been achieved so far," explained former Carter National Security Council staff member Roger Sullivan, "is that Reagan has been convinced not to do anything that would disrupt U.S.-China ties until the issue has been more carefully studied. But there probably won't be any decision for months on security relations."

Twenty-year buildup

A member of the pro-China Card faction of the Reagan administration made it clear that the "Polish crisis issue" was just a pretext to package a long-term strategy of moving the U.S. closer to China. "What we're really talking about here is a 20-year military buildup program for China. Their economy can't support a five-year rush buildup."

"The U.S. won't be selling China lots of fighter jets, for example, but instead we will sell them components, the technology to build engines, avionics, and build up electronics and other dual-use industries. Right now China is falling further and further behind the Soviet Union," he continued. "We want to reverse that."

At no point, according to several participants, was the conference allowed to discuss at any significant length the simple fact that Deng Xiaoping's policy of undercutting heavy industry domestically makes it impossible to transform China into a credible military power.

In fact, virtually every attendee spoken to actually endorsed Deng's economics. Sullivan, for example, admitted that China would suffer zero economic growth in 1981, but contended, "It will recover by 1983 and then have steady growth."

On the political side, a well-known China Card scholar dismissed reports of widespread strikes as "serious but manageable." "We agreed that as long as Deng is alive, his faction will remain in control," reported a Kissinger associate. "After that, no one knows." So much for a 20-year buildup.

"We didn't allow extended discussion of the economic or political stability in China," commented another attendee, "because you get bogged down and decide you can't do anything once you let that kind of talk start."

One can only wonder if Reagan will be told "not to get bogged down" in a discussion of Chinese reality as he is urged to form a 20-year military alliance with Peking.

Two approaches to the law enforcement crisis

by Mary Jane Freeman

Calling America the victim of "double-digit crime inflation," Chief Justice Warren Burger proposed a four-point program for combatting crime in his annual report to the American Bar Association this February. In line with the Reagan administration's policy of re-establishing violent crime, rather than so-called white-collar corruption as the main target of U.S. law enforcement, Burger told the ABA that "crime and the fear of crime have permeated the fabric of American life." The Chief Justice recommended changes in the criminal justice system he described as "a damage control program."

By "damage control," the Chief Justice means steps taken after the commission of a criminal act that may ensure prompt trial procedures, sure and swift punishment for convicted offenders, and attempts to curb recidivism. "When I speak of 'crime and punishment,'" Burger told the ABA, "I embrace the entire spectrum beginning with an individual's first contact with police authority through the stages of arrest, investigation, adjudication, and corrective confinement." Implicit in Burger's approach is that law enforcement's role in combatting crime is *ex post facto*, after the gun is smoking.

Some of the Burger proposals speak to crippling secondary weaknesses of the U.S. criminal justice system. But for a nation with a tidal wave of crime, increasingly virulent urban disorders, and terrorism—and which this week saw with horror an attempt on the life of the President—a law enforcement program which deals with crime only after the fact is totally insufficient.

A way out of the after-the-fact bind on law enforcement personnel was offered by former presidential candidate Lyndon H. LaRouche, Jr. in a recently released policy document issued by the National Democratic policy Committee (NDPC), whose advisory committee LaRouche chairs. LaRouche takes aim at the *institution* of criminal activity, rather than mere punishment of specific crimes after the fact, as the proper object of law enforcement. The LaRouche document emphasizes that the twin pillars of the U.S. criminal infrastructure, dope traffic and domestic terrorism, can only be dealt with through the "approach of breaking the back of crime."

In his presentation to the ABA, Burger correctly noted that the judicial process is currently undermined by the magnitude of court caseloads, delay in trials, and opportunities for dilatory action by both prosecutors and defense. Punishment is distant and uncertain for the legally well-protected criminal, while freedom for the innocent or minor offender may be long delayed through inability to raise bail. To deal with this problem, Burger offers proposals which he believes will streamline the judicial system, or "control the damage":

- 1) Restore to all pretrial release laws the crucial element of danger to the community to be determined by available evidence and the defendant's record, to deter crimes committed while on bail;

- 2) Provide for trial within weeks of arrest for most cases, except for extraordinary cause shown;

- 3) Priority for review on appeal within eight weeks of a judgment of guilt;

- 4) Following exhaustion of appellate review, restricting a subsequent judicial review to claims of miscarriage of justice to halt what is often an endless round of appeals and retrials based on technicalities.

Following conviction, Burger offers six recommendations which he sees as a means to reduce the rate of criminal recidivism by giving prison inmates skills which they can use to re-enter society. For example, he proposes "a broad-scale program of physical rehabilitation of penal institutions to provide a decent setting for . . . educational and vocational training." He recommends that the programs should be mandatory, and credit for educational progress could be applied to reduce prisoners' sentences. His four additional recommended changes in prison procedures and functions are: "generous use of probation for first nonviolent offenders, with . . . swift revocation if probation terms are violated"; "generous family visitation . . . to maintain family ties, with rigid security to exclude drugs or weapons"; "counseling services after release"; and "encouraging religious groups to give counsel on ethical behavior and occupational adjustment."

In his first four proposals dealing with the crisis in judicial procedures, Burger is responding to the univer-

sally acknowledged near-breakdown of the court system. The cause of this problem, however, is not procedural. Rather, as the LaRouche memo emphasizes, it is the magnitude, the omnipresence of crime. The existing atmosphere of criminality, the LaRouche memo states, is the result of liberal law enforcement policies "which serve to protect the criminal infrastructure . . . [w]hich say, in effect, 'It is now the function of the law to defend the criminal from undue annoyance by the representatives of the criminal's victims.'"

To re-establish a genuine criminal justice system, as opposed to both the liberal "protect-the-criminal" view of law enforcement and the narrow "after-the-fact" damage-control outlook represented by the Burger reforms, the institutionalization of criminal activity, the environment of crime, must be reversed. The cause of the breakdown of the court system, quite simply, is the overwhelming amount of crime. In the same way, the inducement of the ex-convict to return to criminal activity results in large measure from the networks of criminal behavior which define that individual's social relations. Moreover, the threat of swift incarceration, crucial as it is to law enforcement, is not by itself enough to deter recidivists. The criminal mind, LaRouche writes, is "by nature rife with fantasy, is characterized by moral indifferentism," and lacks as a result any ability to comprehend reality. Consequently, the criminal does not believe that he will be caught no matter how great the likelihood of his apprehension is.

The problem of British criminology

It is therefore necessary, says LaRouche, to "dispel the delusion that the arrest and conviction of discovered perpetrators represents in itself effective suppression of the institutions of crime." "The core of the issue," writes LaRouche, "is the British criminological policy which defines the primary objective of law enforcement to be the apprehension and conviction of the perpetrator *after the fact of the commission of the particular crime.*"

The U.S. criminal justice system must be premised on "the contrary policy [that] defines the apprehension of perpetrators after the fact of the crime as a necessary incidental feature of the much broader task of proper law enforcement . . . defined . . . to be the control of crime before the fact, the neutralization of the institutionalization of circumstances which engender the perpetrated individual criminal act."

LaRouche asks citizens to look through the eyes of the cop on the beat. "Elementary law enforcement," LaRouche writes, "conceived as control of crime, centers around the officer's trained eyes and ears for 'something queer.' The beat officer, who knows every nook and cranny of the beat, backed by roving patrol cars, and both backed by an intelligence-oriented detective force in the precinct, is the point man in effective

control of crime." What if, the memorandum asks, "instead of such queer occurrences in an otherwise orderly beat, the 'queerness' of the environment is extensive, and if the officer is constrained by policies which prevent him from enforcing ordinary standards of orderly conduct to keep the 'queerness' of the beat within manageable proportions?"

Thus, instead of crime-related disorders standing out as "queer" and threatening, "lack of efficient law enforcement action against drug usage as well as drug-distributing offenses means an environment so contaminated with unlawfulness that that condition in itself creates a condition of *crime out of control.*"

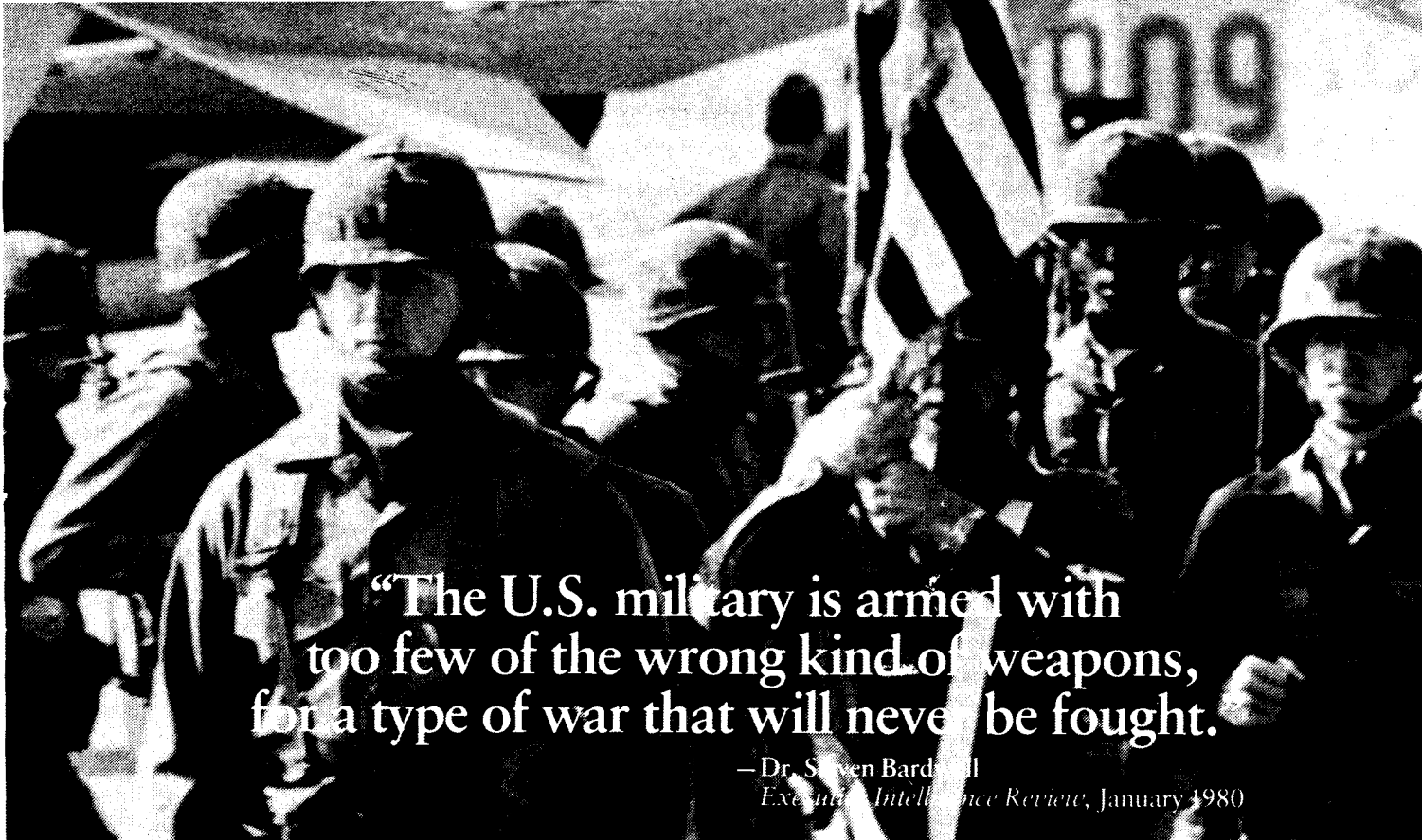
LaRouche examines two crucial cases of the institutionalized forms of criminal activity that feed the "environment of crime": drugs and terrorism. Citing a notorious example from New York City, which liberal law enforcement policies have transformed into "the crime capital of the U.S.," LaRouche comments on the nightly congregation of dope dealers—whom New York police officers are forbidden to arrest under the libertarian Koch administration—that meet openly in midtown Manhattan. This pushers' conclave determines which city neighborhoods will be targeted for drug dealing. Spinoffs will be other crimes—burglaries, muggings, drug use and disorderly incidents which establish the institutionalized, criminal environment.

Law enforcement must attack this environment all together. LaRouche notes that "without sweeping up the drug users, it is impossible to isolate significantly the drug pushers.

"The problem of law enforcement practice here is related to the nonsense-doctrine of 'victimless crimes.' Whoever contributes to the institutionalization of the drug traffic, by supporting the market on which the drug traffic depends, is complicit in the death of every person who dies from drug usage, and complicit in every case of burglary, mugging and so forth which flows from drug usage."

Likewise, a competent attack on international terrorism focuses on dismantling the "control-apparatus" of political machines, lawyers, support fronts and the like which sustain the actual "bomb throwers" themselves.

"The fundamental policy for law enforcement," LaRouche concludes, "must not start from the problem of apprehension and conviction of particular perpetrators after the fact of the commission of a particular crime. The fundamental policy for law enforcement *and related enactment of statutes* is to shape the interrelationship between law enforcement and criminal statutes such that we define an efficient means under due process and related considerations of probable cause to deploy law enforcement professional institutions in a *winning war against the infrastructure of criminality.*"



**“The U.S. military is armed with
too few of the wrong kind of weapons,
for a type of war that will never be fought.**

— Dr. Steven Bard
Executive Intelligence Review, January 1980

The EIR has warned for over five years that the decline in American industrial, scientific and moral strength would undermine the nation's military capabilities and security. Industrial weakness has led to deficiencies in military hardware, and the decline of scientific research and education has removed from American youth the moral desire to serve and fight for the country.

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Bill to end grain embargo introduced

Following the Senate passage March 25 of a resolution urging the President to end the grain embargo to the Soviet Union, Sen. Edward Zorinsky (D-Neb.) introduced legislation which would actually mandate the President to end the embargo. In introducing his bill, S. 802, on March 25, Zorinsky declared that it was necessary for Congress to do more than merely express its concern on the issue, as it had with the resolution. "America's grain producers are tired of hearing speeches," he said. "They are tired of hearing that the Senate has told President Reagan how they feel. America's farmers do not want to hear that the Senate has again told President Reagan where it stands on the embargo." Zorinsky's bill would require the President to end the embargo within 30 days after passage of the measure unless Reagan can show that the embargo is necessary to further U.S. national security and that the continuation of the embargo does not create an undue adverse effect or burden on American farmers.

Republicans set foreign policy task force

Representative E. Thomas Coleman (R-Mo.) announced March 25 that he will chair a 12-member task force on foreign policy of the House Republican Committee. The group "will work closely with the Republican leadership in both Congress and the administration in building a broad base of support for Republican policy positions in the area of international affairs."

The group, which existed last year as well, has taken on added importance because there is a Republican administration. Coleman said the group will be preparing substantive reports and keeping members informed on issues such as trade, foreign aid, international communications, military credit sales, as well as general policy questions in all regions of the globe. Staff members are currently working on a report on El Salvador. "The task force will actively solicit input and comments from individuals and organizations directly involved in international relations and U.S. foreign policy" said Coleman.

Brock runs trade policy, say senators

Two of the Senate's leading supporters of a strong export posture called on the administration to make public assurances that Special Trade Negotiator Bill Brock and not Secretary of State Haig is overseeing U.S. trade policy. In statements on the Senate floor March 27, Russell Long (D-La.) and Lloyd Bentsen (D-Texas) expressed grave concern over Secretary of State Alexander Haig's apparent usurping of U.S. trade policy. Long stated, "What troubles me is a report that the secretary, Mr. Haig, had rather lengthy meetings with the foreign minister of Japan on the subject of trade and automobiles. The automobile question is a trade issue, and if we let it get mixed up in foreign policy I think the situation in that industry is probably going to be made even worse than it already is."

Several days earlier, members of the House Ways and Means

Committee including Dan Rostenkowski (D-Ill.), Barber Conable (R-N.Y.), and Sam Gibbons (D-Fla.), sent letters to President Reagan expressing their concern over reports that Haig was handling trade matters. At the same time a number of staff members of the Senate Finance Committee communicated their concern on the matter to the administration. In response, the President assured Ambassador Brock that he was the primary figure responsible for trade issues.

Senator Long's floor remarks noted, however, that "at this point the matter is still a little vague; Secretary Haig's statements are still on the record and the President's reported conversation with Ambassador Brock is still off the record."

The Senate Finance Committee chairman, Robert Dole (R-Kans.), took the floor following the remarks of Bentsen and Long to state his full agreement.

Committee challenges Pentagon budget 'quick fix'

The Senate Armed Services Committee unanimously rejected the Navy's request for funding to refurbish the mothballed aircraft carrier Oriskany on April 2. John Tower (R-Texas), the committee chairman, said that Armed Services is not "a rubber stamp" for Pentagon requests.

The Navy's estimate for taking the carrier out of mothballs was originally \$305 million, but was upped to \$518 million. Tower emphasized that, cost aside, only small fighter bombers could be used on Oriskany, planes that are

no match for modern enemy aircraft or submarines. The senator also pointed out that the Navy lacked the skilled manpower to run such ships.

The committee has approved a \$2.8 billion supplemental FY 1981 authorization.

Hearings held on farm policy

The House Appropriations Subcommittee on Agriculture heard testimony March 30 from various national farm groups and rural associations, demanding that the subcommittee not allow the cuts in the FY 1982 agriculture budget proposed by the OMB. They warned that the cuts would "impose zero growth on the rural sector of America." "There must be some relief from the doubling of interest charges" on agricultural loans, warned one witness, "or there will be devastation."

A National Democratic Policy Committee spokesman told the subcommittee that "I want to begin by saying to you that we have to help defend the Department of Agriculture from the degradations and national disgrace of David Stockman. His cuts are not across the board but are weighted to bring about the postindustrial society which he advocates. . . . Mr. Stockman deliberately intends on dismantling the necessary protective mechanisms of the productive sector."

In response, subcommittee chairman Jamie Whitten (D-Ala.) asked "whether Mr. Stockman just didn't have enough time in deciding on the cuts, which is why they are so bad, or whether, as you are

saying, Mr. Stockman had a pre-conceived plan to make the cuts?"

The NDPC spokesman declared that Stockman's cuts are intended to implement the policies outlined in the Global 2000 report of the Carter administration, that is, population reduction and destruction of the productive economy. He specifically cited proposed cuts in agriculture research and development, the cuts to the Agristar project, cuts in PL 480, raising the cost of borrowing under the FMHA and Rural Electrification Administration programs, and eliminating Federal Financing Bank guarantees.

The following day Senate Agriculture Subcommittee Chairman Thad Cochran (R-Miss.) told another NDPC representative who gave similar testimony that "it's good to stretch our minds sometimes and look at some of the premises and implications of the policies we are implementing. I'm glad you brought this Global 2000 report to our attention."

Hollings proposes renewal of draft

Senator Ernest Hollings (D-S.C.) introduced legislation, S. 756 on March 23 which would "provide for the reinstatement of registration and classification, and reinstate the authority of the President to induct persons into the armed forces." Hollings bill to reinstate the draft was cosponsored by James Cannon (D-Nev.). The proposal is that within 180 days after passage of the legislation, the President would be required to begin "registration and classification of citizens." "In

a nutshell, the all-volunteer approach has been a failure," declared Hollings when he introduced the bill. "It has failed to provide the necessary number of troops. It has failed to provide a quality defense force. We have failed to appropriate for it. And we have failed, as a people, to fairly and equitably distribute the burden of our national defense. Our volunteer forces are sadly unrepresentative of the society they serve."

Senator Mark Hatfield (R-Ore.), an opponent of the draft, welcomed introduction of the bill, saying that Hollings provided the Senate "with a good vehicle upon which to make a rather significant national debate." The bill has been referred to the Armed Services Committee.

Water user fee legislation introduced

Senator Robert Stafford (R-Vt.), chairman of the Senate Environment and Public Works Committee, introduced S. 809 and S. 810 on March 26, establishing waterway user fees. The legislation, introduced on behalf of the administration, would establish fees for commercial use of ports and certain inland waterways for the first time in American history.

The bill comes at the urging of OMB Director David Stockman nominally as a means to raise revenue. However, Prof. Daniel Bell, author of the book *The Coming of the Post-Industrial Society*, cited Stockman's support of waterway user charges as the best evidence that Stockman is a supporter of postindustrialism. In a recent interview, Bell stated, "It shows industry that the free ride is over."

National News

Reopen TMI says business, labor

On March 28, the second anniversary of the Three Mile Island nuclear incident, Pennsylvania Building Trades Council President Tom Miller issued a public statement calling for TMI's reopening. Miller cited estimates that the loss of power from the shutdown of Unit 1 is costing Pennsylvanians \$14 million per month in higher utility costs.

Miller's statement was issued as a rally by environmentalists to keep the unit closed fizzled, largely because of strong pronuclear stands by labor and business representatives. Earlier in the week, the head of the building trades division of the AFL-CIO, Robert Georgine, had said that the antinuclear rally had no labor backing. Pennsylvania Chamber of Commerce head Robet Hibbard reported that continued closure of Unit 1, which was uninvolved in the accident two years ago, may "result in the bankruptcy of Metropolitan Edison," and cause "dramatic increases in the cost of electricity" for Pennsylvania and New Jersey residents dependent on Met Ed's power grid.

Mineworkers reject negotiated pact

Striking members of the United Mine-workers (UMW) voted by a two-to-one margin this week to reject a tentative pact with Bituminous Coal Operators Association. Union officials warned that the strike, which began March 27, could become the longest in U.S. history because the coal-owning oil multinationals see no interest in settling.

Only a week ago, UMW officials were optimistic about passage of the pact. They underestimated the ability of the media and various agitators to create a stampede against the contract. When UMW president Sam Church went to the coal fields to sell the pact, he was greeted

by suspiciously well orchestrated demonstrations, which were in turn prominently covered by the media. According to sources, Church and his backers were destabilized by this hostile environment and placed on the defensive.

The agitators, many linked to networks associated with the Washington-based Institute for Policy Studies, focused on the volatile issue of the security of union pension funds and the mining of non-union coal.

Union officials say they are worried that coal-owning oil multinationals, acting through Bobby Brown of Continental Oil's Consolidation Coal, will now try to pin the strike on the union. From the beginning, they have sought to shut down the mines to break the union, one UMW leader said.

McPherson endorses Global 2000

M. Peter McPherson, the Reagan administration's choice for AID director, has endorsed the Global 2000 report which calls for reduction of the world's population by 2 billion by the year 2000. McPherson went on to stress his support for AID population reduction programs, which, he said, are "essential" to meeting the goals of that report.

Testifying before the Senate Foreign Relations Committee on April 1 McPherson said, "In the past year public awareness of our interdependence has been highlighted by the President's Hunger Commission, the Brandt Commission, and the Global 2000 study. The Global 2000 report in particular presents a sobering picture of large-scale interrelated problems caused by population growth, energy scarcity, forest destruction with attendant soil and atmospheric effects, and pressure on food production capacity."

McPherson went on to discuss the problems the energy price rise has caused the Third World. "AID is therefore giving increased emphasis to the development and diffusion of alternative rural energy sources," he said, "such as biogas

and minihydro as well as more efficient energy conversion devices, such as wood-burning stoves.

"Rapid population growth in developing countries exacerbates food, environment, and energy problems. As the largest donor for international population programs, the United States has played an important role in bringing decreased population growth rates."

FEC goes after Iran hostages

Citing a provision of the Federal Election Campaign Act that is designed to curb congressional bribery, the Federal Election Commission announced March 26 that the former American hostages must report income accrued from publishing their Iranian experiences, and could be subjected to FEC ceilings.

The former hostages have already been unconditionally barred, through the agreement the Carter administration negotiated with the Khomeini government for their release, from suing the Iranians for damages. Since the Carter administration's complicity in the hostage seizure is already widespread knowledge, the FEC's further crimp on the hostages' ability to publicly discuss their experiences represents a heavy-handed effort to shut them up.

According to the FEC, since the hostages are government employees, FEC provisions apply to them.

Birchers in dirty tricks against EIR?

Victims of a possibly illegal operation by the John Birch Society have come forward with evidence that the society may have targeted *Executive Intelligence Review* with slander, attempts to disrupt business, and encouragement of credit card scams. A spokesman for victims of the Birchers' activities revealed, "What we've found is that our customers are being told by representatives of the soci-

ety to cancel legitimate credit card purchases. We think that's illegal and in restraint of trade, and we're looking to see what other businesses might be victims." According to the source, Gary Handy of the Birch national headquarters in Belmont, Mass. told an *EIR* subscriber "The editor of our magazine, the *Review of the News*, referred to [*EIR* founder] LaRouche people as a communist sect. . . .

"What I would do is I would drop a letter to Master Charge telling them that you don't want to pay, that you feel there was misrepresentation on the part of the people who solicited the funds, and send a copy of the letter to the *Executive Intelligence* people. Just tell them you are cancelling your subscription."

A spokesman for *EIR*, informed of Handy's remarks, said, "This kind of thing goes further than their usual under-the-bed propaganda. We view this as possible suggestion for misrepresentation by credit card users. The Birchers are even more suspicious than loony," the spokesman continued. "After all, they got their start by attacking Eisenhower as a communist. In a word, this is a British intelligence-run, anti-American operation."

Wanniski turns supply-side up

Jude Wanniski, supply-sider and brave crusader against the Trilateral Commission, responded to criticism from Hobart Rowan in the *Washington Post* with a letter to the editor.

Mr. Wanniski says, "Mr. Rowan misunderstands my position and thus unwittingly misrepresents it. I am not only an internationalist, but also a believer in eventual world government. . . .

"Mr. Rowan suggests that I have an irrational fear of the Trilateral Commission, which I have wrapped around my 'conspiracy theory.' Actually, I have the highest regard for the members of the Trilateral Commission, but I believe that they jointly become a destructive force simply because their common ideas have

developed in a demand-side framework. If David Rockefeller continues to shift his views to the supply-side, a process under way for a year or so, the Trilateralists can become a powerful force for global prosperity."

Regan grilled on FBI failures

Treasury Secretary Donald Regan, under whose jurisdiction the Secret Service falls, testified before the House Appropriations subcommittee April 2 that he didn't "know why" the FBI failed to inform the Secret Service that John Hinckley, Jr. had been arrested while trying to carry .22 caliber guns onto a plane from Nashville, Tennessee to New York last year at the same time President Carter was also going from Nashville to New York. "On hindsight," said Regan "it looks like it should have been [reported]. The FBI apparently thought it wasn't necessary. We still don't have a complete answer as to why Mr. Hinckley's previous arrest was not known to the Secret Service. We have to wait for a more complete answer."

Eldon Rudd (R-Ariz.), a former FBI agent, expressed his concern about the domestic security guidelines established by former Attorney General Edward Levi, stating that the federal government has been restricted in its ability to monitor groups who pose potential security threats. Rudd stressed that the Secret Service depends on the FBI for its intelligence. Regan replied that he intends to review the guidelines with Attorney General Smith.

Regan assured subcommittee chairman Edward Roybal (D-Calif.) that he is ordering a total departmental review of everyone involved in the incident.

According to the Warren Commission report on the 1963 assassination of John F. Kennedy, the FBI's lack of such protective cooperation is a known quantity. The Bureau had 18 years ago neglected to inform the Secret Service of their knowledge of Lee Harvey Oswald's activities.

Briefly

● **JIM BAKER**, White House chief of staff reportedly has requested that his staff do a review of "who did what when" in the administration during the period immediately following the attempted assassination of President Reagan.

● **PERHAPS** the lesson of Monday's assassination attempt will provoke the Congress and Department of Justice to bend the branch back in the proper direction. Persons and organizations who advocate terrorism or toleration for terrorist groups ought to be defined as providing probable cause for surveillance of their activities and associations by federal, state, and local law enforcement agencies," writes *EIR* founder Lyndon H. LaRouche in the latest bulletin of the National Democratic Policy Committee.

● **DONALD REGAN** told House Appropriations subcommittee April 2 that he does not expect U.S. interest rates to really come down before 1982.

● **GLOBAL 2000** reports are being planned for 20 to 30 states. The idea, said one person associated with the effort, is to "think globally but act locally."

● **JEAN CHRETIEN**, Canadian Justice minister, reportedly approves of the decriminalization of drugs, threatening the U.S. with a massive flow of illegal drugs from the north.

● **DEEP GOAT**, a Washington source, tells *EIR* that after Alexander Haig was assigned to Henry Kissinger in 1973 the secretary of state had to post an armed guard at his desk every time he felt the call of nature. Otherwise, said Deep Goat, "by the time he got back, he would find Haig there holding a press conference to announce that he was 'in control.'"

World oil: two alternatives

The dramatic economic downturn sharply cut consumption, posing a dilemma for world producers.

Is there a "mini-glut" of world oil today, as media like the *New York Times* and *Wall Street Journal* are declaring? Or is the world economy on the threshold of unraveling in a downward spiral? We should make closer examination of the real relation between energy growth and economic health.

Reliable figures are available showing that worldwide crude oil production dropped almost 5 percent last year to 59.67 million barrels a day. This is the authoritative estimate by the industry publication, *Oil & Gas Journal*. The most dramatic illustration of the deterioration of the world economy that has occurred since the January 1979 ouster of the Shah of Iran is that despite the outbreak of war between Iraq and Iran last year that cut about 4.5 million barrels/day from global output, the loss had little impact on world supplies.

Last September, Chase Manhattan Bank's Energy Economics Department predicted that a prolonged Iran-Iraq conflict "would exhaust the cushion before the end of winter," referring to their estimate of a "normal" world stockpile of some 600 million barrels of oil. That "cushion" represents about 12 days of total world consumption. Six months later, world stocks are still in *relative oversupply*. What has happened?

There is a dangerous tendency in the boardrooms of major corpo-

rations to listen to a peculiar species called "economists." I say peculiar because the predictive track record of these guys, whether at Exxon, Mobil, or Chase, is a scandal.

The latest wisdom circulating among these boys is that the plunge in oil demand is a direct result of "conservation," rather than economic downturn. The shell-game artist who came up with this will probably get a Nobel Prize in Economics. But it hides something far more stupid and self-defeating for the world economy.

There are two opposing philosophies on this issue. One, which I call the "Chase" or "finance peoples'" view, is that so long as you hold market dominance, direct or indirect, you can offset declining sales by jacking up the price.

A case in point is a new report from some economists at Shell Oil in Houston. Their method is simple: incompetence raised to the level of principle. They took trends of the recent months of drastic high U.S. and European money interest rates, combined with a staggering 272+ percent increase in the cost of world energy feedstock as their statistical "norm." Then, they extrapolated from this induced depression to "predict" that U.S. oil consumption will "plateau" in the early 1980s, "bringing to an end the historic trend of increasing consumption." This reminds me of the farmer who mixed larger and larger

amounts of sawdust with the grain he fed to the unsuspecting mare. The strategy worked great—till the horse went and died.

Look at the situation as it is reflected domestically. The latest Department of Energy reports show that oil refineries are at less than 71.9 percent of capacity. In 1978, the average was 86.5 percent. Gross imports of crude and refined petroleum product for March is down 19.8 percent from 1980. Primary stocks of gasoline stood at an all-time high at the end of March of almost 287 million barrels.

For the first time since the early days of the Iran-Iraq war, the domestic price of gasoline fell slightly. Depressed energy consumption is already being reflected in lower quarterly earnings for some integrated oil majors. And much attention has been given to the "record" level of domestic oil and gas drilling activity over the last 15 months.

However, very little drilling to delineate large new petroleum reserves has gone on since the 1950s exodus of the majors to the Middle East. The current boom is only just above levels of 26 years ago. The decline in domestic production has slowed, but substantial new production has yet to occur.

This is an appropriate juncture to pose a production-oriented alternative: if companies such as Exxon and Mobil could see beyond their noses, they would stop paying the Public Broadcasting Service to show provocative anti-Saudi films, and spend that money on an all-out media effort to urge reversal of the Volcker interest-rate policy. I know a score of oil and gas producers who would not hesitate to come down on the expanded-production side of this vital issue.