

# EIR

Executive Intelligence Review

July 5, 1983

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# EIR

## From the Managing Editor

On June 20, BBC-TV's "Panorama" program reported that at the height of its debt crisis last September, Mexico had tried to persuade Brazil and Argentina to form a debtors' cartel and jointly declare themselves in default. According to British newspapers, "Panorama" obtained "confidential Mexican cabinet documents" which gave evidence of the plan. The Mexican President at the time, "Mr. José López Portillo, had held at least two secret meetings with Brazilian and Argentine representatives, but could not convince them. On Sept. 24, Mexico had no alternative but to go to the IMF and accept a severe austerity program."

The London *Guardian* described the BBC's "exclusive story" as giving "the first firm evidence" of Ibero-American interest in forming a debtors' cartel. International wire services have also given prominent coverage to the BBC story, which has been featured throughout the Ibero-American press.

But in our Jan. 4, 1983 issue, *EIR* had already reported that President López Portillo had gone to the United Nations with two drafts of his speech on Oct. 1, 1982. Wrote Ibero-America Editor Dennis Small: "In one—which he ultimately did not deliver—he reportedly was to announce that Mexico, with support from the continent's other major debtors, was declaring a debt moratorium. *EIR* subsequently learned that López Portillo concluded that he lacked the necessary backing from the rest of the continent to go with the debt bomb."

In addition to coverage in the weekly *EIR* of the moves toward a cooperative approach to the Ibero-American debt, coverage that has proven six months to a year ahead of other media, *EIR* publishes a monthly special service, "Ibero-American Debt Watch." For further information, contact Peter Ennis or William Engdahl at (212) 247-8820.

Coming up in future issues are reports on laser technologies and related "plasma age" capabilities. We will also provide background on preparations for the World Council of Churches session in Vancouver, Canada in late July, where KGB and Swiss-run networks will converge, and for the end-of-August Pugwash conference in Venice, one of whose foci will be "Third World, Mediterranean, and Middle East Security."

Subscribers, please note: as we do each year, we will skip the next issue of *EIR*, which would otherwise go to press on the July 4 weekend.

*Susan Johnson*

# EIR Contents

## Interviews

- 6 Janez Stanovnik**  
Senior adviser on foreign economic policy and former cabinet member of the Yugoslav government.
- 10 M. M. Bhatnagar**  
General manager of India's Heavy Machine Building Plant of the Heavy Engineering Corporation.
- 12 S. Samarapungavan**  
Chairman, Steel Authority of India, Ltd.
- 14 V. Subramony**  
Managing director, Rourkela Steel Plant.
- 15 Naresh C. Nayak**  
General manager for works, Rourkela Steel Plant.
- 41 General Giulio Macri**  
An expert on advanced military applications of technology, and a European Labor Party candidate for the Italian Chamber of Deputies.

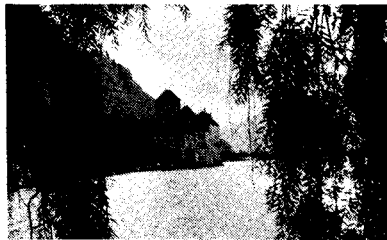
## Departments

- 19 Science & Technology**  
Lasers will maximize space communications.
- 47 Italy's War on Crime**  
In a single night.
- 59 Kissinger Watch**  
Seven months later.
- 60 Congressional Closeup**
- 64 Editorial**  
The scandal behind Volcker's return.

## Economics

- 4 The Volcker albatross can sink the ship**
- 6 Yugoslav spokesmen address the urgency of the world debt crisis**  
Leaders of Yugoslavia, a founder of the Non-Aligned movement, acknowledge that the financial crisis is beyond solution within single nations, as a speech at the Belgrade UNCTAD VI conference and unprecedented coverage of Helga Zepp-LaRouche's support for the debt bomb attest.
- 10 India's steel industry shows the potential for a North-South industrial takeoff**
- 16 Currency Rates**
- 17 The Kra Canal plan: a 'Great Project' for Thailand and for world trade**
- 21 International Credit**  
Citibank and other strange things.
- 22 Business Briefs**

## Special Report



The castle of Chillon on Lake Geneva, near Montreux, Switzerland.

Stuart Lewis/NSIPS

### 24 The Swiss banking empire: center of the Fourth Reich

Few believe Switzerland is simply the realm of ski lifts and watchworks; fewer understand the strategic capabilities and hatred of the Western Renaissance tradition on the part of the "gnomes."

### 31 Centuries of Swiss expertise: usury, Jacobinism, 'one worldism,' and dirty money

From the creation of "little Genoa" and the deployments of Jacques Necker to the Nazi chief of the Union Bank of Switzerland, Alfred Schaefer.

## International

### 36 Ibero-American labor revolt hastens showdown with IMF

### 38 Beam weapons' strategic and economic potential suddenly placed on the French agenda

**Documentation:** The French press examines ABM weaponry goals.

### 43 Gromyko hails West's anti-nuclear movement

What happened at the Soviet Central Committee meeting.

### 44 The Politburo's Geidar Aliyev and the heritage of fundamentalist insurgencies in the Mideast

Aliyev's recent promotion must be seen in the context of his capabilities for destabilizing the Mideast.

### 46 After Thai-Vietnam talks on Kampuchea

### 48 International Intelligence

## National

### 50 Anti-nuclear ruling threatens national security

The Washington state supreme court decision allowing utilities to default on bonds raised to build five nuclear plants could bankrupt the state power authority—and bring to a halt investment in both nuclear and fossil-fuel energy generation.

### 55 Harriman Democrats blind to Labour Party downfall in British elections

They are still campaigning for disarmament—on Yuri Andropov's terms.

### 57 Justice Department's Giuliani to oversee a pact between FBI and peace movement?

### 62 National News

## The Volcker albatross can sink the ship

by David Goldman

Paul Volcker's reappointment to the chairmanship of the Federal Reserve, sold to President Reagan as a means of defending fragile monetary stability and the Potemkin Village economic recovery, prepares the United States for a monetary disaster. Like the supposedly impregnable Maginot Line smashed by the Nazi *Blitzkrieg* in the first weeks of the 1940 offensive, Volcker's well-elaborated contingency plans for the defense of the liquidity of the American banking system guarantee the destruction of American finances in the event of major debtor country defaults over the summer.

Volcker's confirmation will be bitterly fought by political groups including the National Democratic Policy Committee, which is advised by *EIR* founder Lyndon H. LaRouche, Jr. "I strongly oppose the re-appointment of Paul Adolph Volcker as chairman of the Federal Reserve System," LaRouche stated June 22. "For practical reasons, I cast humility aside, to cite the evidence that I am the world's most accurate economic forecaster, and state that anyone who considers Mr. Volcker to have performed on behalf of the interests of the people of the United States does not know that the world and the United States are presently sliding downward in a general economic depression, and teetering on the edge of the worst international financial collapse in modern history."

Although International Monetary Fund officials and Fed staff specialists still speak hopefully of an eleventh-hour deal with Brazil before a crucial June 30 payments deadline, there is probably no way to avoid some form of Brazilian debt moratorium, followed by similar action by other debtor countries, except to break the rules of the game as Paul Volcker invented them.

According to well-placed administration sources, Volck-

er's reappointment emphasizes the already crumbling status quo in international monetary relations, that is, International Monetary Fund "adjustment" programs in return for debt relief. President Reagan was ill-advised to confirm this policy at the precise moment that the Brazilian government chose to ignore the impossible and unworkable demands of the IMF. If Brazil does not receive the \$411 million loan tranche already withheld by the IMF in retaliation for Brazil's non-compliance, the Brazilians, already more than \$2 billion in arrears, will default against a \$430 million payment due June 30 to the Bank for International Settlements.

In this case, American banks, the largest of which have between two and three times their total shareholder's capital tied up in Brazilian exposure, will not merely be technically insolvent; they and their offshore subsidiaries will become subject to the deposit runs that nearly brought down the banking system in the wake of the Mexican crisis last August.

Federal Reserve officials, as well as their opposite numbers among the German-speaking central banks, are well aware of this danger. Paul Volcker is, however, not merely a man openly committed to the evil program he once described as "controlled disintegration of the world monetary system"; he is a stupid man profoundly committed to his own stupidity. The result of IMF "adjustment programs" to date has been a 37 percent reduction in American exports to Ibero-America as a whole, with most of that decline concentrated in Mexico, which has had the longest-duration IMF program in place. By destroying this section of world trade, ruining the currencies of the major debtor countries, and subjecting the latter's economies to auto-cannibalization, Volcker and his friends in the administration have set up the worst debt

crisis in modern history.

What may shape the next several weeks' events in a way that Volcker is not capable of understanding, however, is the order of battle of the Swiss and other German-speaking central and private banks. Since the Mexican crisis exploded on Aug. 20, Bank for International Settlements Chairman Fritz Leutwiler and the Swiss generally have been the most fanatical proponents of economic attrition as a putative solution to the debt crisis. As reported by this service (see Special Report), the Swiss perspective, despite its apparent overlap with Paul Volcker's more thuggish instincts, is skewed in two basic directions. First, the Swiss establishment consists of the compact remnants of the Third Reich now in full collaboration with the Soviet Union in a project to produce a credible version of the "final collapse of capitalism." This extraordinary assertion is well documented elsewhere in this week's Special Report. Second, from a banking standpoint, the Swiss believe correctly that the last player to leave the table collects all the chips.

Were this drama and not journalism, the prologue would have represented the early June meeting of central bankers at the Swiss-based Bank for International Settlements, where Volcker committed the United States to a document known as the "Basel Concordat." Although not a treaty, the Basel Concordat pertains to matters delegated to the Federal Reserve by Congress, and represents an equivalent American commitment as long as Volcker is able and willing to honor it.

Released to the public June 9, the Basel Concordat simply reports the agreement of central banks to stand surety for the foreign operations of commercial banks headquartered in their countries; this commitment is half-implied and half-stated in the actual text. As the chief Swiss bank regulator, Dr. Baltensperger, said in an interview published in *EIR* June 14, the Swiss reading of the document is that Volcker must bail out foreign branches of American banks that wind up in trouble.

Federal Reserve and administration officials warn that this is Paul Volcker's reading of the document as well. That is, the Fed chairman intends to bull through the universal revolt of debtor countries against the International Monetary Fund, employing selective bribes and intimidation, to prevent the formation of a unified front of debtors. It is unlikely that he will succeed during the next three months; if he does, he will have merely added an additional weight of short-term refinancing to the inverted pyramid of Third World debt, producing an even worse situation at year end.

The Federal Reserve backup plans, should this fail, are limited to a defensive perimeter around the liquidity of the American banking system. That is, the Federal Reserve will provide a virtually unlimited amount of discount-window money to commercial banks which will hemorrhage deposits after a Brazilian or Venezuelan default blasts a hole in their balance sheets.

No defensive strategy is less likely to work than the one

Volcker is following. It is the monetary equivalent of the Fall of France. This is true not merely because it is incompetent in monetary terms, but because it is disastrously blind in the political realm. From Volcker's personal standpoint, his problem is that his own intentions are just evil enough to blind him to the much more evil intentions of his erstwhile Swiss partners. Most of the East Coast banking establishment of the United States, including Volcker's old employer David Rockefeller, cheerfully endorsed the Kissingerian arms control and deterrence policies of the 1960s and 1970s which have produced the preconditions for an American strategic debacle in the 1980s. But the idea that the worst rogue element in world politics, the old adherents of *Mittleuropa*, would draw the appropriate conclusions and wreak mischief upon their old adversaries in the West, is beyond the comprehension of Volcker and his circle. Part of the problem may be that Volcker relies for information regarding the German-speaking banking community on Federal Reserve governor Henry Wallich, the scion of an old and nasty Swiss-German banking family.

The major Swiss banks are already de-capitalizing their subsidiaries in offshore markets—an event which Federal Reserve foreign department officials have noted with growing alarm—in preparation for a collapse of the "inter-bank" market. About half of the \$2 trillion Eurocurrency market consists of 1- to 30-day transactions by which commercial banks take in each others' laundry, lending and re-lending the same deposits at slight interest rate differentials. The failure of the Herstatt Bank in 1974 and of the Banco Ambrosiano last spring nearly produced a chain reaction of deposit withdrawals in these markets. Since American banks, the primary originators of dollar deposits, stand to lose the most in such a chain reaction—foreign banks may, if necessary, walk away from their foreign subsidiaries—the potential liability of the Federal Reserve in any effort to bail out this mess is "mind boggling," remarks one senior administration economist.

In effect, the Federal Reserve would be compelled to substitute central bank money, i.e., the official obligations of the United States, for interbank deposits multiplied through the creative accounting mechanisms prevailing in the Euro-dollar market, many times in excess of the Federal Reserve's present balance sheet. The Swiss refrain uttered by Fritz Leutwiler before the American Bankers Association Brussels conference May 18, and by many of his colleagues since, that the United States must pay, is a prescription for the bankruptcy of the United States government. This is what Paul Volcker cheerfully accepted both in the negotiations leading to the publication of the Basel Concordat, and in the actual contingency planning of the Federal Reserve in Washington.

Dealing with this crisis would be, under the best of circumstances, the most difficult task President Reagan had ever faced; he has made the job inestimably more difficult by keeping Volcker in office.

# Yugoslav spokesmen address the urgency of the world debt crisis

At a mid-June meeting with foreign journalists in Belgrade, Deputy Mayor Radomir Stefanovic said that wages in Yugoslavia have had to be reduced by 20 percent over the last four years, while national and local budgets were reduced by 5-10 percent annually since 1978.

Dr. Anton Vratuša, the head of the Yugoslav delegation at UNCTAD VI, which is meeting in Belgrade's Sava Centar until June 30, gave some figures in his speech which explain where the money "saved" by wage and budget reductions went: "Because of increased interest payments on the earlier contracted credits alone, Yugoslavia had to give away about \$2.5 billion from its accumulation in the three-year period 1979-1982"—thanks to Paul Adolph Volcker, you might add. "Nevertheless," Vratuša continued, "Yugoslavia has managed to meet all its obligations on time, but with great sacrifice on the part of its population, and stagnation of production."

While some politicians like Stefanovic pretend—at least in public—that Yugoslavs have a unlimited capacity for belt-

tightening and have lived "beyond their means" for too long, others have begun to think that it is primarily external economic and financial conditions which must be changed.

On April 11, the Yugoslav daily with the widest circulation, *Politika Ekspres*, carried an article on Club of Life founder Helga Zepp-LaRouche and the proposal that indebted developing countries form a "debtors cartel" to force the creditors to the negotiating table, "but on the conditions of the developing countries." Entitled "Debt Bomb," that article caused shock waves. A Yugoslav journalist in Paris said that until he saw that article, he would have never believed that such a thing could appear in a Yugoslav newspaper!

At UNCTAD VI, the Yugoslav delegation is actively lobbying for the Non-Aligned proposal of calling a new international conference on money and finance "with universal participation," i.e. outside the IMF. As Janez Stanovnik, a senior member of the delegation, told *EIR*, one key issue to be discussed at such a conference would be a "common approach" of all debtor countries vis-à-vis their creditors.

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## Interview: Janez Stanovnik

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### 'A cartel for common action by debtors is realistic'

*The following interview with Mr. Janez Stanovnik, former cabinet member of the Yugoslav government, was conducted at the UNCTAD VI conference in Belgrade. Mr. Stanovnik served as executive secretary of the U.N. Economic Commission for Europe for 15 years. Now retired, he is a senior adviser to the Yugoslav government on matters of foreign economic policy. Mr. Stanovnik was interviewed by EIR correspondents Edith Vitali and Hartmut Cramer on June 14.*

**EIR:** The head of your delegation, Dr. Anton Vratuša, called for new proposals to deal with the debt situation on June 13. Recently there has been a lot of explicit discussion of the idea that the Ibero-American countries should unite for a joint renegotiation of their foreign debt. Some even speak about creating a debtors' cartel in order to challenge the already existing creditors' cartel [the Ditchley Group of international

bankers]. It is argued that such a joint action should be done to force negotiations for a new just monetary system.

Would your country support these moves? Has there been some discussion of this idea at this conference?

**Stanovnik:** Not at this conference, to the best of my knowledge. But from the New Delhi [Non-Aligned summit] document, you could very well see that there was action in this respect. In my view, the New Delhi recommendations for consultations for a more systematic study of the problem is a very sound one. I think that this is the right kind of approach. As you suggested yourself, we are today faced with the creditors' cartel, the new commercial banks' institute in New York.

In addition, the links between the commercial banks and the International Monetary Fund, which had not existed before, have evidently created a new situation. If you examine [IMF head Jacques] de Larosière's speech in Florida, you



can see that he revealed very clearly what the new situation is.

The IMF coordinates with the commercial banks in a way that will give them a stamp of approval or guarantee for the purpose of getting the commercial banks to continue their lending operations in the indebted countries. The IMF has a tremendously powerful device, which we call conditionalities. With the conditionalities, the IMF is conditioning the debtor countries to create an environment propitious to private lending and the repayment of debts.

You have this contradictory situation that, in the 1970s, in an attempt to escape too-rigid conditionalities, the developing countries went to the private banks and borrowed on commercial terms, at a time when the interest rates were negative in relation to the export earnings. Starting from 1978-79, the situation was reversed. Real interest rates, in relation to the export prices, became very high, when at the same time indebtedness was high. The developing countries were obliged to borrow more and more on the very short term and under more and more difficult terms. Therefore the indebtedness increased, and when this was combined with the decline in their export earnings, then you have the creation of the "debt bomb" which, let me say, threatens to explode.

**EIR:** If the Ibero-American countries were to unite to form what we call a debtors' cartel, would your country support this?

**Stanovnik:** There are things which you could theoretically consider as potentially possible. I will tell you something which may shock you, but in all fairness I think that it is totally impossible to think of a debtors' cartel.

Why? Because the cases of individual countries are so tremendously different, and countries are exposed to such terrific pressures from the creditors' side, that in my view a debtors' cartel is like an empty gun. I must say, in all fairness, that I do not believe that a debtors' cartel is a realistic approach. Please do understand that I do not think that, as an idea, it is not an excellent idea, but when you come to the practical life it simply does not work. Why? Because there are other things, not only economic logic. Look, all economic logic speaks for a debtors' cartel. When one side monopolizes, it is only logical that the other side monopolizes also. But the situation here in the power structure, in the balance of power, is such that it is just totally impossible to get to it.

**EIR:** What we heard from Ibero-American representatives is that there are two levels involved: First, you would have a joint definition of principles, how the debt should be renegotiated; and second, the technical negotiations with the banks should be done individually.

**Stanovnik:** Yes, this is different. This is exactly the idea of New Delhi. The idea of New Delhi was to gradually, through consultations, come to multilateral rules for the debt renegotiation. This is different. But it is a debtors' cartel in the form of a threat of moratorium that I am skeptical about.

"Cartel" is a nasty word, and the moment you use the word, you immediately think of the worst. I am all for a systematic information and study of the problem, because at the present, the situation of individual countries is very different and the creditors are approaching individual countries in a very, very selective way. They use different strategies for each one. For the purpose [of debt renegotiation], if you understand as a cartel systematic information which then leads to the common behavior of the debtor countries, this is different. This I think is realistic and is certainly something we should be aiming for.

**EIR:** Polish planning minister Janusz Obodowski proposed a 20-year framework for debt repayments with an eight-year grace period to allow industry to recover. Do you think that this is something which could be the result of such consultations?

**Stanovnik:** Now you have this proposal for a new world monetary and financial conference. Rules for rescheduling should certainly fall within the framework of such a conference. What is on the table at present is the proposal to start thinking and preparing such a conference. Of course, the issues are so tremendously large and numerous that you must first make a selection of which issues you will treat at such a world monetary and financial conference. And after you have made the decision which are the key points, then of course there will be a lot of thinking which will go in before we really could proceed with the conference.

Look at UNCTAD VI. At a conference like this, it is like an international circus. The real thing is the work which precedes the conference. The conference is actually done before the high dignitaries convene. If anybody thinks that here in these corridors the work is being done, it is not so. You must first do the homework and after you have done the homework then you present it. But before that you make diplomatic contacts and so forth. Usually, the final declarations are written before the ministers come to the session.

**EIR:** The homework for this conference was done at New Delhi and Buenos Aires.

**Stanovnik:** That is right.

**EIR:** One question on the speech of U.S. Undersecretary of State Kenneth Dam. Some people were astonished that it was very conciliatory in tone. Do you think that it was merely cosmetic, or were there elements in it that show that the United States, under the pressure of the crisis and the pressure of the Non-Aligned movement for a new world economic order, is forced into a more serious negotiation mood?

**Stanovnik:** I don't think I am revealing any radical secret, but the Mexican situation and the Brazilian situation must have had an impact on the thinking in the United States. Clearly, after these calamities, there has been sound thinking by bankers, by economists and high government officials. Kenneth Dam's statements, I agree with you, were much

more conciliatory in tone, though you could have read certain changes only between the lines. He has not yet announced any radical changes. But he certainly has not taken rigid positions. In this respect, I see his statement as a most welcome development because he does lay the ground now for intelligent negotiations.

**EIR:** Is the agreement on tripartite cooperation among Yugoslavia, India, and Egypt a model for South-South cooperation?

**Stanovnik:** Unfortunately, not yet. The tripartite preferential agreement is not a new thing. I am sorry to say that the trade exchanges among these three countries over the last two decades were not really flourishing. One reason is that they produce more or less the same things. I believe that a generalized system of trade preferences among all the developing countries is workable only if it is combined with some kind of a joint fund for those who will not directly benefit from such a general system of preferences, namely the least-developed countries who do not export much. Part of the benefits which will be derived by the newly industrialized countries from the developing countries' associations must be used to create a development fund.

**EIR:** Is this related to Egyptian President Hosni Mubarak's idea, which he came up with here in Belgrade, for the creation of a new "bank of the South"?

**Stanovnik:** Yes, particularly if we get some Arab money in such a bank. This bank will have to have a lending facility for development which will provide very low-rate, easy-term loans or even grants to the least-developed countries. Only in this way can I see that the solidarity of the South could work. For me, this is not a utopian idea. I see the major incentive for industrialization to take place in the South by horizontal development of trade in the South.

**EIR:** What do you think will be the outcome of this present UNCTAD conference?

**Stanovnik:** It is rather early to predict this now, but I can tell you what the Yugoslav delegation is working for. The Yugoslav delegation announced that they would like to see a joint strategy for revival of development in the world. Positive measures must be taken for the revival of the South, and I consider this a very sound strategy because finally the South is coming into its own, like the United States came into its own in the middle of the 18th century and challenged Great Britain. At that time, William Pitt stated in the British Parliament, "We will never buy manufactured products from the United States." You can see now how much they are buying from the United States. I think it is foolish to say, "We will never buy from the developing countries." Let us join forces. We do not ask that everything must be done in 24 hours. We are asking for a longer-term strategy of transition. But this transition means integration of the developing countries as equal partners in the world economy.

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Dr. Anton Vratuša

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## 'Debt is the obstacle to reactivating world economy'

*The following are excerpts from the speech given June 13 at the UNCTAD VI conference by Dr. Anton Vratuša, the head of the Yugoslav delegation. Dr. Vratuša is head of the foreign affairs committee of the Yugoslav Parliament.*

It is evident that there can be no stable and lasting economic recovery, not even in the developed countries, without an economic reactivation and development of the developing countries. . . .

The medium- and long-term debt of the developing countries has increased by seven and a half times since 1971 and reached, in 1982, the sum of over \$600 billion. Moreover, due to the deteriorating pattern of these debts, the annual amount of debt-servicing of the developing countries has increased by 12 times, reaching the sum of \$131 billion. . . .

This is, therefore, one of the major obstacles to the reactivation of the world economy and restructuring of the existing system of international economic relations. Thus, we are witness to a paradoxical situation: that new loans, if provided, are no longer used for economic development, but for servicing debt. In addition, rescheduling of debts and new credits are made "conditional" in a manner imposing deflationary policies on the developing countries, thereby aggravating their position still further.

The question arises: what would be the situation in the world economy if all the countries required to do so reduced their imports? Yugoslavia belongs to those countries which have achieved very dynamic development in the period after its liberation. However, like many other developing countries, in the past few years it has also been confronted with the problem of external liquidity hampering its further development. Just due to increased interest payments on the earlier contracted credits, Yugoslavia had to give away about \$2.5 billion from its accumulation in the three-year period 1979-82.

Nevertheless, Yugoslavia has managed to meet all its obligations on time, but with great sacrifices on the part of its population and stagnation of production. All these considerations lead to a conclusion that it is imperative to take a different course. The problem of debt burden can no longer be dealt with in a conventional, outdated manner. New approaches are needed, while fully recognizing the fact that the debtor countries are not responsible for the present crisis. The inadequate international monetary and financial system and high interest rates, which are not the result of market

mechanisms but of monetary and fiscal policies, are but some elements testifying to this. . . .

I would say that the financial and monetary questions now rank among top priorities of the international community. This is also attested to by the initiatives to convene a world conference on this subject, which in turn confirms that the proposals adopted by the summit conference of Non-Aligned countries in New Delhi were justified as well as timely.

underlined the importance of universal participation at the conference, and the need to meet the development and other financial requirements of the international economy, particularly those of the developing countries, and the need for growth-oriented structural adjustments.

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## Documentation

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### 'Zepp-LaRouche defends capitalism and Third World!'

*The article on Club of Life founder and European Labor Party chairman Helga Zepp-LaRouche excerpted below appeared in Yugoslavia's largest-circulation daily, Politika Ekspres, April 11 under the heading "Debt Bomb." The article was written by Tanjug's (the Yugoslav press agency) Bonn correspondent, Milenko Babic.*

[Humanity must be in really serious trouble] as logic begins to sound very like folly. The height of folly is that three nuclear bombs guarantee peace more than one!

At present, Helga Zepp-LaRouche assuredly proposes yet another: the debt bomb. She asserts that the indebted developing countries are potentially the biggest power of the contemporary world. And she concludes that if it were to be put to use, this power would accelerate the building of a new world economic order.

One more folly? Maybe. But with the overflow of follies to which modern man is subjected, why not listen also to Zepp-LaRouche? I talked to her in Wiesbaden, which is, so to speak, on the American bank of the Rhine.

It is not easy to describe Helga Zepp-LaRouche, 35. A politician? Yes, as she is the chairwoman of the European Labor Party (EAP). That is one of the registered parties which participated on March 6 in the extraordinary elections in the Federal Republic of Germany.

A dreamer? Perhaps, because she has the "recipe for development." . . . She founded the Club of Life, which is counterposed to the "Malthusianism of the Club of Rome." The ideologue of her club is her husband, the otherwise renowned American politician Lyndon LaRouche, 54. . . .

Zepp-LaRouche believes in her development recipe. The medicine prescribed by her is necessary to cure the world from the disease which is called the existing world financial and economic order, headed by the International Monetary Fund!

The virus of this disease, according to Zepp-LaRouche, is the many-headed financial oligarchy of the West, and respectively of the most powerful industrialized countries. The issue is not the states, but the private bankers.

These bankers dominate the IMF, and the IMF dictates to the world rules of conduct which will lead to the apocalypse of humanity. Only with the new world economic order can this calamity be reversed, Zepp-LaRouche thinks. In the center, of course, are the debts of the developing countries, for the moment approximately \$700 billion. The debt could be a moral means for pressure and the main instrument to bring about global negotiations. Why? How?

Zepp-LaRouche proposes a cartel of debtors. The countries with the highest debts, in particular the Latin American ones, could form such a cartel, like OPEC which the oil producers created. Such a cartel could declare a moratorium and stop repaying the debts.

The IMF, and the financial oligarchy, would be forced to accept a global dialogue, but under the conditions of the developing countries. The aim?

First: Write off the debts of the poorest countries completely. Already, the idea of demanding repayment of their debts from these countries is immoral. For Zepp-LaRouche, this is a very urgent step.

Second: For the remaining indebted countries, it is necessary to transform short-term credits with high interest into long-term credits with low interest. For her, this is a second step towards recovery.

Third: The new economic order, having ended the monopoly over technology and promoting the free transfer of technology to the underdeveloped countries, calls for creating an alliance of sovereign states for the international division of labor. For Zepp-LaRouche, this is "the only way for humanity to survive," since "the depression creates the conditions for fascism." . . .

Utopia? Folly? Or both? Maybe something third? . . .

False altruism never was convincing, but . . . Zepp-LaRouche doesn't even pretend to be an altruist. She openly lectures for capitalism and its interests, but its "genuine interests." What are these?

The West needs new markets, and therefore it is foolish to send the Third World into bankruptcy. If you want to prop up capitalism, you must have a strong market. The financial oligarchy, however, does not work for the benefit of capitalism, which they are pushing toward suicide. They are less capitalists than pre-capitalists. . . . An oligarchy is . . . based on feudalism, according to Zepp-LaRouche.

[These are] her distinctive, but convincing views. Zepp-LaRouche is for capitalism, but does that [necessarily] mean that she is against the Third World?

# India's steel industry shows the potential for a North-South industrial takeoff

*EIR* correspondents Ortrun and Hartmut Cramer conducted the following interviews during a five-week visit to India in March and April, following the March Non-Aligned summit meeting in New Delhi. As the *EIR* correspondents found, the propaganda being circulated in Europe by such proponents of Malthusian policy as the Club of Rome that development projects in the Third World amount to nothing more than "cathedrals in the desert" is refuted by India's steel industry. The current production levels of India's steel plants, the living standards in the towns built with the plants, and particularly the commitment of the engineers, managers, and workers, show how such development projects can transform a nation.

In the 35 years since independence, India has tripled agricultural production, quadrupled coal production, and increased steel and cement production tenfold. Generation of electricity has been increased 20 times and fertilizer production 200 times, and both a machine-building industry and nuclear industry have been built from nothing. As a result of this industrialization, as well as mass education and modern medical programs, India's population has nearly doubled from 350 million in 1947, and includes an industrial labor force of 50 million, and the fourth-largest number of scientists in the world.

Yet India's industry and agriculture are facing two acute bottlenecks: the lack of sufficient energy and water. Proposals for a National Energy Grid and a National Water Grid, both under discussion throughout the nation, could only be realized by international financial and technological efforts—which could be launched by the new world economic order under discussion at the Non-Aligned summit.

India's 35 years of economic miracles were achieved under the dirigist policies of Jawaharlal Nehru, known in India as the "Symphony of Industrialization." This policy was responsible for the creation of the industrial cities of Jamshedpur, Rourkela, and Ranchi. Jamshedpur was built by the founder of India's steel industry, Jamsetji Tata, after he visited the American steel cities of Birmingham, Pittsburgh, Chattanooga, and Cleveland in 1902. Tata built his city, with the help of American engineers and in the face of

severe British opposition, in the heart of India's ore-rich area. Both Jamshedpur and Rourkela, which was designed with the help of German engineers, not only include excellent education, medical, and social facilities, but also sponsor rural development programs for the surrounding villages.

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Interview: M. M. Bhatnagar

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## 'We have brought vital know-how to India'

*The Heavy Engineering Corporation (HEC) in Ranchi, one of Asia's largest heavy engineering complexes, was started by the government of India in 1959 with Soviet and Czechoslovakian assistance. It consists of the Roundry Forge Plant, one of the largest in the world; the Heavy Machine Building Plant, the largest of its kind in Asia; and the Heavy Machine Tools plant. HEC is the pioneer of self-reliance in the field in India and possesses the technical know-how, engineering capability, and manufacturing facilities to design, manufacture, and supply a wide range of equipment as well as complete plants to steel and other metallurgical industries on a turnkey basis, from concept to commissioning.*

*HEC's product range includes complete coke ovens, blast furnaces, rolling mills, sintering plants, steel converters, and metallurgical cranes as well as bulk material handling equipment such as wagon loaders, large size excavators, and crushers of various types. Heavy castings, forgings, and a variety of heavy machine tools are designed and manufactured conforming to rigid international standards.*

*HEC has primarily served the Indian core industries like the steel, mining, aluminium, and cement industry, but has also contributed to the heavy electrical industry, the building of ships and railways, and the drilling of deep wells in the drought-affected areas of India.*

*M. M. Bhatnagar, the general manager of the Heavy Machine Building Plant (HMBP) and one of the leading*

managers at HEC, has worked there since the plant began operations in 1960. He has been an engineer at the Tata Power Company in Bombay and the Tata Iron and Steel Company in Jamshedpur. He was trained in Great Britain, the United States, and the Soviet Union, and has made extensive business trips to Europe, United States, U.S.S.R., and Japan. The interview was conducted in Ranchi on March 23 by EIR correspondents Ortrun and Hartmut Cramer.

**EIR:** How did the HEC in Ranchi develop?

**Bhatnagar:** After our independence, when the industrialization of India was being planned, it was decided that a suitably sized foundry for making heavy castings for the steel industry and a machine building plant should be set up in the public sector. During the visit of our late Prime Minister Nehru to the Soviet Union in 1955, he was taken to the Ural Heavy Machine Building Plant there, which also made steel plant machinery. He asked the Soviets to help India to set up a plant like that.

The government of India had also invited some suggestions from the British government for setting up a machine building plant. But since the British suggested only a very small plant, the Indian government went with the Russian plan. The first phase called for 35,000 tons of mechanical equipment for steel plants which later went up to 80,000 tons per year.

Ranchi was chosen as the best site primarily for one reason: Since it was an underdeveloped place in a backward area, the plant would bring prosperity. Also, it was close to the center of the steel belt. Jamshedpur is very near, and there was Bhilai coming up, Rourkela, Durgapur, and so on.

The HEC was formed in December 1958, and we started working here in 1960. The foundry forge was set up with collaboration from the Czechoslovakian government, and the Heavy Machine Building Plant with Soviet assistance. It was more or less a perfect design; the Russians gave assistance in design and drawings, and they educated our workers and engineers in their machine building plants; the Czechoslovaks gave the same assistance for the foundry and forge plant. In 1964, it was decided to add one more plant, the Heavy Machine Tool plant, since the heavy machine tools required did not exist in the country.

**EIR:** How did your side and the Czechoslovakian and the Soviet side cooperate in setting up the plant, the machines, and the training courses? Is this cooperation still continuing?

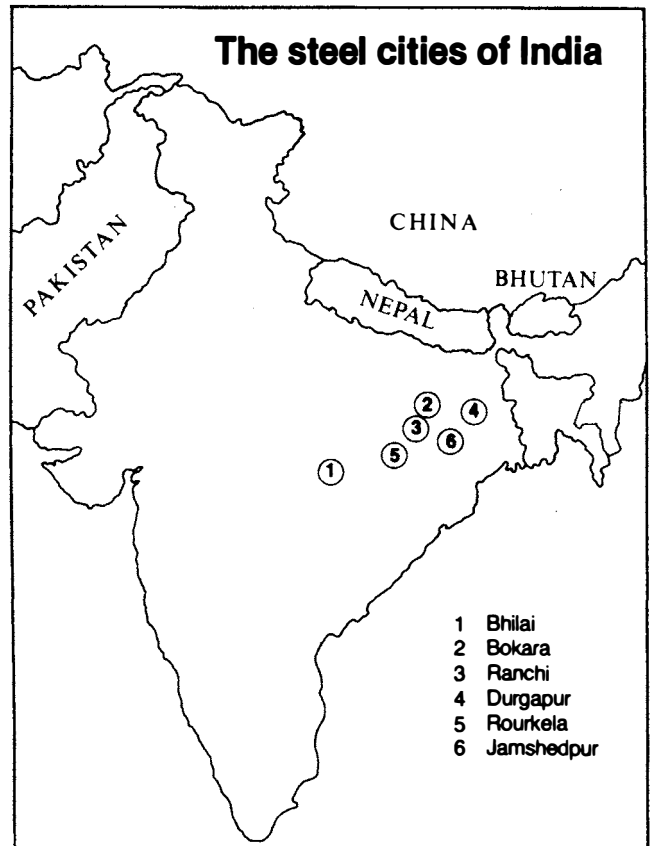
**Bhatnagar:** The cooperation with the Soviets is continuing. With the Czechoslovaks it has come to an end. But I would like to say that we have not remained solely with the Soviets, since in the course of our activities we have found advantages in having collaboration with a lot of firms abroad, including West German and British firms. A similar agreement has just been approved by our government with an American firm and we have just signed an agreement with Hitachi of Japan for modernizing and improving the forging activity. . . .

The steel plants in our country are being built up mainly with Soviet help, since they give technical assistance and credits and go on educating our people. We also have been able to receive a lot of export orders from the Soviet Union to third countries like Cuba, Yugoslavia, Egypt, and Turkey. Whenever they have commitments there, they pass on parts of it to us. This is our agreement with the Soviets.

Then in their country, we have worked out orders for steel plants and mining equipment. When the steel demand here was tapering off a little in the late 1970s, we were looking for new orders and also some diversification. At that time, the Soviet government came forward to give us this help, which is continuing on a year-to-year basis. This year we expect to export about 118 million rupees worth of equipment to the Soviet Union.

Our company has not been a success from the pure commercial angle; we have not been running a profit. There are various reasons for that: it is the only industry of its type in India with a very diverse production range, and at one time also the pricing of work was not adequate. But overall we have saved a lot of foreign exchange, we have brought a lot of know-how, some of it of very vital importance for the country, and developed a storehouse of expertise and trained manpower.

**EIR:** Looking at the results of the Non-Aligned summit in Delhi, do you think that the result will favor the expansion of



the industries here in Ranchi?

**Bhatnagar:** Yes, I think so, because many of the countries who are members of the Non-Aligned are developing or slightly underdeveloped countries, and there should be a lot of opportunities for us to get together with them, helping their own industrialization in the field where we have experience. Algeria is one of those countries, and we had some discussions with them about a month ago; a team from here is about to go there. They have some machine building plants, and they want expertise from us on the design and manufacturing side. . . . So I think there will be a lot of prospects for us.

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## Interview: S. Samarapungavan

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# ‘Joint thinking to revive world economy’

*Since 1980, S. Samarapungavan has been the chairman of SAIL, the Steel Authority of India, Ltd. SAIL, formed by the Indian government in January 1973, serves as an umbrella organization for the steel industry in the public sector in India. It oversees five integrated steel plants with 250,000 employees, which produce more than 80 percent of the total Indian steel output of 9.5 million tons of finished steel per year.*

*Samarapungavan, a graduate of Calcutta University, has dedicated his life to the steel industry. Before coming to SAIL as one of its directors in 1978, he was managing director at Bokaro Steel, Ltd. He has frequently led business delegations to the U.S.S.R., Europe, and the United States. The following interview was conducted by Hartmut and Ortrun Cramer on March 28 in New Delhi.*

**EIR:** Could you elaborate on how the steel industry in the public sector in India developed?

**Samarapungavan:** During the independence movement, the Indian National Congress was very acutely aware of the necessity to have an economic plan, because political independence would be a chimera unless it was backed by economic development. During the struggle against the British in 1938, the Economic Planning Commission was formed with Pandit Jawaharlal Nehru presiding over it. When the country became independent, the commission immediately thought in terms of five-year plans. In the first plan, a top priority after development of agriculture and education was the development of basic industries.

At that time, steel production in India was scarcely 1 million tons, produced by two private companies, the Tata Iron and Steel Company and the Indian Iron and Steel Company. In the first five-year plan, three integrated steel plants were projected, one in Bhilai, one in Rourkela, and one in

Durgapur, together with an alloy steel plant there.

The first plant to be conceived was the Rourkela steel plant, with German collaboration. The construction work started there in 1955, and the first blast furnace started production in February 1959. The Bhilai steel plant was commissioned, with Soviet assistance, one day after Rourkela; the blast furnaces started simultaneously in these two plants. Durgapur was launched in 1960 with British collaboration. Shortly after that, the alloy steel plant started up. These plants expanded—Bhilai to 2.5 million tons, Durgapur to 1.6 million, and Rourkela to 1.8 million tons crude steel capacity.

In the mid-1960s, plans came up for an additional steel plant at Bokaro. Initially they fell through, because of certain conditions laid down by the Americans, which were totally unacceptable to the government of India. The plant was built with Soviet assistance, and the first blast furnace was commissioned in 1972. The plant's initial capacity was 1.7 million tons, but it was steadily expanded. Today the plant is operating at 2.5 million tons, and a 4-million-ton capacity will be commissioned this year. Bhilai was expanded to 2.5 million tons of crude steel capacity; it is now scheduled to expand to 4 million tons, and these assets will also be commissioned this year.

**EIR:** What about the Indian Iron and Steel Company?

**Samarapungavan:** The Indian Iron and Steel Company, which was under private control and operated very well until about 1967, declined very badly after that and had to be closed down. The government took over in 1972 and nationalized it three years later. Since then, investment has been made for some of the equipment which had been neglected. The plant has revived quite well, though it is still one of our most obsolete plants.

In the past two years, this plant has come up to a capacity utilization of only 63 percent, whereas Bhilai usually was operating at 95 to 100 percent. Tata Iron and Steel Company, which doubled its capacity from 1 million tons to 2 million tons of crude steel, is also operating at about 100 percent of capacity. Rourkela Steel plant has suffered very badly this year, since there has been a severe drought during the past two or three years, which has affected the hydro-electric power stations which are the main resources supplying the state of Orissa; and the upcoming thermal plants are still having initial problems. This year, the Rourkela capacity utilization has come down to about 80 percent, but last year, when the power situation was much better, they reached 89 percent. Durgapur, for a long time considered to be the sick child in the public sector, has come up quite remarkably well during the last few years, and it is now at 70 percent of capacity utilization.

In the Indian iron and steel industry as a whole, capacity utilization of the integrated steel plants last year was around 80 percent, including the Tata Company, and this year it will be the same. This is in spite of the sharp downfall in capacity in Rourkela of about 9 percent; the other steel plants have

made up for it. So this year we will end up in steel at about the same level with almost 9.5 million tons of finished steel.

In the last 18 months the demand within the country leveled off, so we have exported steel to Europe, the United States, the U.S.S.R., Japan, and to many of the developing countries. But since they are now all in trouble, too, our position is a little more difficult. Yet, when we consider the world situation, our capacity utilization of 80 percent in the last two years, the best we ever had so far in India, compares very favorably even with Japan, which has gone down to 62 percent, not to speak of the United States. We can feel happy about the fact that we do not have to lay off workers, nor have we deliberately cut back production, although our friends in the power sector have certainly helped us in this.

**EIR:** Lack of power is obviously a big problem in India. What is your solution to this?

**Samarapungavan:** We have taken certain precautions, though this will not be the most economical solution. We are building substantial captive power stations for the steel plants. Not only in the steel industry, but also in the aluminium industry, which requires large amounts of power, we are building power plants.

**EIR:** Why don't you build nuclear power plants?

**Samarapungavan:** I will put it very frankly. Nuclear power plants have their future in India. But they will not be able to replace thermal power plants, because we have a large amount of coal around the country, and it will be difficult to replace that with competitive nuclear plants. Secondly, our experience with capacity utilization under laboratory nuclear power plants has so far not been too good. The state of Rajasthan is primarily dependent on nuclear power, and the capacity utilization there is not very good.

But nuclear power is one of the essential supplements in India, because ours is a very large country, and there are many areas where it is better to run nuclear power plants than to carry coal across the country. So we have to follow a pragmatic path with thermal power plants, nuclear power plants, and to a limited extent hydroelectric power plants.

With hydroelectricity we have a lot of problems, though we have done a very good job so far. But until we are able to use the waters of the Himalaya region and control the waters of the Ganges and Brahmaputra, which, in addition to financial problems also involves political problems with our neighbors Bangladesh and Nepal, we can't increase hydroelectricity beyond a certain limit. For the foreseeable future, our basic power enlargement will be in the thermal areas, backed by nuclear power plants.

**EIR:** As you probably know, the steel industry in Europe and the United States is presently regarded as a "sunset" industry.

**Samarapungavan:** Certainly not in India, and not in the developing sector. India still consists of 700,000 villages,

where 80 percent of the population lives. As we industrialize, we have to take care that steel goes into developing and stimulating those areas, which will substantially increase the purchasing power of that 80 percent of the population. Therefore we cannot expect miracles; we cannot expect that we will jump from today's situation of 14 kilograms of finished steel or 17 kilograms of crude steel per capita per year to something like 500 kilograms. But steelmaking has to grow, and most of it has to be done within our country.

First of all, we are a very large country, we just cannot afford to be dependent on outside sources for such an essential commodity. Second, we have plenty of iron ore resources, and third, we have a very old tradition of steel making, as the 1,500 year-old rust-free Iron Pillar here in Delhi proves. We were among the first to pick it up from the Hittites in Anatolia, and it has spread during 3,500 years.

With this tradition and the raw materials, this country's economy and its basic security should not depend on imports. The question of not developing steel in India does not arise, even if we import steel for a temporary period at dumping prices from abroad.

**EIR:** The Non-Aligned summit here in New Delhi came up with a very remarkable and constructive economic and political resolution to pursue financial restructuring internationally—in order to promote industrial development of the "South." Have your plans for expansion and economic development here in India been enhanced by this?

**Samarapungavan:** Certainly! And, I would say, they *have* to be enhanced. Basically, most of our expansion projects are for the domestic economy, but, in the larger sense of technology transfer, the transfer of our experiences to other developing countries, we already have a lot to contribute, and many of our friends in Africa and elsewhere are already making use of this. There are certain basic differences between the type of development we are carrying out today in India and a new plant being built in Germany, the United States, or Japan. Our experiences will be more relevant to a similar country, where the industrial infrastructure still has to be built up. This cooperation was definitely enhanced by the conference.

Secondly, the summit has brought out a very important issue, which, if it is not reckoned with, will be a grave peril to world politics. Throughout human history, nations have only progressed domestically when the purchasing power of the bulk of their people could be enhanced, i.e., when the expansion of the entire population gave a stimulus to growth; this happened in Europe, in the United States, everywhere. This applies also in terms of the world market. If the purchasing power of the developing countries cannot be stimulated, it will not only hurt the developing countries, but also the developed countries, because the development of the entire world will be affected negatively, and that in turn will affect the economic development of the industrialized countries.

There has to be a certain complementarity in the world economy. In India, we are finding that you cannot have urbanization without the development of the rural areas. It just makes no sense. Similarly, on a world scale, you cannot have further progress if the disparities go on growing. It won't work. The point was brought out very well at the conference that there has to be joint thinking internationally in order to stimulate commerce and industry all over the world.

I have found one thing, that people in industry everywhere think alike, in the North, South, East, or West. If you get accustomed to the needs of industry, you start developing the kind of thinking industry demands, and that kind of thinking creates a certain pattern, which transcends everything else. . . . I wish Godspeed to the other industrialists in the rest of the world, particularly to my brothers in the steel industry. I wish them early recovery from the present distress.

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## Interview: V. Subramony

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# 'Rourkela has helped develop the region'

*Rourkela Steel managing director V. Subramony is an expert in blast furnaces. He had 22 years of technical experience at Bhilai Steel Plant before he became technical director at SAIL headquarters in Delhi in 1978. The interview was conducted by Hartmut and Ortrun Cramer on March 22.*

**EIR:** We would like to discuss the role Rourkela Steel Plant has played in the development of the Indian economy and in this area.

**Subramony:** It has fulfilled three important tasks. First, it has been playing its important role in providing the much-needed flat products like sheets and plates. . . . [Secondly] Rourkela adopted the LD converter [basic oxygen] process, a modern technology which gave us the opportunity to develop cadre and train people here.

Thirdly, it contributed to the development of the whole area. This plant is located in Orissa state, one of the poorest states in India. Most of our employees come from the local region, particularly peasants, members of tribal groups, and underprivileged people. Rourkela has given a great push to the development of the area, and it also helped to develop a good number of ancillary industries in the area.

We have built peripheral development projects, which in addition to improving the life of the people in the steel town, have also helped in building infrastructure—like pumps and irrigation systems—as well as some schools and cattle and poultry farms. We have given a great boost to the cultural and educational development of the population. We go around the area and talk to the people once a week and offer our help.

We have more such plans in hand, which we want to accelerate. . . .

We have worked out a modernization plan for the steel facilities, and with this we also would like to make some changes in the design limitations, since the plant is over 20 years old. We want to replace certain old units, add one or two mills for enriching our product mix in order to make higher value items, and we also want to slightly expand the plant from the present 1.8-million-ton capacity to 2.5 million tons of steel per year.

**EIR:** The German-Indian collaboration which built Rourkela Steel Plant—did this stop or is it continuing?

**Subramony:** It's continuing. The first expansion from 1 million to 1.8 million ton capacity was carried out by our own design organization, but the equipment was provided by Germany. For the present modernization phase, we also have had discussions with German industries for quite some time.

They proposed to send a team of German consultants to Rourkela to study the need for modernization. But we felt that the exact needs, limitations, bottlenecks, and difficulties would be known better to people who are already working in the plant. We are keeping in touch with the German industries and our manufacturers there. Right now, we are buying a lot of spare parts from them.

The main problem for the modernization plan will be financing. The supply of equipment will depend on that. This has still to be finalized, but we hope to reach an agreement shortly.

**EIR:** In West Germany, it is sometimes said that Rourkela was not a success, since there have been many problems. This argument is used, by people from the Club of Rome or Brandt Commission, to demand an end to all big development projects. The steel plant and the beautiful town of Rourkela show that this argument is nonsense. But what have been the problems here objectively?

**Subramony:** A steel plant's performance depends to a great extent on the design and the quality of the equipment. It also depends to a great extent on the raw material base, the cultural level of the workers, and the organization of production. In the 1950s we set up three steel plants at the same time, one with the collaboration of the British at Durgapur, one with West Germany in Rourkela, and one with the Russians in Bhilai. Obviously, there has been a lot of keen observation of what was happening in the three plants. It is a fact that Bhilai had done much better than the other two plants.

There have been certain setbacks for this plant; sometimes it was considered to be in quite serious trouble after the completion of the 1.8 million ton capacity in 1966. But then production started picking up. Looking back, looking at the concepts of design, I am not wrong in saying that there were some inherent weaknesses in this plant. Compared to other steel plants in this country, it has got a very poor raw material base. Coal, of course, is a problem for all the steel plants,



but the iron ore and limestone in Rourkela are of a much poorer quality than that of any other steel plant in the country. What makes the steelmakers shudder is not the poor quality as such, but the fluctuation in the quality. There has not been deliberation at the plant on how to make the quality consistent. This is definitely the plant's main weakness.

**EIR:** Aren't there means to solve this problem?

**Subramony:** There are technologies available to improve the situation, and we are taking care of the problem within the present modernization [of the] plant.

We are also trying to solve the fuel problem. The plant consumes a great deal of oil, and oil is not available today, since costs have gone so high. You can always find imbalances in every steel plant; it is nothing new with Rourkela. But we are going to remove these imbalances in our modernization drive.

Here in the steel industry in India we are proud of Rourkela. It has done its job, and it is doing its job, and whether it is German industrialists or equipment suppliers or the public sector, everyone can be very proud of what they have done here in India. Nothing has gone wrong; technical problems or design problems remain, but they can be taken care of. Nothing is 100 percent perfect in the world. The attempts are really good, and the equipment is doing very well. . . .

I have no doubt that German industry will come forward with full enthusiasm as they did in the beginning, to help Rourkela out this time as we want to modernize and expand.

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## Interview: Naresh C. Nayak

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# 'The latest technology is appropriate'

*Naresh C. Nayak, general manager for the works at Rourkela Steel Plant, has been there since the plant opened in 1959. He was recruited to the team of engineers selected to build the plant when he worked as an engineer in Germany. This interview as conducted by Hartmut and Ortrun Cramer at the Rourkela Steel plant March 22.*

**EIR:** Mr. Nayak, you were here in Rourkela from the very beginning, 24 years ago. At that time you must have regarded yourself as a pioneer. Do you still feel the same?

**Nayak:** Very much so! This is one of the greatest satisfactions for me and people like me, who started their career with the steel industry in Rourkela.

**EIR:** Can you explain how Rourkela was developed?

**Nayak:** As far as I know, the idea came up in the immediate

post-war period, when the Federal Republic came into being. Pandit Nehru was the prime minister; he thought first of all about the development of core industry. Steel was very important in his mind. He looked for industrially advanced countries which could collaborate with us. West Germany offered help.

Experts from India and Germany selected Rourkela as a site for several reasons. One was that ore is very near at hand, about 100 kilometers from here. It is on the main Calcutta-to-Bombay railway line. Hydroelectric power was available in the area, together with limestone and coal, and lastly it was thought that the site here for a town was very beautiful.

The two giant companies Krupp and Demag formed the *Indien Gemeinschaft Krupp-Demag*, to bring in what technical assistance was needed from Germany industry, and to work with Hindustan Steel, Ltd., which was formed here. These two companies developed the concept for the plant and recruited the personnel.

**EIR:** Since the area here was basically a total desert, how did you solve the problem of recruiting the workforce, both skilled workers and technicians, and educating them for their task?

**Nayak:** The nucleus of the workforce, mainly the executives and the engineers, was recruited by the initial board of Hindustan Steel, which toured Europe and the United States, to find Indian nationals who were interested in joining their company. . . . I was with AEG in Stuttgart when the initial board interviewed us at Essen. . . .

They also looked for experienced people in India, from Tata Iron and Steel Company at Jamshedpur, from a small firm in Karnataka, South India, and for some people from Rourkela. These people were sent to Germany to join those who had been working in Germany, the United Kingdom, or the United States. . . .

At the same time recruitment of the so-called diploma holders and science graduates for the intermediate supervising positions was started, as well as the ITI [Industrial Training Institute] certificate holders, people who had a one-and-a-half-year training course to qualify as fitters, electricians, and welders. . . .

Then, in our own training institute, they were put through an intense program here in Rourkela. The engineers, the first batch like us, the pioneers, were trained in Germany. But every year new graduate engineers were recruited here, some of whom were sent to the United States.

**EIR:** You have people coming to Rourkela from all over India, belonging to various religions and ethnic groups. Did you have any problems in the past 24 years?

**Nayak:** Never any serious problem as far as the various ethnic groups are concerned. In 1964, there was some kind of a communal riot between Muslims and Hindus here. But this was externally provoked. Bangladesh had not been formed in 1964; it was still East Pakistan. Some stories of atrocities

committed on Hindus in East Pakistan were very much publicized in newspapers here.

**EIR:** How is the steel plant functioning technically?

**Nayak:** We have had our share of major problems, and we have also learned through experience. Most of our systems of operation or of maintenance were evolved through experience. Now, as far as the operational functioning is concerned, it is going very well.

**EIR:** What was the basic function of Rourkela in the Indian economy?

**Nayak:** Originally, Rourkela provided the Indian economy the much-needed flat products like plates, hot rolled sheets, cold rolled strips and sheets, and so on. Later on, when we produced 1.8 million tons of steel, we provided coated products like galvanized sheets. We also began to manufacture pipes, which we are now mainly doing, and in the field of large-diameter electrical resistance weld pipes and spiral weld pipes, we are practically the only manufacturer in the country.

**EIR:** At the time Rourkela was built, the LD process [basic oxygen] was the most modern in the world. So India, a developing country, got the most advanced technology. Today international organizations like the Brandt Commission, and the World Bank call for "appropriate technologies," meaning more primitive technology.

**Nayak:** If you take the example of the LD process, you see that the latest technology can also be the "appropriate" technology for a developing country. In fact, I remember that ours was the fourth plant in the entire world to adopt the LD process of steelmaking. At that time, a delegation went from Rourkela to Europe to study the situation. They came back and reported against the adoption of this technology, and said we should not go for this at that time. But we did.

When it comes to a degree of automation or computerization in a particular field of work, we have to be careful and not go in for something which is merely a fashion. But as far as processes like the LD process of steelmaking are concerned, we should use the latest processes, as long as they are proven to work.

**EIR:** We can see that Rourkela is a very green steel city. Was this planned from the beginning?

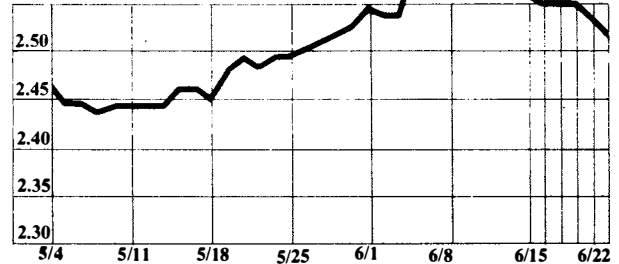
**Nayak:** Yes, it was. I still remember that Krupp's department was in charge of planning the town. It was planned that a range of hills would separate the plant site from the town, so that the smoke from the plant would not be visible in the town. The valleys and the hills were deliberately chosen as a beautiful location. This is the prettiest steel city in India, and, as far as I can see, one of the prettiest in the world. . . .

I would like to thank Germany for the cooperation extended in the past; I hope that the cooperation has been of mutual benefit, and I hope this will continue for years to come.

## Currency Rates

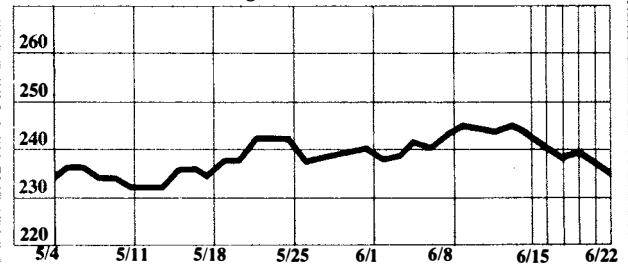
### The dollar in deutschemarks

New York late afternoon fixing



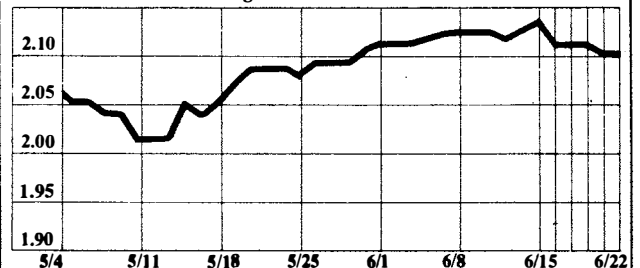
### The dollar in yen

New York late afternoon fixing



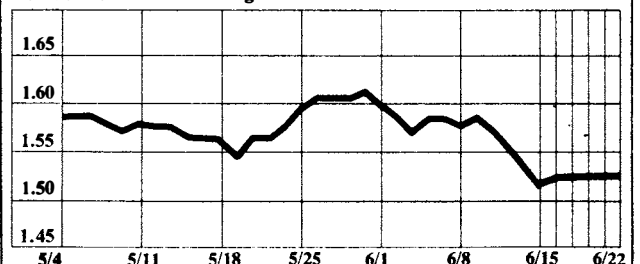
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# The Kra Canal plan: a 'Great Project' for Thailand and for world trade

by Steven Bardwell

Among the many rumors that accompanied Japanese Prime Minister Nakasone's recent tour through Southeast Asia and his subsequent prominent role in the May 29 Williamsburg Summit meeting, was one that has raised hopes throughout Asia of a resurrection of serious Japanese commitment to Asian industrial development. According to several sources, Prime Minister Nakasone discussed his interest in the \$500 billion infrastructure construction plan called the Global Infrastructure Fund (GIF) by its Mitsubishi Research Institute originators.

In this plan, a new international financial institution would be established expressly for the extension of long-term, low-interest credit for large-scale water control, transport, and power facilities throughout the world. The GIF includes specific mention of scores of large projects, including a second Panama Canal, a massive Mekong Delta irrigation and hydroelectric power complex, reconstruction of the central African Congo River basin, a Canadian water diversion project (studied in the United States during the 1960s under the name of the North American Water and Power Alliance), and a dam for ocean current control across the Bering Straits.

Among the most advanced of these projects, and most feasible in the near term, is a proposal for a canal through the Isthmus of Kra, on the peninsula of Thailand, connecting the Andaman Sea and the Gulf of Thailand. Like most of the GIF projects, the original conception for the proposal is centuries old and has sparked renewed interest over the past several decades whenever industrial development has been seriously considered.

All the large projects discussed in the GIF go far beyond the traditional ideas of infrastructure. These projects do not merely provide new transport routes, more efficient commerce and agriculture facilities, or the basis for new cities; they more fundamentally change the geometry of the area they service. By changing the direction or quantity of communication potential, they make the same sort of impact that the establishment of trans-oceanic trade routes have had throughout man's history, or the construction of vast railroad systems (like the transcontinental systems of the United States

and the Soviet Union) in the past 100 years.

As the most enthusiastic supporter of the Kra Canal project, Chow Chowkwanyun, the current head of the Thai National Oil Company, said in a recent interview, "The Kra Canal [would] make money, but its real importance, as the French engineers pointed out about all waterways, is that it [would] create history. The Kra Canal by itself would offer only marginal economic prospects. However, when combined with the two deep-water ports which provide regional transshipment facilities and the industrial zone, the project as a whole will make both money and history."

In his introduction to the preliminary feasibility studies commissioned by the Thai government in 1973, Chow summarized the importance of the project in a preface that could describe any of the great projects in the GIF plan: "This is a Thai national project, constructed on Thai soil and subject to Thai sovereignty. It will contribute greatly to the security and economic development of Thailand. But not only will it bring important benefits to Thailand, it will also accelerate the economic growth of the entire South and Southeast Asian region. Ultimately, it will help all peoples and all nations. While it is a Thai national project, it is of international scope and dimensions. It is truly a key element in the global transportation infrastructure. I commend it to the young, to the engineers, and to the statesmen of the world."

## The scope of the project

The most modern plans for the canal, ports, and industrial zone were drawn up in preliminary form by the group that Chow directed in 1973. The accompanying map shows the route they selected, so-called route 5a, and the associated port facilities on both the Gulf of Thailand and Andaman Sea sides of the waterway. Along with these facilities, the original plans call for a major city to be built, starting from the housing and urban infrastructure required for the construction workforce on the project.

The waterway itself would consist of a 103-kilometer-long canal, requiring the excavation of 4 billion cubic meters of earth. This is a sizable amount of earth moving; by com-

parison the Panama Canal required the excavation of only .25 billion cubic meters. However, the indicated route 5a has the great advantage that by digging the canal slightly longer than alternate routes, no locks will be required. By having the complete waterway at sea level, it becomes feasible to construct a canal wide enough (1,250 feet) to handle two-way traffic at ocean-going speeds, or alternately, deep enough to handle 500,000 ton super-tankers (110 feet deep).

The construction of such a waterway would have several dramatic consequences for shipping. First, one of the most congested passages in the world, the Straits of Malacca, which handles almost 100,000 ships per year through its 6-mile-wide channel and is marked along its 500-mile course by sunken ships, would be relieved. The Southeast Asian region, containing the shipping facilities for one-third of the world's population, is now grossly insufficient. The two deep-water ports and transport infrastructure accompanying the canal would remedy that situation. Finally, the average distance for shipping through the Southeast Asian region would be decreased by more than 900 miles, and many weeks cut from the time required for transshipment of goods in the area's now-inadequate port facilities.

### The Kra Canal and nuclear energy

In a project as massive as that proposed by the Chow team, new technologies must play a seminal role. The construction of the waterway and industrial complex is possible using conventional technologies, their report points out, but the true logic of the project only becomes clear when nuclear technologies are used. The Thai government commissioned several studies of the technological problem of the waterway construction and found that the use of conventional earth-

moving techniques would result in a cost of about \$6 billion (in 1972 U.S. dollars) and require 12 years for completion. The alternative of using peaceful nuclear explosives to move earth would shorten the construction time by four years and reduce the cost by \$2 billion.

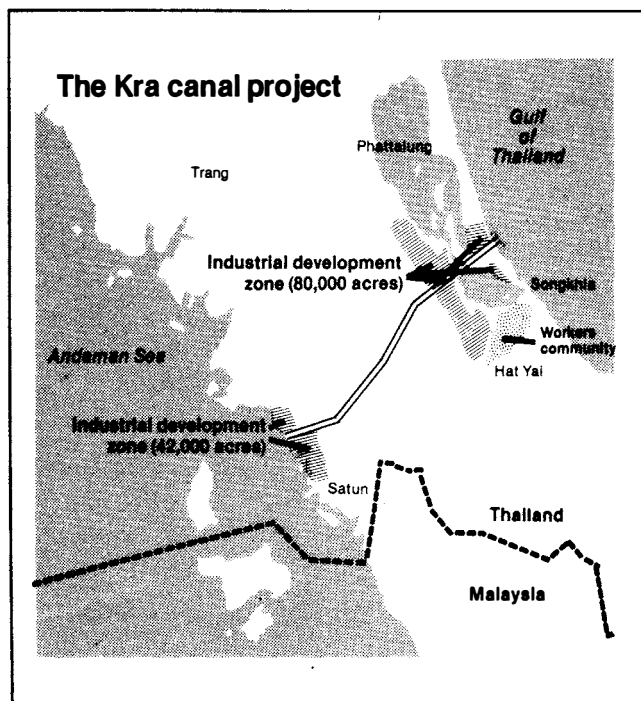
A detailed study of the applicability of peaceful nuclear energy (PNE) devices to the Kra Canal project was performed by the Lawrence Livermore Laboratory in the United States under the Project Plowshare and the Atoms for Peace Program. Their studies showed that all geological, weather, and safety considerations were almost ideally met by proposed route 5a. Interestingly, the large difference in the two proposed canal configurations (1,600 feet by 110 feet, allowing two-way transport) and the smaller one-way canal (650 feet by 110 feet) when dug with conventional technologies, largely disappears with the use of nuclear excavation. The doubling of the channel size adds only 14 months to the excavation time for the larger canal.

The designers of the Kra Canal also envisioned that nuclear energy would play a key role in the industrial complex associated with the waterway. Their studies mandated the use of nuclear energy for electricity production, desalination, and industrial energy in the city and industrial sites surrounding the waterway.

### Prospects for implementation

The Kra Canal proposal, since its first conception in 1793, has been a politically sensitive topic. For more than 150 years the British colonial interests in Southeast Asia actively campaigned against the canal, on scientific, economic, and political grounds. The British interest in the region, especially after 1853 when the British took formal control of Burma, had been to use Thailand as a buffer state between their empire and the French colonies to the east, with the result that the British intervened at least three times in the next 100 years to prevent the "French plot" to construct the canal. In 1946, the British imposed a formal agreement on the Thai government forbidding it "to cut any canal across the territory of Thailand to connect the Indian Ocean and the Gulf of Thailand without first obtaining the consent of the government of the United Kingdom." This agreement served to protect the strategic position of the British colony of Singapore, and the massive drug, financial, and political influence that went with the control over all shipping in the Southeast Asian area.

The Kra Canal would end that monopoly in a dramatic way. In the past 20 years, the political controversy has continued; the blatant imposition of colonial policy by the British has been replaced by the financial and political pressures that Thailand has been under to slow down its growth and industrial-nuclear policies. Many observers expect that the glimmerings of motion by the Japanese around the Kra Canal project as part of the GIF portend new life for these projects, and the possible beginning of massive investment with the highest technology in Asia.



# Lasers will maximize space communications

by Marsha Freeman

Since the dawn of the space age 25 years ago, man has been communicating with machines in space in largely the same way he communicates on Earth—by radio transmission. Scientists and communications specialists, however, have been excited by the possibility of using the higher frequency coherent light produced by lasers for space communications; this would increase the amount of data that satellites can send and improve the coverage of our craft in space, i.e., the amount of time that mission control can maintain contact.

Moving to higher frequencies along the electromagnetic spectrum increases the density of the energy contained in the wave. Increasing the frequency seven orders of magnitude, from radio frequency to coherent visible light, brings great advantages.

First, the coherent light is densely packed into a very narrow, focused beam. This increases the amount of information that can be carried along the light beam by two orders of magnitude over the radio frequency system. At the same distance—for instance, the half billion miles from Jupiter—one hundred times as much information could be sent by the spacecraft.

Conversely, by maintaining the same data rate for a laser system as with radio frequency, the distance can be extended by an order of magnitude, or to over 5 billion miles, with the same quality of data that the Voyager spacecraft sent from Jupiter.

Laser communications also provide a greater degree of security for military communications. Radio waves propagate through the atmosphere, or in space, in a circular pattern, like water waves on a pond. Anyone with a receiver can pick up the message. The laser beam is focused and very directly aimed, which makes it almost impossible for a receiver to pick up the message unless it is being sent specifically to that receiver. Laser messages would therefore be more resistant to jamming.

This small beam divergence also means that much smaller receiving antennae can be used. This is important, especially for the deep-space planetary program, whose space-

craft carry antennae; smaller antennae would leave a greater portion of weight capacity available for scientific instruments.

Because of the greater density of the energy contained in the laser beam, the amount of energy needed per unit of information transmitted, called a bit, is reduced. This, again, is key in the planetary program, where weight is at a premium. The energy needed to carry one bit of data to Earth from space with a radio frequency system is about one-ten millionth of a watt per second. For a laser system, the energy per bit per second could be *one billion times less*, in an optimized system.

The Jet Propulsion Laboratory and NASA's Goddard Space Flight Center are currently involved in design and technology studies for developing a laser space communications system. The JPL system would be used for deep space and interplanetary missions, the Goddard application for near-Earth transmissions.

One of the drawbacks to laser communications is the tendency of the beam to become attenuated in the atmosphere. For this reason, laser communications on Earth use underground fiber optic cables.

In space, there is no atmospheric interference. The problem is how to get the information back down through the atmosphere to Earth. Scientists have proposed a relay satellite, permanently stationed in geosynchronous Earth orbit for this purpose. The relay satellite would receive the data from the spacecraft, change the information into radio frequency waves, and then send the radio signals to an Earth receiving station. It would also be outfitted with its own laser transmitter, to send a beacon signal to the spacecraft so that its laser transmitter was properly directed. The relay satellite would receive data from the laser-equipped satellite at at least 100 times the rate it could send to Earth using radio waves. Therefore, the most efficient system design would have the relay satellite do some of the processing of the data on board, before the data is sent to Earth.

An Earth-orbiting relay satellite would also extend the coverage from space. At the present time, NASA is in contact with the Space Shuttle less than 50 percent of the time. Likewise, we can only receive data from planetary probes when their signal is within view of a ground station. The relay satellite, 22,300 miles above the Earth, would be in touch with a ground station almost all the time. It would provide 95 percent coverage for spacecraft no matter where they were.

Many different kinds of lasers have been under consideration for this space application. The problem with one of the most widely used, the carbon dioxide chemical laser, is that large tanks of gaseous laser fuel would have to be carried onboard the satellite.

Solid-state semiconductor systems, made of such materials as gallium arsenide and using electrical current to "pump" or power the laser, seem a better approach. The major problem to be solved is the requirement of an eight-or-more year lifetime for extended space missions.

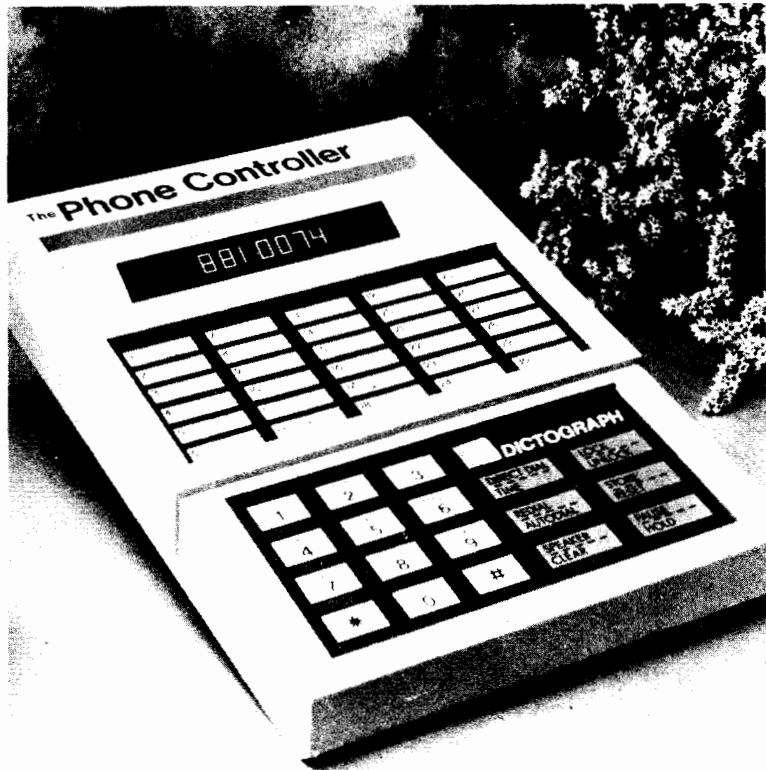
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## Citibank and other strange things

*There is a definite network, tied to Switzerland, which controls flight capital looting from Latin America.*

In the early 1960s, an associate of National City Bank chairman Walter Wriston suggested that the bank establish a division for "private international banking" to conduit funds from wealthy individuals resident abroad into U.S. investment markets. Wriston gave approval to the plan.

When the division opened, it had a staff of six, and managed \$250 million dollars. Twelve years later, the "Private Banking" division of the re-named Citicorp was responsible for a \$12.5 billion investment pool, and was providing over 10 percent of Citicorp's annual profits.

The individual who had suggested setting up the department was a Dutchman named Robert Christopher Portomas Meyjes. In a 10-year period of heading the Citibank private banking section, Meyjes worked with 600 banking trainees. Today, his protégés manage the private banking divisions in most of the largest banks in the United States, from Boston to Los Angeles. Meyjes himself operates out of Citibank's Paris office.

According to one former associate of Meyjes, who gave this account *EIR*, Meyjes' offspring remain in touch with one another. Many have gone into business for themselves, handling private investments passed on to them by their associates in the larger banks. These private investment "advisers" frequently handle business considered "too sensitive" for the large banks which have to be concerned with their "reputation." The need for such an ex-

tended "club" of investment specialists is due to the fact that a large portion of such funds come from illegal operations, including drug running.

In sum, what the Meyjes case suggests is that Citibank was a pioneer in establishing the profession of investment of "flight capital": the exportation, often illegal, of private savings and capital of wealthy individuals seeking "financial asylum" from political instability, and economic chaos. In recent years, the worldwide volume of transfer of flight capital has reached extraordinary proportions. According to reports from the Organization of Economic Cooperation and Development (OECD), flight capital transfers to major Western countries in 1982 added up to over \$70 billion, a sum more than double the total interest payments of Latin America on its debt that year. Estimates by the U.S. Commerce Department of a \$40 billion inflow of flight capital into the United States alone during 1982 corroborate the OECD's global estimate.

"We are the merchants of misery," Meyjes' old associate explained. "If the world could ever straighten out, and solve all its problems, we would be put out of business. Hopefully, someday that will happen—but I strongly doubt it."

Independent of this suggestive information, sources in Latin America recently reported that documentation is circulating on high diplomatic levels there showing that Citibank played a leading role in extricating over \$20

billion in flight capital from Venezuela last year.

How could it have come to pass that the U.S. bank which has the largest single Third World debt exposure compared to its assets would be found leading a financial exodus out of the Third World, the effect of which would be then to bring its own loans that much closer to default? If the documentation from these various sources is borne out, it means that at the same time that Citibank has been chosen by U.S. banks as lead negotiator with most of Latin America on the current debt crisis, Citibank is simultaneously the most active in trying to collapse the debt.

It is precisely such behavior which pinpoints the "Swiss" factor which has penetrated Citibank policymaking under Walter Wriston's chairmanship. In 1980, *EIR* acquired an internal Citibank study on a 10-year corporate reorganization plan which bore the same stamp of Swiss influence. The study, whose contents were circulated in an *EIR* Multiclient Report at that time, revealed that Citibank was preparing for a large-scale shakeup of the U.S. banking industry during the 1980s, induced by a collapse of international lending. The study outlined how Citibank was in process of large-scale acquisitions of smaller U.S. domestic banks, so as to offset the losses it expected on its international accounts, by filling its accounting books with relatively solvent U.S. domestic loans. As is generally well known, Citibank has been in the forefront of lobbying for the series of interstate banking laws, which have permitted the New York money center banks to acquire lending rights in other parts of the country.

How the Swiss came to influence Citibank in this way will be told in an upcoming issue of *EIR*.

# Business Briefs

## U.S. Policy

### **Debt 'experts' warn Congress**

Experts on the Latin American debt situation told a joint session of the House of Representatives Subcommittees on International Economic Policy and on Western Hemisphere Affairs on June 21 that the debt bomb is very much alive, because the much-touted bridge agreements negotiated by the IMF's Jacques de Larosière and Secretary of State George Shultz are only, at best, a "first step."

Raul Prebisch, a former Argentine finance minister and a founder of the United Nations Commission on Trade and Development, praised de Larosière for securing the turn-of-the-year bridge agreements, but warned, "This is not the solution, this is only the beginning of the solution," and urged "strong action without great delay."

He attacked the IMF conditionalities as "nonsensical," saying, "No country—you [committee chairman Michael Barnes (D-Md)] as a political man have to understand—can contract their economy in order to make repayment of their debts. It is socially and politically impossible and also economically nonsensical."

Prebisch also recalled a "British journalist" who in the 1950s wrote from Latin America, "Ah, now I discovered, the Fund is the secret weapon of Mr. Khrushchev," because it "brings contraction, brings unemployment, brings poverty." Prebisch endorsed the global Big Mac plan of Felix Rohatyn, which is geared toward austerity.

Also testifying was Pedro-Pablo Kuczynski, the former mining minister of Peru and now president of First Boston International Corporation.

Kuczynski told the congressmen that the "social burden of the adjustment process" may cause "the political support for these programs" to erode, "providing the basis for demagogic proposals such as stopping payment on interest."

He pointed out that the pro-IMF "economic teams" which negotiated the current round of untenable "adjustment programs,"

may soon be booted out, but "unfortunately, governments don't respond except to crises."

Only William Kline, the debt expert of C. Fred Bergsten's Institute for International Economics, tried to convince Congress that the situation is manageable—assuming that 3 percent economic growth rates were achieved in the advanced sector, and that the austerity programs are followed.

## Domestic Credit

### **Housing upturn subsidized by Treasury**

Government guarantees on home mortgages and direct subsidies to tax-exempt municipal bonds have constituted the biggest source of funds for the increased consumer spending credited with producing the present so-called recovery in the United States.

It is estimated that half the 630,800 new housing starts for the first five months of the year were federally subsidized. This has lowered interest rates for the homebuilding sector, but will cost the Treasury billions.

The Government National Mortgage Association (GNMA, known as "Ginny Mae") has issued nearly four times the secondary market notes in first five months of 1983 as it did in the comparable period last year. From January through May, GNMA issued \$20.5 billion in securities as compared to \$5.2 billion in 1982, all of which is based on the huge increase in mortgage guarantee activity of the Federal Housing Administration and the Veterans Administration. This activity, which is presently averaging \$4 billion a month, will not only give the GMNA a record year but may reach the agency's commitment limit of \$68 billion.

The Treasury has also directly subsidized a large volume of municipal bonds, which are re-lent as mortgage loans to home buyers at 2 percent below ordinary rates.

The combined housing and other consumer lending may cost the Treasury \$10 billion in the current fiscal year.

## Interest Rates

### **Budget deficit forces T-bill rates up**

U.S. interest rates continued to increase through late June, leaving little doubt that unless the Federal Reserve Board leans very heavily against it, the prime rate will be 11.5 to 12.0 by late this summer. Six-month Treasury bill rates jumped to 9.02 percent June 21, from 8.83 percent the week before, and only 8.13 percent five weeks earlier.

The increase in T-bill rates, reflected also by four-year Treasury notes reaching their highest level of the year June 23, at 10.62 percent, can be attributed to the surging U.S. government deficit. For May, the Treasury Department reported June 22, the U.S. government recorded a \$29.29 billion budget deficit, the largest monthly deficit in American history.

The deficit for the eight months of fiscal 1983 (which began Oct. 1, 1982) was \$161.8 billion, the Treasury reported, twice the level of the fiscal year 1982 deficit for the comparable eight-year period. If this trend continues, the budget deficit for fiscal year 1983 will reach \$242 to \$270 billion, or \$34 to \$62 billion more than the \$208 billion that Treasury Secretary Donald Regan promised the deficit would be.

## Brazilian Debt

### **Banks tougher than IMF on Brazil?**

Brazil may not get funds it expects from private banks, even if it obtains long-delayed approval from the IMF. A Citibank official central to negotiations with Brazil stated that the private banks are trying to find some legal way to avoid disbursing \$540 million in new Project I money for Brazil. The Citibank official indicated that the banks



fear the IMF may compromise with Brazil.

The Citibank official reported "tremendous bitterness and mistrust" between the commercial banks and the IMF over who is at fault for the aborted Brazilian debt renegotiation in February. The IMF accuses the banks of offering insufficient long-term lending (Project 1) and coming up with absurd short-term schemes (Projects 3 and 4). Apparently, the IMF has forgotten that Jacques de Larossière publicly arm-twisted banks to accept these schemes. The bankers, on the other hand, assert that the IMF withheld crucial information from them.

Economists from Bank of Montreal, Morgan Guaranty, Citibank, Bank of Tokyo, Lloyds, Union Bank of Switzerland, and Bankers Trust are expected to begin tighter surveillance of Brazil than the IMF.

## ***Ibero-America***

### **Colombia loan: 'debt bomb' blackmail**

High-level White House sources report that the international banking community is offering the Colombian government a loan of up to half a billion dollars if the Betancur government will "behave itself" at the upcoming series of Latin American summit meetings on the debt crisis.

Liberal Finance Minister Gutiérrez Castro is presently in London, together with Ambassador to Washington Alvaro Gómez Hurtado—an arch-enemy of President Betancur's—to arrange the syndicated bank loan under the sponsorship of Chemical Bank. The exact amount of the loan is still undetermined, but the "first part" of the loan is reportedly for \$250 million and will go to Colombia's bankrupt state power companies, which have been unable to secure international loans on their own.

While Betancur has been an aggressive organizer for a unified Latin American stance on the debt crisis, the fact that his government's treasury is almost empty makes for vulnerability to blackmail. According to

*EIR's* sources, the banks hope to use the loan to split Colombia away from its potential ally in the debt fight, Venezuela, which has been frozen out of the international lending market and is expected to lead the fight for a debtors' cartel at the Andean Pact summit.

## ***Development Strategy***

### **Ibero-Americans plan for July 24 summit**

A series of pre-meetings to prepare for the July 24 Andean Pact summit meeting is scheduled to hammer out agreements that can be put into action when the heads of government of Venezuela, Colombia, Peru, Ecuador, and Bolivia meet. These include a meeting between Mexico's de la Madrid and Venezuela's Herrera Campins sometime in July. As the leaders of the two leading countries in the Contadora Group, the Venezuelan and Mexican presidents are to discuss cooperation on oil and economic aid for Central America; the question of peace on the subcontinent and the question of the debt are increasingly perceived as the same issue.

Other preparatory meetings include:

July 5-8: the first meeting in years of representatives of the Amazon Pact has been called for Lima. Organized on Brazil's initiative in 1978, the pact was conceived as a means to facilitate Brazilian relations with the Andean Pact.

July 11-12: the foreign ministers of the Andean Pact are to meet in Caracas to prepare the documents for the July 24 meeting. Bolivia, Venezuela, and Ecuador are said to be canvassing for a strong statement on joint action on the debt.

July 17-18: special presidential representatives of every Ibero-American country will meet in Santo Domingo. On the agenda: turning the SELA/CEPAL Quito document into concrete programs of action. That document outlined the two pillars of a development strategy for the region: coordination on the debt and creation of a common market.

## **Briefly**

● **GUYANA** has issued a communiqué stating that because it "defends genuine national development and the stability of the nation, it cannot obey the IMF conditions for financial assistance," according to the Brazilian daily *O Globo* of June 22. The IMF demanded that Guyana devalue its currency by 66 percent, and stop subsidizing the price of state-sector produced sugar. *O Globo* called Guyana's action a "rebellion" against the IMF.

● **AUBREY ZAFFUTO** of J. Henry Schroder Bank projects a \$2 to \$4 billion decline (in 1972 dollars) in U.S. farm income if real agricultural production drops at a 20 to 40 percent annual rate. "The worst is a projected 7.5 percent drop in real farm output due to the Payment-in-Kind program," Zaffuto says. "This will be felt most strongly in the fourth quarter, when most crops are harvested." In last year's final quarter, GNP was boosted by a surge in real farm output at an annual rate of 56 percent. "I must say that I was shocked at the data I came up with. Some accuse me of creating a depression scenario, but these are the figures."

● **JOHN LAFALCE** (D-N.Y.), commented in the June 22 *Congressional Record* that "The United States must develop a competitive, forward-looking industrial strategy if it is to preserve its share of global markets." As an example of "forward-lookingness," LaFalce cited the "West German cabinet's recent approval of the equivalent of \$1.17 billion in government subsidies . . . to finance a complete restructuring of the country's steel industry. . . . West German steelmakers plan to cut capacity by about 13 million metric tons and costs by about \$4.28 billion. . . . Our foreign competitors are . . . are preparing their industries for the future by . . . making painful cutbacks."

## The Swiss banking empire: center of the Fourth Reich

by Laurent Murawiec and Evelyn Lauber

*"It is known that technology is a holy idea for modern America, which began with Benjamin Franklin and for an immense crowd of agitated followers who think they are the vanguard, in Africa, Asia, and the U.S.S.R. . . . There will be an immense catastrophe in which America will fall."*

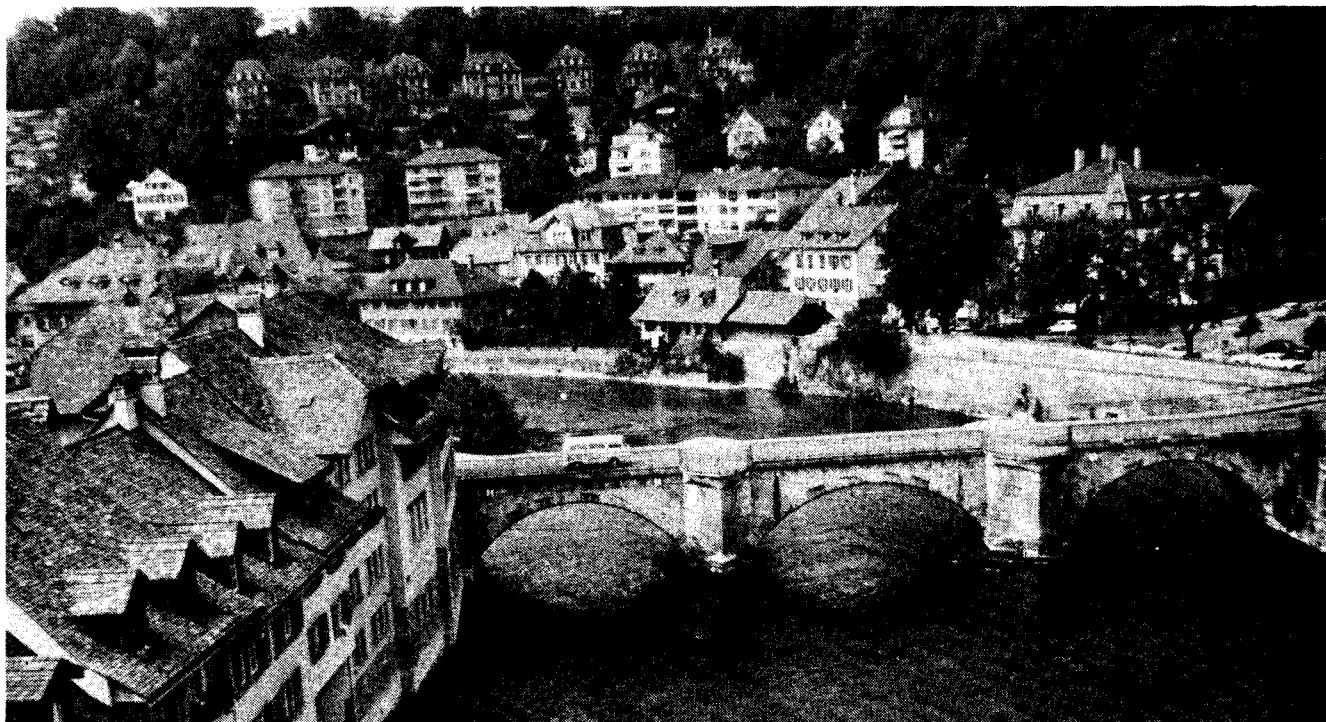
—Denis de Rougemont

The haven for capital flight, and the command center for the redeployment of hundreds of billions of dollars, Switzerland is the center of a conspiracy that deploys espionage, intelligence, and terror, and one which is at the center of the diplomatic manipulation of nations through "world-federalist" institutions. Today, the Swiss are casting their lot with a strategy of reshaping Europe into a *Mittleuropa*—a new Reich based in Central Europe—in alliance with Moscow's "Third Rome" imperial prophets.

An anecdote is appropriate here. Two years ago, after *EIR* held a seminar on the subject of terrorism in Bonn, West Germany, where detailed documentation was presented concerning the Swiss connection to left-wing terrorism in Europe, an official at the Swiss embassy reported that "the foreign office in Berne is very upset. They have decided not to help you in your request [for a mapping of Swiss institutions]." The author half-jokingly replied, "I will publish this in my next article on Switzerland," at which the Swiss official snapped: "If there is one piece of advice I can give you, don't do that, don't you dare do that!" and refused any explanation. We will now explore what exactly was meant, and why.

### Switzerland and the Third Reich

When SS Colonel Walter Schellenberg came to see SS Reichsführer Heinrich Himmler to ask him to prevent "Hitler's often-repeated desire to effect a preventive occupation of Switzerland," he found a most receptive audience. The SS were quite determined to "let Switzerland remain our financial pivot." Too much was at stake for the SS, for the Nazi military intelligence service, the Abwehr, and for



Stuart Lewis/NSIPS

*Berne, the Swiss capital: "Everything in Switzerland is decentralized," except the headquarters of supranational institutions.*

the Allgemeine SS, which was the leading financial and aristocratic circles' bridge to the top Nazi establishment. Schellenberg, then the head of the SS security apparatus, recalls in his memoirs, "my efforts to come to negotiations with the then-head of the Swiss intelligence service [Col. Roger] Masson and the Commander-in-Chief of the Armed Forces, Gen. Henri Guisan. It was clear to me that the path to the neutrality of Switzerland could only be trodden successfully if the neutrality of the country was preserved. . . . After the necessary contacts with Masson and Guisan, I proposed that Himmler bring his influence to bear at the Führer's headquarters to prevent the military plans [to invade Switzerland] from being realized. He [Himmler] had assured me in no uncertain terms however, that my head would roll should the other side not maintain its neutrality."

Since Schellenberg died in his bed—in Switzerland—one must assume that the Swiss did behave properly as defined by Hitler and Himmler. Evidence proved indeed that they performed to the utmost satisfaction of the Nazis. Schellenberg adds, "In my efforts to keep Switzerland out of the war, I received the help of Reich Economics Minister [Walter] Funk, who skillfully convinced the Supreme Commander that Switzerland was to remain our 'financial pivot.' "

With Walter Funk, immediate controller of the Nazi Reichsbank and the economic war machine of the Reich, Schellenberg introduces us into the central dimension of the Swiss-Nazi relationship: the realm of high international finance.

It all began during World War I with the establishment of the Swiss Corporation for Metals Investment (Schweizer-

ische Gesellschaft für Metallwerte), a front for the German Metallgesellschaft company, which was not only concerned with purchasing raw materials, but also ran a large international intelligence and espionage network which its boss, Richard Merton, had established with General Groener, Imperial Chief of Staff, and General von Schleicher, who in 1918 reorganized the Abwehr. To run the front, Merton selected the scion of one of the oldest and richest patrician families of Basel, Felix Iselin, whose family bank, Iselin & Cie., is to this day one of the major powers behind the giant Swiss Bank Corporation and the La Baloise insurance company. The Iselins had opened their first bank in the United States in 1803, and were the sponsors of the parvenu financier family of Louis Dreyfus. In short, the Imperial General Staff and the most senior Swiss patricians were setting up a joint intelligence venture.

In 1929, Iselin became the deputy head of another, similar venture: the I. G. Farben chemicals corporation was setting up a Swiss-based front, also in Basel, the I. G. Chemie, a holding corporation for all assets of the immense international empire of the future manufacturer of the gas Zyklon B. On the board of the holding company sat Max Ilgner of Hamburg, a board member of I. G. Farben, who ran, before and after the Nazis took over, a gigantic private world intelligence and espionage service through his company's innumerable outfits. In 1939, Iselin became chairman of I. G. Chemie. There he remained until 1958, to be replaced by the star of Swiss banking, Union Bank of Switzerland chairman Dr. Alfred Schaefer.

I. G. Farben was the industrial linchpin of the Swiss-Nazi

apparatus. Its chairman, Ilgner's uncle Hermann Schmitz, was a member of the board of the Bank for International Settlements (BIS), the "central bank of the central banks," the powerful institution that had been created to oversee the financial collapse and reorganization of Europe from which a "new order" was to come.

The BIS had finished off the hapless Weimar Republic by withholding crucially required financial pledges during the worst of the 1931 German banking crisis. The German founder of the BIS, who remained on its board throughout the 1930s, was Reichsbank chief Hjalmar Schacht, the man who had co-organized the circle of financiers and industrialists that funded Hitler's coming to power. Schacht went on to become Nazi Germany's economic czar.

Other German members of the board of the BIS were Schacht's successor Funk and Baron Kurt von Schroeder, of the namesake bank. Von Schroeder was a politically active banker—he was a general in Himmler's SS, and paraded in his black *Totenkopf* (Death's Head) uniform. During the war, Funk was to "certify" the dozens of tons of gold looted from concentration camp victims by the SS economic administration unit (WVHA) and funnel it into the BIS, with the complicity of Swiss National Bank governor Emil Meyer. As we will see, the Swiss government in 1944-45 was to violate specific agreements with the Allies concerning the transfer of Nazi fortunes out of the collapsing Third Reich. In the meantime, the gold gathered and monetized "to assist the SS," as Funk said at the Nuremberg trial, was flowing in the Swiss vaults.

Hermann Schmitz's I. G. Farben intelligence, NW7, was coordinated under Walter Schellenberg's Amt VI (6th bureau) of the SS Security Service, the SD, and worked in very close contact with the Nazi Party's Auslandsorganisation (AO), the National Socialists' global international subversion machine. Schmitz's appreciation of Schellenberg was such that he proposed to include him in the "Council of 12" that was to be set up as a regency in Germany, supplanting Hitler. Schmitz had been part of the original kernel around von Schroeder and Schacht that brought Hitler to power.

These were the elements of the deal that was passed between the Nazi establishment, or, more precisely, the SS establishment, and the BIS-Swiss National Bank and their friends, Commander-in-Chief Guisan and intelligence chief Masson. But as Schellenberg hinted, there was a price, most willingly paid by the Swiss elite: Switzerland was, and was to remain, the workshop for the Axis powers, the provider of its international credit, and freedom of action was to be given to the Swiss Nazis and the Swiss SS. Punctiliously, the Swiss respected their side of the contract.

### Native Swiss Nazis

There were ultimately up to 60,000 Swiss Nazis during World War II. Four thousand Swiss citizens joined the Waffen SS. Switzerland, Inc., merged with the Third Reich.

The chief of the NSDAP-AO, Ernst Bohle, who had been slated to become the Gauleiter (regional leader) of a Reich-

occupied Switzerland, and his subordinate Dr. Klaus Huegel, who ran the Stuttgart-based Alemannischer Arbeitskreis, did not need to implement "Operation Tannenbaum," as the invasion was code-named. Unlike Austria, no *Anschluss* was necessary; unlike Czechoslovakia, no invasion was called for. Switzerland was the Nazi Reich, with a slightly different local regime, a protectorate of sorts. The unwritten conditions for the freeze on "Plan Aktion Schweiz," which charted policies for an occupation, were fulfilled, including one specifically put forward by Schellenberg: total freedom for the development of the interface between the Nazis and American spymaster Allen Dulles, who was based in Berne, the Swiss federal capital. We will see below how Schellenberg's recommendations were fulfilled.

The Swiss Nazi-fascist movement had been strong since the 1920s. In 1924, Theodore Aubert, scion of a major Geneva banking family, founded the Entente Internationale Anti-Communiste, usually referred to as the Aubert League, which worked in tandem with Hitler and Mussolini. In 1932, he merged it with the National Political Order run by another scion of a leading Geneva banking family, the Oltrameres, of the top Geneva private bank, Lombard, Odier. Georges Oltramare and Aubert formed the Union Nationale and spearheaded a Nazi mass movement in the Confederation under the motto of "*Erneuerung*," National Renewal, which soon received the nickname of the "*Anpasser*," the Adapters (to Nazism). Through a maze of organizations—in federal Switzerland, everything is always decentralized—the whole spectrum of fascist, Nazi, and "conservative revolutionary" nuances was covered, reaching from the several dozen thousand members of the camouflaged SS organization, the Sportschule, through the rarefied patrician meetings of the Redressement National, on whose board Aubert sat. Armed Nazi militias, a major political lobby for the alliance with the Reich, and intelligence networks spread internationally. It was what the Swiss called in the mid-1930s the "Spring of the Fronts," of the Nazi fronts that is: the National Movement of Switzerland, the New Front, the New Helvetic Society, the Bund für Volk und Heimat (Union for the People and the Fatherland), the Patriotic Defense League of Berne, and the Nationale Kampfbund, among others.

### The faces of Swiss fascism

The kind of fascism defended by the Swiss was unique. In 1928 the Centre International d'Etudes sur le Fascisme (CINEF—International Center for the Study of Fascism) was created in Lausanne; it brought the world's fascist "elite" together, around what is called a "universal fascist" outlook, as opposed to the "narrow, nationalistic" forms of fascism that had overrun Italy, Germany and other European nations. Wilfried Pareto had taught at the University of Lausanne for years, spreading his doctrine of the "elites" that provided a fundamental underpinning to fascist practice as well as an educational for Italian Fascist leaders including Benito Mussolini, who freely acknowledged his debt to the Lausanne master.



"I sing the tune the piper pays for"—missing the point that the leaders of the Front were profoundly committed fascists, not venal appendages of the Nazis.

At the head of the CINEF was a Briton, James Strachey Barnes, a Scottish Rite Freemason who served as liaison between the BIS and Bank of England chief Montagu Norman, the pro-Nazi sponsor of Hjalmar Schacht, and Benito Mussolini. Barnes, from his Lausanne abode, directed Mussolini's 1933 banking reform and the creation of the powerful IRI, the huge state-owned conglomerate whose first chairman was Italian BIS founder Alberto Beneduce. Barnes was working in connection with the Lausanne-based Grande Loge Suisse Alpina, the Scottish Rite "Obedience" established in 1844 federating all Swiss lodges.

The essence of the CINEF brand of fascism, which can be defined as "Swiss fascism," a fascism without nations, was formulated in Barnes's 1928 book *The Universal Aspects of Fascism*, and was later summed up by an epigone: "The objective that [Barnes] was aiming at . . . was the end of all nations and the unification of the human race under one structure. However, he stated that national fascism was the most apt way to reach such an aim." Swiss nobleman Gonzague de Reynold, a confidante of Mussolini and a prominent figure in the Swiss elite, pushed the same conception: a *Mittleuropa* brand of fascism, just as that of his colleague, another Mussolini confidante, Prince Julius Evola, who imbued Heinrich Himmler with the deranged "ideals" of the Graal and the Aggartha. General Fonjallaz, a retired Swiss officer, and head of one of the Swiss Nazi parties, as well as Georges Oltramare, were other prominent figures in the CINEF circle.

*Mittleuropa* meant that nation-states would be broken into small ethnic-religious entities, or satrapies modeled on the Austro-Hungarian Empire under the Hapsburgs. This was Count Coudenhove-Kalergi's "Paneuropa," whose ideology was violently opposed to industrialization out of devotion to Mother Earth, opposed to science for the sake of the primacy of irrational emotions, opposed to urban life for the love of pastoral life. (The so-called industrialists involved in this movement shared the same outlook. One of Coudenhove's leading German collaborators was I. G. Farben founder Carl Duisberg.) The United States was the foremost hate-object of the Paneuropa/*Mittleuropa* currents.

Swiss fascism was by no means confined to the "right wing": it encompassed left-liberals and leftist radicals. Most prominent intellectually and politically was another Swiss nobleman, Denis de Rougemont, who had spent the 1930s in Paris as a propagandist for Paneuropa's "non-conformist revolution," or the New Middle Ages prophesied by Third Rome theorist Nikolai Berdaiev. De Rougemont, one of the prominent figures in the left-leaning Christian intelligentsia which fathered today's "Theology of Liberation," defined the program of the left-liberal-oriented variety of Swiss fascism: "The royal [French] state, the future nation-state, defines itself expressly with respect to the Holy Roman Empire and against it, as one part opposes itself to the whole and claims self-sufficiency. The state opposes itself to the Empire in its form. The empire is spherical and global and its ruler holds a symbolic globe in his left hand. State and Empire are no less opposed in terms of the type of human relations they imply and enhance. . . . Rome or the Holy Empire only last through the free adhesion to its principle of union, not through uniformity."

Nation-states were evil and ephemeral, de Rougemont wrote. An "apocalypse" would come in the form of a universal catastrophe which would cause the Fall of Babylon—the United States, the citadel of industrialism and the republican nation-state. What had to be wiped out, he added in his 1974 book *The Future Is In Our Hands*, was "the European virus: Europe as a colonizer spread throughout the world the formula of the nation-state, the belief in 2,500 calories a day for all and the morbid desire of having nuclear power plants." The reason why the Nazis had triumphed was that democracy had been "for the masses," and "turning each and all into a massified state."

Democracy was reason, and, "by prohibiting the catalysts and explorers of the dark forces, reason provokes the rise of monsters around us. . . . We must raise up and control the eruption of man's dark forces by means of cults and sects to avert their uncontrolled eruption." In short, de Rougemont said in his 1942 book *The Devil's Share*, "this is the time for the era of the modern Gnosis, of the religious reaction against democracy, with its uniform mediocrity, its lack of the sense of tragedy."

Such were the contents of the proposed policy. Its form was to be, as de Rougemont prescribed, the resurrection of the 888-1032 A.D. Empire of Burgundy as the imperial cen-

ter of Europe, around which a dust of small, "cross-border" entities would be federated. Lest anyone think that this was the pipedream of an isolated madman, it should be added that later de Rougemont was the chairman of the CIA-funded Congress for Cultural Freedom for more than a decade, and is today the grand old man of ECOROPA, the umbrella organization of all European environmentalist groups.

## Universal fascism and 'one-world' organizations

In the center of this imperium sat Geneva, the headquarters for the League of Nations, founded as the institutional embodiment of the Versailles Treaty of 1919-20. The League's stated program—which in hindsight gives some excuse to the American isolationism of the inter-war period—was to abolish the sovereignty of nation-states, and install a supranational power, complete with an army, navy, and so forth. Since the supranationalization of finances was more advanced than that of national law, the League proceeded to establish a supranational dictatorship over the finances of individual nations, to which all the newly formed Eastern and Central European countries, loaded with the debts of the Hapsburg Empire but not its assets, fell easy prey. The financial Secretariat of the League, and, later, in 1930, after the Versailles system foundered, the Bank for International Settlements, acted as the institutional enforcer. Geneva after all was traditionally the European capital for the financiers' manipulation of nations—it had been set up for that purpose by the Venetian and Genoese bankers.

A string of League satellite organizations was set up, including the International Labor Office, which ran manipulation and penetration operations throughout the world labor movement, and the all-important Institut Universitaires des Hautes Etudes Internationales (Graduate Institute of International Studies), established in 1927 by Dr. William Rappard as the "think tank" and diplomatic academy for the "New Order."

## The war seen from Switzerland

It is an eloquent testimony to the self-conception of the Swiss elite that they justify their wartime behavior by claiming they could do nothing else than pile up billions of profits from "trading with the enemy." While the story is undeniably true—Switzerland grew fat on the blood and bones of millions of European corpses—there is more to be said.

On July 18, 1940, the leadership of the Socialist Party of Switzerland issued the following press release: "The preconditions for our traditional policy of neutrality have been destroyed by the European events. A reorientation of Swiss domestic and external policy is called for"—scarcely a summons to arms. On Nov. 15, 1940, a bombshell exploded in Switzerland, the "Appeal of the 200" (*Eingabe der 200*) where prominent Swiss citizens were calling for a *Gleichschaltung* (coordination) in Switzerland to adapt to the New European Order imposed by Hitler. One of the organizations

included in the 200's area of influence began private-channel negotiations with Goebbels's intelligence apparatus. The Aubert League and Oltramare's Union Nationale conspicuously figure among the 200 (Oltramare himself had moved to Paris to run a leading Nazi-controlled daily newspaper, *La France au Travail*, under the name Charles Dieudonne).

A debate erupted within the Swiss elite: should the *Anschluss* demanded by the 200 take place, or should Switzerland play a more delphic game of interface between contending powers, while hedging its long-term bets? Aubert conducted long discussions with General Guisan. The conclusion of the debate was that Switzerland would serve fascism and itself better by remaining "neutral"—at the price of the Schellenberg conditions.

At the end of July 1940, a manifesto hit the news, issued by the League of the Gotthard, which called for "resistance" against the Nazis on the basis of a federalist-corporativist program. The manifesto had been drafted by Denis de Rougemont, and one prominent signature was that of arch-fascist Gonzague de Reynold! The League recruited heavily in the military and in Masson's intelligence service—General Guisan insisted that Paneuropean Swiss fascism retain its own touch. "With the Nazis, yes, under the Nazis, no," could have been his motto.

Other leading members of the League included Robert Eibl, secretary of Guisan's personal staff, who headed the Redressement National, the Paneuropean fascist group founded in the 1930s. On July 9, 1940 Eibl drafted a policy memorandum to his chief that was reportedly much further in the pro-Nazi direction than even that of the 200.

Colonel Masson's collaboration with Schellenberg proceeded unhindered—in fact, he even prohibited the continuance of some counterintelligence efforts in Germany itself by members of his service. And the last condition put by the SS leader was fulfilled: free room for Allen Dulles's Berne-based operation, which prepared for the postwar period, the post-Nazi Nazism.

Allen Dulles arrived in Switzerland late in 1942, renewing acquaintance with Berne, where he had been posted in 1917, and had maintained contact with the Lenin-led community of revolutionary Russian exiles there. Dulles, whose family was related to the Geneva patrician family of the Mallets, had been with brother John Foster, one of those hypocritically called the "appeasers" of Hitler—the outright pro-Nazi faction in the Anglo-American establishment. Foster, a spokesman for the Geneva-based World Council of Churches, and, like Allen a "client" of Swiss-based psychoanalyst Carl Jung, himself an avowed Nazi supporter, had spent the 1930s making pro-Nazi speeches. This endeared Allen in turn to his Swiss contacts. As the new U.S. intelligence chief for Europe, after being recruited to Foster's law firm Sullivan and Cromwell, Allen had traveled to Europe and met client Fritz Thyssen, the most prominent industrialist in early pre-1932 support of Adolf Hitler. Thyssen took Dulles to Hitler and introduced the New York lawyer to



*Allen Dulles worked out aspects of the postwar Nazi International deployment with SS Gen. Karl Wolff at this villa on Lake Maggiore in 1945.*

the Führer. Connections were multiple: Allen Dulles was a member of the board of the Schroder bank in New York until 1944; Sullivan and Cromwell's German correspondents, the law firm Albert und Westrick, were the I. G. Farben lawyers.

Allen Dulles soon came into contact with SS Gen. Karl Wolff, the longtime staff assistant of SS Reichsführer Heinrich Himmler, who was Himmler's liaison with I. G. Farben. Dulles opened a direct line with SS Colonel Schellenberg, a director of International Telegraph & Telephone (ITT) alongside SS General Baron Kurt von Schroeder, John Foster Dulles, and lawyer Westrick (a Nazi spymaster in North America). The well-known Standard Oil/I. G. Farben collaboration offered an important avenue for Allen Dulles's Nazi contacts.

In Switzerland, aside from the official, BIS and Swiss National Bank funding of the Nazis, the bankrolling of SS and Abwehr operations was organized through the Thyssenbank of Dulles's friend. Its Locarno branch, backed by the Union Bank of Switzerland of Dr. Alfred Schaefer, was run by (and soon took the name of) Baron von der Heydt, a naturalized Swiss citizen who was Admiral Canaris's envoy. Von der Heydt's family bank in Germany, Delbrueck of Cologne, was where von Schroeder, Thyssen, and Schacht had opened the business community's "Hitler fund" in 1932. One of von der Heydt's assignments was to finance Latin American operations of the Abwehr. His main local collaborator was Abwehrsonderführer Gisevius—who was on Dulles's staff.

Dr. Hjalmar Schacht spent much of the war "shuttling between Basel and Geneva to pull strings," as Charles Higham, author of *Trading with the Enemy*, describes it. Schacht's

beloved BIS went on piling up the gold from teeth, wedding rings, eyeglasses, jewels and other concentration camp booty. In Zürich and Basel, young, bright Union Bank of Switzerland banker Dr. Alfred Schaefer—who was also said to be the lover of Eva Braun, Hitler's "mistress"—had a liaison with the I. G. Chemie chaired by Felix Iselin.

Around Dulles, the "Committee of the Emigrés," as it came to be known, worked as an advisory body. It included former Austrian Chancellor Brüning—a *Mittleuropa* fascist of the clerical stamp—who a few years earlier had asked Hermann Schmitz of I. G. Farben to join the Austrian cabinet. On Dulles's staff was also the founder and director of the Geneva Institut Universitaires des Hautes Etudes Internationales, William Rappard.

What was the Dulles crowd actually doing? They were quietly negotiating with Himmler and Schellenberg, and preparing the postwar reconstruction of the Nazi structures, after the defeat of the Third Reich—the transmutation of the Reich.

Colonel Roger Masson helped. In Schellenberg's files, Swiss contacts were code-named as "Senner people" and Masson was "Senner-1."

### **Swiss build postwar Nazi International**

Sixteen days after D-Day Normandy, fascist leader Theodore Aubert drafted a memo to General Guisan on how to prepare for the aftermath of the war. In the memo, Aubert listed more than half a dozen organizations that were ready to swing into action to "launder" the Nazi apparatus and enable it to escape postwar Allied retaliation.

Masson, despite his ostentatious pro-Nazi sympathies,

had never narrowed his options. Throughout the war, he had kept a connection to Moscow, through the so-called Red Orchestra (Rote Kapelle) network in Switzerland and its major agents, Sandor Rado ("Dora"), Alexander Foote, and Fritz Roessler, who faithfully communicated to Masson everything they received from the Abwehr in Berlin through cut-outs who were old friends of Denis de Rougemont, Gonzague de Reynold et al., such as Schulze-Boysen, who ran one of the major networks from within Germany.

On Feb. 25, 1945, Major Max Waibel, Masson's subordinate, approached Allen Dulles to say that he could put him in touch with representatives of SS Gen. Karl Wolff, the commander of German troops in Northern Italy, who wished to talk surrender, as one result of the Masson-Schellenberg-Dulles negotiations. "Operation Sunrise," as the surrender was code-named, has been widely described, apart from a lying book by Allen Dulles himself. At the top of the agenda was now "Operation Land of Fire," the transfer of the assets of the Third Reich—personnel and money—out of crumbling Germany. Diethelm Brothers, a front organization was set up in hospitable Lausanne, at the initiative of Hitler's personal assistant Martin Bormann, with the help of Hjalmar Schacht and his son-in-law, SS Colonel Otto Skorzeny, who worked with the Abwehr's number-two man, Count Erwin von Lahousen.

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*The kind of fascism defended by the Swiss was unique. In 1928 the International Center for the Study of Fascism was created in Lausanne to bring the world's fascist 'elite' together around a 'universal fascist' outlook, as opposed to the 'narrow, nationalistic' forms of fascism that had overrun Italy, Germany, and other European nations.*

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The Crédit Suisse bank and the Basler Handelsbank were important conduits for the transfer of funds. In the year 1944 alone, Schellenberg had transferred no less than \$600 million to Switzerland! Several hundred Nazi front corporations were set up, of which more 200 were identified as located in Switzerland. While Hitler had entertained the silly plan of a Nazi retrenchment into the *Alpenfestung* (Alpine fortress) complete with military defense, the shrewder Schellenberg-Schacht group, supported by Schaefer, the BIS, and the Swiss National Bank, pursued other ideas.

The chairman of the BIS had explained for the record

why the Nazis had allowed the BIS to operate: "In order to understand, one must first understand the strength of the confidence and trust that the central bankers have had in each other and the strength of their determination to play the game squarely. . . . One must realize that in the complicated German financial setup, certain men who have the central bankers' point of view are in very strategic positions, and can influence the conduct of the German government with respect to these matters." Precisely.

The looted gold went through an earmarked BIS account at the Swiss National Bank. The bank disguised the BIS gold as payments to the U.S. Red Cross and German legations to Switzerland to escape U.S. investigation.

The Kilgore Committee of the U.S. Congress investigated Swiss behavior after extraordinary pressure was brought to bear by Washington—not through Dulles!—for Switzerland to stop its material, financial, and military help to Nazi Germany. That pressure included a blockade, a financial boycott, and large-scale freezing of financial assets in the United States and other countries. Author Charles Higham reports on a Nov. 15, 1945 statement of the committee's findings that "the Swiss banks led by the BIS and its member bank the Swiss National Bank had violated agreements made at the end of the war not to permit financial transactions that would help the Nazis dispose of their loot. . . . [D]espite the assurances of the Swiss government that German accounts would be blocked, the Germans maneuvered themselves in a position where they could utilize their assets in Switzerland, could acquire desperately needed foreign exchange by the sale of looted gold and could conceal economic reserves for another war. These moves were made possible by the willingness of the Swiss government and banking officials in violation of their agreements with the Allied powers, to make a secret deal with the Nazis."

In August 1944, a secret meeting had taken place in Strasbourg, in the still-occupied part of France, with the leaders of the SS industrial and financial apparatus. The agenda was to prepare for the postwar period. One major method was once more to have SS-controlled firms create or consolidate "interfaces" with foreign firms and thus escape denazification scrutiny. Swiss companies massively bought such SS-controlled firms and thus gave them "respectable Swiss" cover. Another method involved the Swiss laundering of hundreds of millions in faked dollars and pounds.

"Odessa," "Die Spinne," the HIAG organization of "former" SS members, and other networks went to work. Nazi war criminals flocked into Switzerland, were given false identities, and, after some rest from their war efforts, were shipped to the Middle East, to Latin America, and so forth. One singularly interesting individual involved in this well-known effort was Abwehr agent François Genoud, a Hitler fanatic who had been involved in facilitating meetings between Dulles and General Wolff, and in the Diethelm Brothers arrangement for mass escape of Nazis. Genoud, as *EIR* has exposed (see Special Report, April 19), is at the operational center of today's Nazi international apparatus.



# Centuries of Swiss expertise: usury, Jacobinism, 'one worldism,' and dirty money

Switzerland, in the middle of devastated Europe, came out of the war on top. The Masson-Guisan-de Rougemont deployment had succeeded.

Who was it that was so shamelessly—in fact, in typical Calvinist or Evangelical fashion, self-righteously—rubbing bellies with the SS murderers and ensuring their metastasis in the postwar, contemporary world? It was the usurers of Geneva, Basel, and Zürich, the old military power of Berne, the Swiss patrician caste which had been set up as a “little Venice” in the 16th century by Venice and Genoa, a north-bound dispatching center at a time when the world’s center of gravity shifted from the Mediterranean-to-Baltic arc to the Atlantic world.

## *Leurs Excellences de Berne, Ces Messieurs de Geneve*

By 1387 A.D., the “Franchises of Geneva,” the constitution of the city-state, had already legalized the pagan practice of usury, and indeed enshrined the principle of usury in the law of the land:

“Ditto, that if any cleric or lay man that be a usurer or an other citizen or inhabitant of the city passes away and dies, whether testament be made or not: what goods he had at such a time that he died must not and can not by us or our other officers whosoever they be, be taken and detained and neither because of such usury can or could a listing of such wealth be drawn but by the inheritor even though he be himself a usurer and he can take and appropriate the goods of the said dead man without incurring impediment nor difficulty of any sort. . . .”

“Ditto, that no one for cause of usury publicly done by anyone so ever, bourgeois, citizen, cleric, or lay, or man or woman, may be by us or successors, or clerks or other officers, persecuted, accused, charged or in any manner molested; nor his or her goods seized, sequestered, brought into our hands or part-confiscated; nor seize the goods or he or she when dead nor capture; nor in any other manner of claim. . . .”

Geneva is taken here as representative of Switzerland at large, or of the patrician elites that have run that country for centuries. We will unfold the history of Geneva as a case study, whose general principles obtain equally for Berne, Basel, Zürich, Lausanne, and lesser towns: it is the Swiss

system that matters, and for purposes of contemporary strategic analysis, it is the system rather than any of its individual embodiments that should be taken into account.

Even before becoming the “Protestant Rome,” as it was to be called under John Calvin, Geneva was a center of legalized usury. While it had served as a pivot of trade and transportation during the Roman Empire, for reason of its exceptional geographic position, and received the Imperial dignity of “city” as early as 350 A.D., it was under the first Burgundian Empire that Geneva first came to prominence. By 1032, it was a Holy Roman Imperial City, and led a secular fight to break loose of the grip of the Counts of Savoy and the Bishop of Geneva. By the end of the 13th century, Geneva had 2,000 inhabitants, and started developing an extremely successful trade fair, for which purpose it was built up by the “Lombard” (North Italian) bankers. By 1450, the commune boasted 15,000 inhabitants.

The financiers of Genoa were in the process of making it a major station in their international network, which dominated world finance. Genoa’s Giustiniani family (one of the top Venice-Genoa families) opened shop in 1464, as well as the Grimaldis of Genoa (now ruling Monaco), the Pazzis, and others. By then, the great humanist king of France Louis XI was already in a pitched battle against Geneva’s gold-draining operations against the kingdom. Having been commercially beaten by the French king and held to ransom after a military defeat, Geneva signed an association (*combourgeoisie*) with Berne, then a world power in trade, banking and military affairs, and Fribourg.

But until the arrival of John Calvin, there were essentially no “native” Geneva bankers. It is only when the Council of the 200, the patrician families of the town, who had designed a constitutional model of oligarchical republic directly modelled on that of Venice, adopted the Reformation and called in the French “Ayatollah” Calvin, until then an agent provocateur against the ecumenical efforts of Erasmus of Rotterdam and his European humanist network. Calvin set up a theocratic dictatorship, with a feared Gestapo accustomed to burning people at the stake whose sole crime had been to question some trivial utterance by the Ayatollah.

When the Protestants fled France to escape religious persecution, first in the 1550s and in a second wave after 1685,

a new impetus was given to Geneva: dynasties such as the Mallets, the de Neuflices, the Lullins, the de la Rives, the Andrés, opened business, as well as refugees from Italy, whose family names still loom large in the Geneva caste system today: the Turretinis, Burlamacchis, Calandrinis, and others. They engaged in extensive financial relations with northern Italian bankers, and soon became their correspondents—at a time when the oligarchical masters of Venice and Genoa were transferring their wealth out of Italy and relocating the family fortunes (*fondi*) toward the north of Europe.

The 17th century saw the prosperity of a cluster of many-times-intermarried families, Bordier, Darien, Lombard, Odier, Mirabaud, Pictet, Lullin, Ferrier, Saladin, Boissier, Turretini, Mallet, Tronchin: Thus Geneva was becoming the vicar of the *fondi*, and becoming banker to the world.

Geneva was a major shareholder in the Dutch and English East India Companies, in the Bank of England and the Bank of Amsterdam, and its trading arms reached out to Muscovy, Barbary, the Ottoman Empire. Under the protection of the Geneva citizenship, Protestant bankers returned in droves to Paris, and established a virtual financial dictatorship—they held three-fourths of the French national debt at the death of King Louis XIV. Each patrician family had one or several members established in Paris, Lyons, Marseilles, Genoa, Cadiz, London, Amsterdam. In 1750, Pictet opened shop in New Orleans. Shortly thereafter, there also arose the Gallatin Bank of New York, now known under the name of Manufacturers Hanover Trust. A spider-net of financial and intelligence contacts was established which vastly enhanced Geneva's weight in banking, insurance, reinsurance, and colonial and maritime trade.

It is Geneva that pioneered modern actuarial methods; a Pictet published in 1746 "An Essay on the Duration of Human Life, When It Adduced the Manner of Determining the Life Annuities Both Simple Ones and in Tontine." Extremely sophisticated methods of risk-spreading were developed, along with advanced methods of financial looting: Geneva was skimming the wealth of nations, and manipulating them into developing colonial policies on its own behalf. Thus France developed its triangular trade in the Atlantic and its large Caribbean sugar plantations at the initiative of the Genevans, who acted through their Protestant banker and trader correspondents in Marseilles, Bordeaux, Nantes, and so forth.

Geneva played a prime role in the preparation, the outbreak, and the unfolding of the French Revolution. First, citizen of Geneva Jean-Jacques Rousseau, recruited to the Venetian intelligence service during his stint as French Embassy Secretary in Venice, became a linchpin of the vast brainwashing operation known as the "Enlightenment." His job was to provide rationalizations for mob violence, and a fascist theory of the state, known as the "Social Contract," whose best model was the Venetian republic. With the plebeians thus in good hands, Geneva sent banker Jacques Necker to become France's finance minister in 1786. Necker finished

off the king's ailing treasury, by issuing an unprecedented amount of high-interest debt. When bankruptcy loomed, Necker proposed a violent "austerity" cure, and was ousted by the king; but the mob imposed his recall in 1789. A 1795 speech by one of the members of the Directoire in Paris, Cambon, provides insight into the destabilizing role of the Genevans: "It is perhaps to the existence of these loans that we owe the commencement of the Revolution; the government was squeezed and could not honor the commitments it had incurred, convened the Estates General in order to address these commitments. Portfolios were stuffed with claims against the royal treasury; the owners of these claims, fearing the loss of their capital, put on the revolutionary mask and gathered at the Amis de la Republique [club]; thenceforth, the Palais-Royal [the residence of Philippe Duke of Orleans] became the place where patriots congregated, and from that hotbed arose the sacred fire that set the souls ablaze on July 14 [Bastille Day]. . . ."

From Britain, Lord Shelburne directed the destabilization of France, and his chief aide, de Romilly, was a Genevan. Mallet du Pan in London directed the British intelligence effort against France, where the ever-present archetype of corruption, Talleyrand, was paid by Geneva. In the young United States, Genevan agents such as Gallatin, Iselin, Prevost, André, and Mallet, were subverting the nation especially through its finances, as Anton Chaitkin has recently documented (see the *Campaigner* magazine, April 1983). In Petersburg, Russia, de l'Harpe, scion of one of the leading families of Geneva, was an adviser to the czar. When Napoleon took power and created the Banque de France, Geneva bankers provided a majority of shareholders and the paid-in capital. The Napoleonic occupation of Switzerland was so far from harming the messieurs of Geneva that in 1815, Talleyrand could say, "There are five continents: Europe, America, Asia, Africa, and Geneva."

Geneva kept serving as one of the headquarters for the European *fondi* throughout the 19th century. Its families married into the oligarchies of the world. The Calvinist bankers were now assisting in the founding of larger banks. Switzerland was creating its *Grossbanken*, Swiss Bank Corporation (1872), Union Bank of Switzerland (1862), Crédit Suisse (1856), which were each case the amalgam of a score of *fondi* which sought to acquire broader financial maneuverability.

Geneva was established firmly as one of the major powers in world finance. Add the power accumulated by the private banks of Basel and Zürich: a small, sparsely populated country in the middle of the Alps played a most significant role in world affairs. In insurance too, Swiss giants boast leading international positions, including Winterthur, Zürich, La Suisse, Swiss Reinsurance, and La Baloise.

To take one illustrative family case, the de Neuflices, whose branch of the Andres was trading in Genoa by 1667, was one of the major operatives for the centuries-old Genoese oligarchy's bank, the Banco di San Giorgio. Offspring were involved in the New World—one son being hanged as a spy

by the Americans for managing the Benedict Arnold treason. This mishap did not prevent the family from becoming a world power in insurance, financing the leading "liberal" politicians of the 19th century, and acquiring immense interests in colonial ventures. The bank merged in 1945 with the parvenu Protestant bank of Schlumberger, and merged again in 1966 with Mallet Frères (for more than a century, de Neufzizes had intermarried with Mallets), creating the de Neufzize, Mallet, Schlumberger bank.

The Mallets were made barons by Denmark's King Frederick V; they ran the drug trade of the Ottoman Empire in the 19th century. Part of the family moved to Britain, where Sir Victor Mallet was Queen Victoria's secretary; the de Neufzizes' British branch is the Earls of Bessborough. The Schlumbergers have a prominent position in Houston, Texas—Madame Dominique Schlumberger de Menil sponsored a conference of the leaders of Palestinian and Arab terrorism at her family-built Rothko Chapel in Houston in October 1981. The Schlumbergers' heavy interests in the Soviet Union (and Schlumberger chief Jean Riboud's links to the French Communist Party) are not alien to that orientation.

It is not only to money that the Swiss owed their worldly fortune, but also to the extraordinary attention devoted by the patricians to the development of intellectual means of control and subversion of nations and populations.

Typically, the role played by Germaine de Staël, daughter of Necker, in the French revolution and even more, in the spreading the wave of mass-irrationalism known as "Romanticism." Her lying, incompetent book *On Germany*, which was made a tremendous best-seller internationally, offered a "blood and soil" medievalist version of German culture which was most instrumental in generating the anti-science, anti-culture reaction in Germany as well as the rest of Europe. Heinrich Heine had to write a whole book in refutation of a

thesis that threatened to engulf German culture in a wave of immoral "back-to-nature" romanticist bathos. Jacob Burckhardt's defense of irrationality, Ferdinand de Saussure's founding of that hideous pseudo-science "linguistics" to destroy classical philology, Jean Piaget's structuralist destruction of classical education, indicate how the Swiss oligarchy, assigning some of its brightest sons to intellectual tasks, operates in world affairs as gamemasters who understand that it is ultimately the control of ideas, of cultures and the matrixes that determine culture, that determines control of nations and populations, rather than raw force, money, or ordinary power and influence.

For that reason, when the establishment of the League of Nations in Geneva consecrated that country's international role, the intellectual role of the country grew accordingly. The Institut Universitaires de Hautes Etudes Internationales represents today one of the most significant centers for international policy making, or rather policy plotting. The institute trains international civil servants in postgraduate studies while serving as a focal point for high-level think-tank activities. The personality of its 25-year director, Jacques Freymond, a founding member of the Club of Rome who made the institute a hotbed of anti-growth, world-federalist influences, indicates sufficiently the content of the work done there.

Our old acquaintance Denis de Rougemont teaches at one of many sub-centers of the institute, the University Institute for European Studies, Europe's coordination point for federalist-environmentalist ferment. De Rougemont, founder of ECOROPA and the European Cultural Foundation, is a protector of the terrorist Longo Mai communities in Europe and Central America, and a close friend of Rémy Schlumberger, who was a member of the notorious "Curiel network" of Moscow-run terrorists. De Rougemont works closely with



*Albert Hoffman at the time he invented LSD, one of the Swiss strategists' cultural subversion tools; Fritz Leutwiler of the evil Bank for International Settlements; Hans Küng, "Dark Ages" theologian.*

the Gottlieb Duttweiler Institute, whose founder, Swiss businessman Duttweiler, worked closely with the Abwehr networks during the war, Baron von der Heydt in particular. In the postwar period, the institute and its luminary Heinrich Pestalozzi have served as a major training and planning center for the European Green movement and the spreading of environmentalist ideas since the early 1970s.

In all cases, it is hatred of America as the representative of industrial culture and a sovereign nation-state that is the determinant of that ideology. "Europe of the Regions," "grassroots democracy," are the catchwords. "There is no imperative other than that of nature, there is none from technology," Pestalozzi writes, "no other imperative than that of life, and none from the economy, only of desire and none from your profit," adds this aristocratic spokesman for the "Swiss way of life." Prometheus, he explains in one of his leitmotifs, is history's "worst criminal: he stole the fire of science and technology, not that of spirituality. . . . The religion of growth and the population bomb will have to stop some day, or the cancerous proliferation of population, or urban life, of cities, will produce disaster through massification, pollution, exhaustion of resources."

The typical Club of Rome diatribes? Definitely—but you are reading here the ideas for whose propagation the Club of Rome was created. De Rougemont was instrumental in the 1950 founding of the Société Européenne de Culture (SEC), a Venice-based branch of the modern Inquisition: Umberto Campagnolo, educated in Geneva at the Institut Universitaires de Hautes Etudes Internationales, established as "a bridge between East and West," in the thick of the Cold War. The SEC was the unique location where top intellectuals, scientists and writers of East and West could engage in collective "back-channel" negotiations, and, more importantly, long-range intellectual planning.

An unpublished study by Pietro Cicconi documents the extraordinary role played by the SEC in determining the "paradigm shifts" in the culture accepted by the average populations of the Eastern and Western world alike in the last 30 years. The SEC's program, as articulated in 1950, complained bitterly that the United Nations, still based on nation-states, still dependent on national governments, did not represent the powerful, radical sort of instrumentality required to establish a one-world power! What passes for modern "culture" has been entirely steeped in that Swiss brew.

It will come as no surprise then that the international headquarters of the leading East-West, Malthusian "back-channel" negotiation forum, the Pugwash Conference, is located in Geneva, at the Institut Universitaires de Hautes Etudes Internationales. Under the "neutral aegis" provided by the Swiss, Pugwash, as documented by *EIR* (June 7), brought together British, American, and Russian policy-makers committed to definitively "freezing" technological progress and weakening the United States.

The Institut Universitaires de Hautes Etudes Internationales houses many more such institutions: the Centre d'Etudes

Pratiques de la Negociation Internationale (Center for Applied International Negotiations) "trains," or brainwashes, international civil servants that populate the offices of the United Nations, the finance and foreign ministries of their respective countries. The Centre Internationale d'Etudes Monetaires et Bancaires (International Center for Monetary and Banking Studies) serves the same purpose for central banks and private banks, and "experts" in monetary affairs. The Institut Universitaire d'Etudes du Développement (International Institute for Development Studies) targets specifically the young elites of Third World nations. The Institut Internationale d'Etudes Sociales (International Institute for Social Studies) provides the intellectual substance of the International Labor Organization. And the Association de Genève (International Association for the Study of Insurance Economics), run by Club of Rome member Orio Giarini, an associate of GIIS, is the privately formed club of the world's biggest insurance companies' board chairmen, and "studies economic systems from the standpoint of their vulnerabilities," in other words, generates the parameters for economic warfare.

In economic, monetary, and financial terms of reference, the contents of Swiss policy are clear: the Swiss National Bank as well as the private and commercial banks defend a policy of international triage.

"Why should we save these unsalvageable, bankrupt countries, these bankrupt banks? Many of us here would prefer to 'pull the plug' and let the dust settle," one associate of National Bank chief Fritz Leutwiler explains. "Developing countries will have to adjust. It will mean a lot of pain, and a lowering of the standard of living even for countries where a majority of the population is already living below the vital minimum," said Fritz Leutwiler himself, "even if our own industry suffers in the process."

The pure, unadulterated monetarism that governs Swiss economics is best expressed by Friedrich von Hayek, who privately advocates a financial crash as the solution to the world's ills. Hayek founded—in Switzerland—the Mont Pelerin Society, which has brainwashed so many statesmen in the insipid balderdash of "free-market economics," while fanatically opposing the spread of industrial development and the application of the state's power to direct scientific and technological progress.

Seven years ago, the author accompanied *EIR* founder Lyndon H. LaRouche, Jr. to a meeting held in Basel with one Alfred Matter, then a prominent board member of the Swiss Bank Corporation. LaRouche developed the idea that the growing world debt was going to choke the world economy, provoke depression, debt defaults, and untold suffering. Matter reclined in his comfortable chair, looked to the ceiling as a good Zwinglist (Basel Protestant) should, and replied: "You are right, you are right, but, you know, we are not philanthropists, we are bankers."

These bankers indeed founded the International Red Cross in the last century, through banker Henry Dunant, and the

Freemasonic networks of the Grande Loge Alpina and run the Red Cross as a vast intelligence operation, with the best of covers. At present, the Red Cross is headed by the former deputy governor of the Swiss National Bank, Alexander Hay. They have created an immense smuggling empire which, as Judge Sengelin of France has documented, works in smooth cooperation with the KGB and the intelligence services of Eastern European nations, in particular Bulgaria.

Smuggling in Switzerland is not illegal—since in Swiss law, it only starts once the border has been crossed, in which case it does not fall any longer within the purview of Swiss law. An Italian judge is presently investigating the role of the Union Bank of Switzerland in handling, during the war, the gold jewelry stolen by the SS from the Rome Jewish community, and passed on through the Banca d'Italia, as a lead into today's extraordinary Swiss-centered gold, diamond, jewelry, arms, and other smuggling operations. The Swiss bankers' priests run the Moscow-allied World Council of Churches, based in Geneva, which has become "an instrument of the Russian Orthodox Church ever since it joined it," a Swiss intelligence expert acknowledged. The schismatic "Concilium" organization around heretic Swiss theologian Hans Küng, a pupil of theologian Karl Barth who worked closely with de Rougemont, is centered in Fribourg, Switzerland. The Anthroposophic world center, Rudolf Steiner's "Goetheanum," is based in Switzerland.

The Swiss ruling elite are the chief organizers of an extraordinary amount of "technological leakage" from West to East, to the point that the U.S. administration decided to suspend any scientific-technological cooperation with the Swiss until such "leakage" be brought to an end. The Swiss cooperation with Moscow is no news either: a majority of the membership of both the Menshevik and Boshevik parties lived in Berne and Zürich, under protection, just as anarchist-fascist herald Mikhail Bakunin had, half a century before; and a Swiss became the secretary-general of the Comintern in the late 1920s—who was later allowed to become, after a phony, cosmetic "split" with Moscow, the head of the highly respectable Swiss Socialist Party. Jules Humbert-Droz was a Moscow agent all along, to the full knowledge of Swiss intelligence. Business is business, and geopolitical cooperation even above business.

### Switzerland today: the Fourth Reich

In 1958, Dr. Alfred Schaefer, whose personal connections with the Hitler entourage have been mentioned, took over the I. G. Farben front Interhandel AG of Basel. Renting Prinz Radziwill for the purpose, he sent the prince to his brother-in-law Robert Kennedy, then U.S. Attorney General, and obtained a settlement of an affair that had been kept under litigation for 20 years: that of the frozen I. G. Farben assets in the United States. Schaefer worked in Cairo in the 1950s with Hjalmar Schacht and Nazi François Genoud. Schaefer was at the center of the network of postwar Nazi investment, working very closely with retired SS leader Otto

Skorzeny. Schaefer was also the financial adviser to the late Shah of Iran. Middle Eastern networks of Swiss banks—built on a centuries-old tradition of Islam-ology in Swiss universities, including the famous Arab studies expert J. J. Hottinger, scion of one of the major banking families of Zürich, whose descendent, a journalist at the too well informed *Neue Zürcher Zeitung*, runs Swiss Middle East intelligence from Cyprus—are more than congruent with those of the Swiss-based parts of the Nazi international, notably those run through François Genoud, former head of Banque Commerciale Arabe. Switzerland is probably the Western nation with the highest density of Moslem converts among the native population. So strong is the Swiss grip on this asset that no Israeli official will dare challenge Genoud and the other Swiss-Arab Nazis for fear of retaliation, financial in particular, and the breakup of intelligence relations.

The case of Ahmed Huber, a Swiss convert and a Nazi, is illustrative: he introduced Genoud to Gamal Abdel Nasser, set up (with Skorzeny) aspects of the Egyptian missile program of the 1950s, ran part of Genoud protégé Ahmed Ben Bella's security services in Algeria. Today, Huber is an intimate friend of Qaddafi, of Ayatollah Khomeini, just as he was a close friend of the Grand Mufti of Jerusalem. Huber runs parts of Yasser Arafat's PLO, including prominently its dissidents. Huber's world-outlook, in his own words, is to maintain "a Swiss lobby that will succeed in de-Americanizing Switzerland and Europe," an enterprise that offers many areas of collaboration with the KGB; in fact, Huber travels to East Germany very regularly.

The center for subversion of the Middle East, the Geneva-based Islam and the West organization, is based at the Institut Universitaires de Hautes Etudes Internationales, and recruits from the institutes based there. In close, constitutional association with the Club of Rome, Islam and the West has been for years the Muslim Brotherhood's main Western support—along with the Schlumbergers' Rothko Chapel in Houston Texas. Once more, the gutter-level Nazis of the Huber type, and the respectable Nazis at so-called elite level, work on the same track.

François Genoud's close collaborator Gaston Guy Amaudruz, often tagged as "the head" of the Nazi International, because he heads the New European Order fascist offspring of the Malmö International, candidly expresses his world-outlook: "There is no split between left and right wing. The system is a dictatorship of the center. It is very important to have the extremes working together to bring down the system."

"America," Amaudruz continued in a recent interview, "is the world's main problem, the main obstacle to peace. The white man should never have gone to America. The white race should have stayed in Europe. They repressed the American Indians there, it was a brutal repression. America is the main threat to the world. The peace movement's resistance against the United States is perfectly justified . . . the collapse will come."

## Ibero-American labor revolt hastens showdown with IMF

by Mark Sonnenblick

It is one thing for a bankrupt country's finance minister and central bank president to sign on the dotted line for bone-crushing austerity in return for a bailout from the International Monetary Fund; it is something else for them to make it stick. As June drew to a close, massive labor demonstrations in every major country in Latin America that has fallen victim to the IMF undermined the political positions of those who had signed the IMF deals. The labor upsurge reinforced the diplomats and political leaders who are moving toward joint Ibero-American action to alleviate the debt service burden.

Per capita incomes in Brazil will fall by about 10 percent this year and next year as a result of the present agreement between Brazilian authorities and the IMF, Prof. Adroaldo Moura told São Paulo executives June 16. Moura is the academic most identified with Brazil's economic chief, Planning Minister Antonio Delfim Netto.

The industrialists with whom Moura debated the crisis were surprised to find their April production levels down 3.5 percent from last year's and unused capacity up to 26 percent, despite Delfim's intimations of a "recovery." Most industrialists agree with the comment by Foreign Minister Ramiro Saraiva Guerreiro in an exclusive interview published in the June 28 issue of *EIR* that the IMF's "medicine" is "killing the patient."

### Brazil sends the IMF home

While industrialists have complained about the intensifying depression, it was the muscle of Brazil's long-dormant labor unions and military nationalists which caused the IMF

to beat a retreat from its original aims.

On June 22, the top members of the IMF delegation to Brazil flew back to Washington. Top-level Washington sources informed *EIR* June 24 that there has been a total breakdown in the IMF's negotiations with Brazil because the IMF refuses to accept anything short of Brazil wiping off the books all laws protecting acquired wages and fringe benefits. Brazilian leaders, unwilling to provoke a social revolution for the sake of the IMF, sent the negotiators home. The sources say the Brazil-IMF confrontation threatens to go past the June 30 deadline set by the Bank for International Settlements.

Is Brazil going to impose a "shock treatment"? Unlikely. Each day the IMF mission scurried from office to office in Brazil from its June 5 arrival, Delfim's minions promised a new "package" cutting state sector investment budgets and public employees wages by 25 percent and "de-indexing" the Brazilian economy. (Beyond the technicalities, "de-indexing" is a mechanism for reallocating income from wage-earners and producers to debt service. While allegedly a way of "fighting inflation," the real impact is to destroy a country's productive potential.)

Delfim's crew filled the press with stories that the measures had presidential approval and were about to be announced. The tactic backfired.

Thirty-thousand state sector employees marched peacefully through downtown Rio June 17 with hundreds of banners attacking the IMF and Planning Minister Delfim Netto, *Jornal do Commercio* reported. The 120,000 employees of

Banco do Brasil across the country are on "war footing" against the expected announcement of what would amount to a 25 percent annual cut in their real wages. If they were to go out on strike, it would stop checks from clearing in Brazil. Over 20,000 Banco do Brasil employees submitted their resignations en masse—a sign that the government will face millions of cases of labor litigation if it were to wipe out by decree benefits guaranteed by contract and by law.

The petroleum and electricity workers joined the movement. Their leaders announced that "the workers are mobilized to go out on strike on July 6 if the 'package' is announced before then." This would shut down not only refineries, but wells and petrochemical complexes.

The programmatic line among the 30,000 marchers could be summed up by the leaflets distributed there by the oil refinery workers: "State Sector: Scapegoat for Incompetence, on Road to Denationalization." According to reports in the anti-labor Rio daily *O Globo* and communications received by *EIR*, hundreds of copies of a March 15 *EIR* article quoting IMF plans for denationalization of Brazil's resources and the reduction of its population have been xeroxed and circulated to Brazil's political and military leaders by state employees.

Big state sector budget cuts were supposed to be announced on June 8, but they were stopped by state sector managers such as Eliezar Batista of the iron company which runs the Carajás project and his backers in the nationalist military layers; they stymied Delfim and ensured that President Figueiredo would make the decision.

## Continent-wide actions

The immense and rapid mobilization of labor sectors which have been practically dormant for a generation is causing Brazil's leaders to think twice before taking what might otherwise appear to be the "pragmatic" route of yielding to the IMF. The government party leader in the Chamber of Deputies, Nelson Marchezan, declared June 18 that his party would not tolerate the decreeing of real wage reductions which it had not helped formulate. Marchezan's rebellion signaled that the political and military advisers to the president, such as Leitão de Abreu and General Ruben Ludwig, were fighting tooth and nail against Delfim Netto and the IMF.

Trade and Industry Minister Camilo Penna brought into the open June 18 the fight within the cabinet over breaking with the IMF. Penna, whose state steel sector is being rusted out by investment cuts, proclaimed, "The President has the command of the economic process in his hands as a constitutional duty." Penna argued that the only solution to the debt problem was government-to-government negotiations with the United States for a new growth-oriented economic system under the terms outlined by President Figueiredo in his Sept. 27 United Nations speech and in the message he sent to the recent Williamsburg summit.

In Argentina, for instance, the CGT-A trade-union federation, the second largest in that highly unionized country, has announced that it will go out on a national strike if wages continue to be savaged by IMF measures.

In early June, Bank for International Settlements head Fritz Leutwiler had assured anxious creditors that "Argentina no longer has any problems," since the IMF program is being fully implemented there. Not so, argues the Buenos Aires daily *Clarín*, in its June 19 edition. "It would be naive to pay attention to the president of the BIS. . . . [Argentina] may be able to pay [its debt] for some time through popular sacrifice, but this cannot go on forever. And the proliferation of trade union conflicts . . . signals that time is running out. . . . The pact [with the IMF] will thus be shattered, because there is no other way out."

In Mexico, over 100,000 teachers marched noisily through the streets of downtown Mexico City and a half dozen other urban centers on June 17, chanting: "We're warning you, government officials—don't use our salaries to pay the debt."

The marchers of the SNTE trade union, the single largest union in all Ibero-America with nearly 750,000 members, were telling the government: we will not stand for the IMF deal, and if you have to choose between the population's living standard and paying the debt, to hell with the debt.

The head of the Venezuelan trade-union movement, José Vargas, had called a week earlier for "the formation of a vigorous and coherent trade-union movement in the Third World nations" to resist the IMF's destructive policies. A few days later, that country's finance minister, Arturo Sosa, felt compelled to tell a local press conference that "I don't give a damn what the IMF's preferences are."

## Is the U.S. prepared to replace the IMF?

The IMF is now discredited as the crisis mediator between the nations of the North and those of the South. What Brazil's pro-austerity daily *O Globo* reported as "the political victory of the demonstrations of state sector employees" over the IMF in Brazil is likely to embolden further resistance to the Fund throughout the continent. In each case, the IMF will be pressed to soften its conditionalities or go by the wayside.

The presidents of the five Andean Pact states meeting in Caracas July 24 are likely to agree on joint action against the IMF; and the Ibero-Americans may seek to negotiate a new deal on debt with the United States in early September. Unless the IMF's anti-development approach—today fully supported by U.S. officials like Federal Reserve Chairman Volcker, Treasury Secretary Regan, and Secretary of State Shultz—is promptly abandoned, the nations of the South may see little choice but to launch a fight with the United States as well.

"It was simply not possible to go any further," lamented an IMF official before leaving Brazil. Will the United States recognize that reality?

# Beam weapons' strategic and economic potential suddenly placed on French agenda

by Laurent Rosenfeld

On the anniversary of Gen. Charles de Gaulle's famous June 18, 1940 radio appeal that launched the French Resistance, leaders of that struggle and foremost Gaullist military figures joined with the European associates of U.S. Democrat Lyndon H. LaRouche, Jr. at a conference aimed at rallying France behind U.S. President Reagan's call to develop anti-missile beam weapons.

"The reason why we are here today is not to hold an academic debate, but to plan actions to eliminate thermonuclear terror and to relaunch our economies by implementing a beam weapons program," said Jacques Cheminade, secretary-general of the LaRouche-affiliated Parti Ouvrier Européen (POE), in his keynote address to the 150 people at the June 17-18 Paris conference.

A committee formed at the conference has already attracted a long list of prestigious endorsers for the beam weapons initiative. Naming itself *La France et Son Armée* after the 1930s book in which de Gaulle called for revolutionizing the French army, the committee's aim is to mobilize France and the West to build the advanced laser and particle-beam weapons needed for defense in the thermonuclear age. Stressing the strategic missile crisis emerging over the summer and fall, and the related danger of a looming financial collapse, the new committee is calling for:

- a full research and development program for producing directed-energy weapons, as the only way to defend the strategic interests and the independence of France and the West;
- the introduction of new, more productive technologies on the civilian economy as a spinoff of the laser technologies developed for the defense program;
- the systematic creation of public credit directed to productive investments; and
- support for the Reagan administration's corresponding strategic initiatives for the United States, and cooperation with other European countries willing to work in the same direction.

The call has so far been endorsed by 50 people, among them: Marie-Madeleine Fourcade, former chief of Alliance, a Resistance organization; retired Gen. Revault d'Allonnes,

specialist on defense questions for the Gaullist Party; retired General Thiry, former commander for special weapons and chief of the French Nuclear Experimentation Center at Reggan and Mururoa under de Gaulle; Henri Ziegler, former president of SNIAS (the National Industrial Aerospace Company); Professor Freche, a pioneer in the use of lasers in surgery; Jacques Cheminade, leader of the POE; and Philip Golub, European adviser to the U.S. National Democratic Policy Committee.

The feasibility of laser defense systems to protect France's independent nuclear force, the *Force de Frappe*, is one of the options being discussed by the French scientific and military communities. First-generation laser systems, mounted in the Alps and the Pyrenees, are being considered to defend the missile installations of the Plateau d'Albion, the submarine base of L'Ile-Longue, and the city of Paris, according to the press.

Philip Golub, representing the U.S. National Democratic Policy Committee, opened the discussion by reviewing the current international situation. "The world is facing two very grave crises," he explained, "a strategic or military crisis resulting from the stationing of the missiles in Europe, and the brutal reaction of the Soviets to President Reagan's March 23 policy speech, and an economic and monetary crisis perhaps even more acute.

"If Andropov reacted so violently to Reagan's initiative, it was because the Soviets, who were patiently waiting for the West to self-destruct, suddenly feared they could not match a technology race with the West. They would have to radically alter their socio-economic structure and abandon their dream of imperial domination."

## Two choices for France

The conference panelists then addressed the reasons why beam weapons must be developed now.

Gen. Revault d'Allonnes, the author of an RPR Gaullist Party defense policy statement calling for beam weapons development, told the audience: "When Russia and America have weapons capable of destroying rockets, the repercussions will be that our strategic arsenal will be useless. That



does not mean we should stop its upkeep, but it means we have to do much much more. . . . We have two solutions. Either we say that the Americans are nice and have been our friends from the beginning, and we completely rely on them. Or we follow the path indicated by de Gaulle—not by clinging in a doctrinaire manner to the *Force de Frappe*, but by taking our inspiration from the spirit of de Gaulle's actions—and setting France at the first rank, in cooperation with other European countries and with the U.S.A. I'll let you guess which alternative I favor.”

The general also pointed out that beam weapons would allow West Germany to attain an “adult status.” The Federal Republic is forbidden to build nuclear weapons, he said, but nothing prevents them from developing beam weapons.

Fusion Energy Foundation research director Uwe Parpart described the present status of research and development in beam weapons. He painted a bleak picture of Europe without them, showing that the highly precise Soviet SS-20 missiles have already effectively disarmed Western Europe. Attacking the doctrine of Mutually Assured Destruction (MAD), Parpart said that under MAD we can wonder whether an American president would “risk New York for Hamburg”; but the development of beam weapons will create a new strategic geometry that will allow the restoration of a symmetry of interests among the allied Western powers.

In the roundtable discussion that followed, Colonels Geneste and Debas criticized NATO General Rogers' “conventional buildup” policy, as well as the nuclear freeze movement. “General Rogers would have us fight with bayonets against tank divisions,” said Colonel Geneste. When the colonel supported U.S. Air Force Gen. Daniel Graham's “High Frontier” project, Uwe Parpart interjected that he had nothing per se against this project, but that the FEF was proposing a less vulnerable, less expensive, and more efficient project than Graham's idea of “throwing marshmallows against enemy missiles.” Given this option, why then, Parpart asked, does General Graham cling to this pet project?

## The Spirit of June 18

The next morning, Marie-Madeleine Fourcade opened the session by asking the audience to stand up as she read General de Gaulle's 18th of June Appeal. Calling for the perpetuation of the spirit of the Resistance, she said that the peace and nuclear freeze movements of today are the same as the defeatists in the Vichy regime whom de Gaulle denounced.

Former nuclear program director General Thiry outlined the history of the French nuclear effort, showing de Gaulle's deliberate attempt to develop both military and civilian applications. Since the time of the original inventor of beam weapons, Archimedes, scientific discoveries have always had both military and civilian applications, the general said. Only new scientific discoveries can obliterate the bad consequences of the military offshoots of the previous scientific discoveries.

Colonel Debas attacked the doctrinaire view that so often afflicted the French general staff—those who wanted in 1914 to fight again the 1870 Franco-Prussian War and those who in 1939 had a very fine strategy to win World War I.

Christine Juarez of the POE spoke on de Gaulle's concept of grandeur, retracing not only his statesmanship during the Cuban missile crisis but also his struggle for a policy of industrial development for the Third World, establishing ties with key nations in the developing sector. “Our problem today,” she said, “is that few political leaders are willing to assume that grandeur and that responsibility.”

## An industrial revolution

The afternoon panel took up the economic and technological effects of a beam weapons program. Dr. Jonathan Tennenbaum and Heinz Horeis of the West German Fusion Energy Foundation described the industrial revolution that could be expected from laser and beam technologies. They pointed out that the introduction of these technologies into the civilian economy would turn the current world depression into the greatest economic boom in history. Tennenbaum elaborated on the revolution needed in teaching methods to train a qualified labor force. We must reject all forms of mind-destroying Cartesian algebra, he said, and return to an examination of the geometry underlying the composition of our universe.

Horeis spoke on the multiple applications of thermonuclear fusion power, including the fusion torch and space propulsion. Metallurgical engineer Sayegh described the present use of laser and particle beam technologies for welding or brazing, for cutting metals, and for tempering and surface-hardening metal components. Sayegh stressed the tremendous increases in productivity that can be obtained from the large-scale utilization of such technologies.

Two physicians, Professors Freche and Melcer, concluded this session by discussing the many uses of lasers in medicine. Besides ophthalmology, where lasers have already been long in use, lasers have been applied to larynx surgery, stomatology, and tooth surgery by both physicians, who are world pioneers in the application and invention of laser technologies in the medical field. Professor Freche, who works at the Hospital Foch in Suresne, showed a movie on the use of a 10-kilowatt carbon gas laser in larynx surgery, while Professor Melcer explained the use of the same type of laser in dental surgery.

The conference concluded with a call by Cheminade for a New World Economic Order, re-directing credit into productive investment. This is why “Mr. LaRouche and myself support the cause of Third World countries,” said Cheminade. “Strangled by the IMF and Bank for International Settlements, these countries are uniting to declare a joint debt moratorium on their foreign debts. Only a such an action will bring our bankers and politicians back to a sense of reality. . . . France, now in financial ruin, must say no to the Swiss banks and play a leading role as a bridge between the West and the developing nations.”

# The French press examines ABM weaponry goals

Many articles have appeared recently in the French press on the subject of particle beam weapons, their feasibility, and the change of strategy implied by U.S. President Reagan's March 23 defense policy speech. We summarize and reprint below a sample of the coverage from the leading French newspapers and weeklies.

## Aviation

One of the most informative articles was published by the bi-monthly magazine *Aviation*, read mainly by space specialists, industry, and the military. In the June 15-30 issue, author Serge Brosselin presented a very comprehensive discussion of the "surprising efficiency" of the beam weapons, as well as of President Reagan's new strategic doctrine.

"On this topic [defensive systems] we must point to the elliptic but notable declaration by Gen. Bernard Capillon who, during the 'Sciences and Defenses' seminar organized by the defense ministry in Paris, advocated the development by France of a 'space defense' system. That such a proposal was formulated by a man whose position as chief of the Air Force general staff implies he has at his disposal high level information, must be perceived as a very new factor. . . . Evoking such possibilities makes official the fact that serious reflection has been initiated in France on that crucial subject. . . .

"During a closed conference held on April 21st in Paris . . . Dr. Uwe Parpart-Henke and Dr. Steven Bardwell considered, maybe a little quickly, that, given the advance of the Soviets in the mastery of these new technologies, the French nuclear deterrence has reached a first threshold of obsolescence. . . . It is only with the development of a program of anti-ballistic defense with laser beams that this aim could be reached, said Dr. Parpart. Not only does France possess the important technological capabilities to achieve such an enterprise, but French researchers, because of the high level of the knowledge they have in this domain, are able to make an interesting contribution to the ongoing researches."

Brosselin mentions that as a first step, laser weapons could be deployed in the Alps and Pyrénées to defend the nuclear missiles of the Plateau d'Albion, the submarine base at L'Ile Longue, and the city of Paris.

## Le Monde

The realization France might at present be undefended was the theme of an article by Michel Pinton, head of the opposition UDF Party, in *Le Monde* on June 16, titled "The French Nuclear Force; a New Maginot Line?" According to Pinton, the French deterrence doctrine is not coherent with the real strategy of the Soviet Union, which is to destroy in depth the military capabilities of its adversary with a nuclear first strike, before launching its conquering troops.

" . . . missiles that we cannot either destroy or counter—the famous SS-20s—would have prepared the ground for this assault. In few minutes, at most a few hours, the weapons of France would have been destroyed."

## Le Figaro

The daily *Le Figaro* reviewed the technical aspects of beam weapons in a three-part series June 14-16 by science reporter Albert Ducrocq. Ducrocq discussed in detail the feasibility and efficiency of laser beams, listing the different experimental programs in the United States on the challenges raised by a laser-beam defensive system: the energy source for the beam, mirror production, and targeting accuracy. Regarding the French doctrine, he wrote:

"If France were attacked by surprise, her territory could be wiped away. This would not prevent her submarines from destroying around 30 cities of the aggressor. That knowledge would presumably protect us from attack. Such was the reasoning which, on a world scale, bore out the so-called balance of terror. . . . Everything changes with the laser beam: provided adequate logistical systems are in place, it can be expected that assaulting missiles will be exterminated with full certainty, thus allowing a completely different philosophy and a different language."

In concluding, Ducrocq mentioned that on a future flight of Challenger space shuttle, two experiments will be made bearing on beam weapons: one on infrared analysers for detection of missiles, and a second on targeting techniques for laser beams.

## La Lettre de Défense et Sécurité

The confidential news letter of the military think tank Defense and Security, which is headed by Jean-Claude Pigasse (also editor-in-chief of the economic weekly *Les Echos*), ran extensive coverage of the Fusion Energy Foundation's private meeting on April 21 in Paris, including the arguments of Uwe Parpart and Dr. Steven Bardwell of the FEF. The news letter itself is not in favor of beam weapons development and insinuated in its coverage that the policy is being advocated in the United States by a "powerful industrial lobby" which is presently "under congressional investigation."

## Le Matin

*Le Matin* affirmed on its science page on June 7: "Star wars is being prepared in the United States." The author maintained that on "Site 300" in the San Joachim Valley, researchers are developing the final "ultra-secret American weapon, the particle-cannon. In the 1990s, cannons will throw into the cosmos extremely dense nuclear particles able to drill through the thickest protections of adversary missiles." The laser weapon will be ready soon, the article continued, and "a new energy production system is being developed, based on the use of an original nuclear reactor design that would supply several hundred kilowatts in a concentrated form; these reactors would not be bigger than microwave ovens."

## 'Beam weapons will make an industrial renaissance'

*The following interview with Italian Army Gen. Giulio Macri was conducted in Rome June 15 by Giuseppe Filippini, the president of the Fondazione per l'Energia di Fusione, the Italian affiliate of the Fusion Energy Foundation. Gen. Macri is a candidate of the Partito Operaio Europeo (European Labor Party) for the Chamber of Deputies of the Italian Parliament.*

**Filippini:** General Macri, you have been a pioneer in promoting the military potential of space both in the field of satellites and in directed-energy weapons systems. What can you tell us of the status of scientific research and technology in space?

**Macri:** The principal experiments and scientific researches which have been carried out in space and which certainly have a great future have been in the biological sciences, plasma physics, astrophysics, solar physics and atmospheric physics, physical science, and medicine and pharmacology.

Today we go into space to improve the conditions of life on earth, and later we shall also go into space to stay there.

With the STS (Satellite Transportation System) coming on line, the U.S. space ships Columbia, Challenger, and so on, we are entering a new era of space applications and exports.

There are important, long-range potential benefits that can be derived from this, even though we may not yet be able to comprehend and immediately assimilate what they are. On Sept. 30, the U.S. space ship will put the space lab into orbit, in which astronauts and scientists can carry out scientific experiments on a permanent basis, and do valuable industrial work. Thus begins the epoch of commercialization of space, which will have its natural development in the construction of a permanent orbiting platform and, in the future, the creation of real scientific and industrial colonies throughout the solar system.

**Filippini:** What are the benefits that can be derived starting now from research and industrial work in space?

**Macri:** There are many different benefits that can be obtained right away; and these will increase in number and

quality when the research and experiments begin for a directed energy-beam anti-ballistic missile system which will be principally based in space.

In a zero-gravity or almost zero-gravity environment like that in outer space, it will be possible to create ultra-pure substances which are perfectly symmetrical in their atomic or molecular structure, something which is impossible in the earth's environment because of gravity. In this way we will be able to make available materials with exceptional qualities compared to what we know today.

It will be possible to manufacture materials which are more resistant than steel and lighter than aluminum and even self-lubricating. In the conditions of micro-gravity, medicinal substances can be produced by mixing different substances in a perfectly uniform mode; and substances can be obtained by separating them from ores with an extreme degree of purity.

The observations of the planet earth from space can supply data for the optimal exploitation of the various territories and single out pollution and diseases of harvests and forests. The accurate, and above all, continuous information which can be supplied on the humidity of a region and the possibilities for extraction of mineral deposits will be very valuable for countries like those of the Third World, in aiding them to improve their agriculture and the exploitation of resources of the subsoil. We can take telescopes beyond the atmosphere to study our galaxy and the solar system, and then we will be able to construct real celestial cities with space factories and everything that is needed for life and the reproduction of the human species.

**Filippini:** You mentioned the project for beam weapons which President Reagan of the United States launched on March 23. What type of technological spin-offs for the economy is it possible to hypothesize from this military project?

**Macri:** As you know, five different systems of directed-energy weapons (beam weapons) have been identified. They are: laser rays, particle beams, microwaves, plasmas, and electromagnetic impulses. Each type is in principle capable of generating the required power and energy to succeed in disarming a hostile target. The laser weapons systems, particularly the chemical ones, will probably be the first systems to be developed. Already many experiments are known in which this kind of laser has given good results.

In addition, a gas laser and an electric-discharge laser have been experimented with, yielding good results.

Two other types, x-ray lasers and free-electron lasers, still need to be perfected but they seem to have exceptional qualities in energy density and flexibility of usage. The x-ray laser is broadly recognized as the most promising laser in the long-run for defense against ballistic missiles. Given that x-rays are easily absorbed by the atmosphere, these weapons will be placed on satellites in low orbits. Because the x-ray laser easily reaches powers of the order of Terawatts and produces an energy which is very readily absorbed by any

target, this system seems really to be the most effective laser weapon of the next generation.

**Filipponi:** What point are we at now in the application of laser technologies to industrial production?

**Macri:** Already the little that can be seen in the applications of lasers to industry clearly demonstrates how vast the potential applications are in the various sectors, from the medical and biological to the metallurgical and mechanical.

In industry, lasers are already being used to cut metals and forge them, reducing the work-time by a factor of a thousand compared with conventional techniques. Here I wish to emphasize the enormous potential that laser technology has if it is applied to industrial chemistry and other related sectors. By intervening on a chemical reaction with laser light—that is, with a very precise wavelength—it will be possible not only to catalyze a vast range of different reactions according to the wavelength, but also to optimize the reactions, reducing waste and production costs practically to zero. It will be possible to obtain, therefore, materials, fibres, and substances of pre-selected physical and chemical qualities.

With lasers we will be able, and this is only an example, to sterilize and preserve in a practically perfect way vast quantities of surplus food. Today 50 percent of world agricultural production is lost because of the lack of an efficient

method of preservation. The availability of food could thus be doubled on our planet.

With lasers of the power like those being used today at Lawrence Livermore National Laboratory in the United States, where the most potent laser in the world, the 35-Terawatt SHIVA, has been constructed, they are working on thermonuclear fusion research. With lasers like the x-ray type or gamma-ray type which, as I previously explained, are being researched for military aims, research into nuclear fusion will be enormously advanced. These lasers transform into coherent x-rays about one millionth of a tiny nuclear explosion (one kiloton or more). The real technical problem being studied today is how to manipulate and construct appropriate materials to contain these little nuclear explosions.

This line of scientific research on fusion, called inertial confinement, seems to be the most promising for constructing nuclear fusion reactors to be used in the most varied ways. This will give us electrical energy at a very low operating cost, because these systems use as fuel deuterium and tritium which are dissolved in sea water. With this energy source, reactors can also be constructed for space ships which are capable of moving us into the solar system just as today we move around our planet in jets.

This is not science fiction, but the result of the development of science and technology.

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#### EXECUTIVE INTELLIGENCE REVIEW

## Special Technical Report

# BEAM WEAPONS: THE SCIENCE TO PREVENT NUCLEAR WAR

by Dr. Steven Bardwell, director of plasma physics for the Fusion Energy Foundation.

### This report includes:

- a scientific and technical analysis of the four major types of beam-weapons for ballistic missile defense, which also specifies the areas of the civilian economy that are crucial to their successful development;
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- the uses of directed energy beams to transform raw-materials development, industrial materials, and energy production over the next 20 years, and the close connection between each nation's fusion energy development program and its beam weapon potentials;
- the impact a "Manhattan Project" for beam-weapon development would have on military security and the civilian economy.

The report is available for \$250. Order #82007  
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## Gromyko hails West's anti-nuclear movement

by Rachel Douglas

When the Central Committee of the Soviet Communist Party June 14 and 15 held its first two-day plenum since the days of Nikita Khrushchev on ideology, party chief Yuri Andropov and Central Committee Secretary Konstantin Chernenko took up a problem which has faced the Politburo for years: how to motivate the population for a stronger economic push. "Competition" with the United States has been given a new urgency by President Reagan's March 23 announcement of his commitment to develop advanced Ballistic Missile Defense technologies—which would reverse America's economic and cultural decline.

"The battle of ideas on the international scene is going on without respite," said Chernenko. The party must "mobilize the spiritual energy of the population and raise their labor and social activities," he announced; this would determine "the pace of our advancement and . . . the strengthening of the country's defense capability."

After the plenum, Andropov secured his second national leadership post—chairman of the Presidium of the Supreme Soviet, the nominal Soviet parliament. It took Andropov's predecessor Leonid Brezhnev 13 years to lay hands on this title. There to bless Andropov's elevation were the shady figures of Russian Orthodox Church representatives, present as they had been for the coronations for the tsars, but never before for a Soviet President.

The 11-man Politburo was kept at that small size, providing tight, consolidated leadership of the massive propaganda drive that Chernenko and Andropov outlined.

When Andropov spoke on the concluding day of the plenum, it was to say that "an unprecedented sharpening of the struggle between the two world social systems has taken place."

At the Supreme Soviet meeting, Foreign Minister Andrei Gromyko laid out Moscow's international priorities. Foremost is the defeat of President Reagan, who has upset the Russian vision of Moscow's surviving the ultimate world

crisis to prevail as the "Third Rome" of Russian Orthodox Church myth. Gromyko made a big point of the Soviet campaign "to conclude an international treaty on the nondeployment of weapons of any kind in outer space," which would outlaw space-based anti-ballistic-missile (ABM) defense systems.

Gromyko complained that the U.S. government had not responded to a Soviet proposal to "let Soviet and American scientists, specialists in the field, get together and discuss the possible implications of establishing a large-scale ABM system." The White House June 17 hinted that the response to this bid would be to seek talks that would not be a propaganda forum for pseudo-scientific denunciations of beam weapons; the White House said, "We are interested in talking to the Soviet Union regarding the implications of the new defensive technologies which both sides are developing. . . . There are a number of possible existing forums for such discussion. We are considering how best to engage the Soviets on this issue; thus it would be inappropriate to say more at this time."

### 'Nuclear capabilities for us, not them'

In the first endorsement from such a high-ranking Soviet spokesman of the neo-fascist "greens" in the West, Gromyko hailed not only the "peace" movement, but the anti-nuclear movement in general. "The anti-nuclear and anti-war movement that has arisen in the West is a kind of a popular referendum," he said.

While Gromyko praised the anti-nuclear movement in the West, Yuri Andropov told the plenum that the U.S.S.R. should have all the nuclear power it can get. He called for a "dramatic change" in technologies in many branches of the Soviet economy, including the use of "the latest atomic reactors," and then controlled thermonuclear fusion power, in the energy sector. "Computers and robots . . . flexible technology allowing for quick and effective readjustment of production . . . machines, mechanisms, and technologies for today and tomorrow" are on the agenda of the "single scientific-technical policy" of the Soviet Union.

Seeking further formulas to unclog the gears of the Soviet economy, Andropov talked about "a system of organizational, economic and moral measures" to force managers to accept new technologies. Andropov also spoke of an overhaul of Soviet education, since "the formation of a person begins from the early years of his life."

The call to arms for a progressive technological approach to bolster the motherland were made side by side with "spiritual" genuflections. Many of the catch-phrases used by Chernenko—"the struggle between the new and the old," "workers' self-management," and "labor discipline"—allude especially to pilot projects in social policy carried out in Gaider Aliyev's Azerbaijan Republic, where party, state, scientific—and religious—institutions were integrated. Chernenko also took Soviet scientists to task for an "arm-chair" attitude.

# The Politburo's Geidar Aliyev and the heritage of fundamentalist insurgencies in the Mideast

by Thierry Lalevée

By mid-summer the Middle East will be the site of four or five major crises, some full-blown, others just beginning. At the core of the crises is the expected disappearance of the nation of Lebanon by August, divided by Syria and Israel after either a "limited" war or through a quiet agreement. As Lebanon is being eliminated, the PLO as a representative organization of the Palestinian people is also being destroyed. Syria and Israel will ensure that only warring military factions survive which can be controlled at will.

On the Eastern African front, Ethiopia and Sudan are set for a confrontation by early September, as a result of the increased activities of numerous Sudanese or Ethiopian separatist groups and the uncontrollable economic disaster stemming from the Sub-Saharan drought, which could lead to more than 2 million deaths in certain areas of Ethiopia. An Ethiopian-Sudanese confrontation could draw in these nations' two large neighbors, Egypt and Libya.

The nations of the Middle East's Northern Tier—Turkey, Iran, and Pakistan—are also facing separatist upheaval. A first approximation occurred in late May, when the Turkish government had to order its troops to intervene in Iraq to prevent Kurdish separatists from blowing up vital Iraqi-Turkish oil pipelines. In Pakistan's Baluchistan Province, there is stepped up activity by long-existing separatist movements. Such a splitoff has long been considered an option by the British as well as the Soviets. Some Muslim sources say these movements have the clandestine support of sections of the Ahmadiyya sect, a heretical cult created by British Intelligence in the late 19th century. Pakistani dictator Zia ul-Haq works hand in hand with the Ahmadiyya, but, the sources warn, Zia may be presented with a surprise by his trusted allies, and the real beneficiary of any separation may be the Soviet Union.

These situations, all blowing up at the same time, in conjunction with crises in southern Africa, Latin America, Asia, and Europe, could well create an uncontrolled and uncontrollable situation for the U.S. administration that no one in Washington is currently equipped to deal with.

The mid-summer confrontations in the Middle East will be overseen from Moscow, directly from the Politburo seat of recently appointed member Geidar Aliyev. Aliyev's career has taken him from his position as former director of the

KGB to secretary-general of the Communist Party of Azerbaijan, where for years he developed expertise in manipulating Islamic groups, minorities, and Middle East and Asian communist parties. Indeed, intelligence specialists report that Aliyev has personally supervised all senior appointments inside such parties for more than 10 years. At the same time, since Khomeini's fundamentalist Islamic revolution in Iran, Aliyev has been in charge of a specific "Islamic experiment" in Azerbaijan, on how to take control of the most extreme fundamentalist groups.

Aliyev, who hails from an Azerbaijani Shi'ite family, is rumored to be a member of a Sufi mystic sect. Sufi mysticism dominates the life of Soviet Muslims in Central Asia. As one observer put it, in Aliyev's case, "everything is possible."

## Aliyev's strange allies

For years, and increasingly in recent months, Aliyev has been re-assembling under Yuri Andropov's leadership a Comintern whose members are not communists nor even socialists, but leaders of "minorities" and "nationalities," control of which could enable the Soviet Union to run the Middle East and good parts of Asia and Africa. This potential was indicated by the revelation that the instigator of the Kurdish attacks against Turkey in May was the outlawed Iraqi Communist Party, whose secretary-general Aziz Mohammed, himself a Kurd, is now somewhere in the Soviet Union.

The composition of the Iraqi Communist Party—Kurds, Armenians, Arab Shi'ites, and Arab Christian Gnostics of the Chaldean cults—shows the kind of resources for destabilizing the Middle East that are now at Aliyev's disposal. In activating such separatist groups, Aliyev, who is coordinating policies with Boris Ponomarev's deputy in charge of ideology and strategy in the Third World, has allied himself with the Ariel Sharon-Moshe Arens faction in Israel, which is known to maintain ties with the Kurds and wants to restrict the role Turkey could play, in alliance with the United States, in the region. Coherent with present Soviet policy, an Israeli foreign ministry official, Oded Ginon, announced recently in a working paper that Israel's only chance of survival in the future lies in the carving up of the Middle East into ethnic and tribal entities. A rationale for Sharon's Lebanon policy,

the paper in fact signaled a tacit agreement between Israel and the Soviet Union on the region's future.

Another ally of that new form of the old British "Great Game" for the Middle East is the Swiss-based Nazi International led by Swiss banker François Genoud. Genoud's ties extend through Ahmed Huber (see *EIR*, April 19) into Iran and into the Palestinian movement—the very same factions that are allied to Syria and the Soviet Union against Arafat.

### **The Comintern 'People of the East' operation**

Geidar Aliyev is doing nothing more than reactivating the early-1920s operation which was led by his own father, also named Geidar Aliyev. The elder Aliyev, a Shi'ite tribal chief who had lived in a harem, chaired the 1921 Comintern-sponsored "Anti-Imperialist Conference of the People of the East" in Baku. The theme of the Baku Conference, as it became known in later decades, was that the "People of the East" were fundamentally superior to those of the West, and that, through sheer demographic growth, they would impose the "world revolution."

What was meant at the time by "world revolution" was the establishment of Moscow as head of a Third Roman Empire. Specifically, the purpose of the Baku Conference was to set up an organizational structure for merging the ideologies of Pan-Slavism and Pan-Turkism, two belief structures created in the late 19th century as part of British and Russian efforts to carve up the Ottoman Empire.

Both ideologies were developed at the same time and had led to the creation of Pan-Arabism and Pan-Islamism, products of Propaganda-1 Freemasonic lodge member Jamaled-din al-Afghani through the Oriental Institute of St. Petersburg University. Afghani and one Prince Dedeyan also created a number of secret Armenian organizations, the forebears of today's terrorist Armenian Secret Army for the Liberation of Armenia.

It is interesting to note that the "Islamic" revival inside Russia during that period never turned against the Russian government itself, but was instead exclusively directed at Constantinople, except for the brief period in 1905 when the Russian Orthodox Church itself turned against the Czar and enlisted the minorities to that end, spreading "Islamic socialism."

Baku itself was probably not attended by a single political leader of Lenin's pro-West, nation-building commitment, but rather was dominated by representatives of the nationalities and minorities from Russia's Central Asian region, the Middle East, and the Indian subcontinent, including Pan-Turkish leader Enver Pasha, a personal associate of the German von Sebottendorf, founder of the proto-Nazi Thule Society. Enver Pasha was a product of the Bektashi Dervish Sufi order, a crucial component of the Propaganda-1 lodge which built the Young Turk coup in 1908 in Turkey.

The Baku conference created the communist parties in the East; the Arab and Islamic movements in the region, which were all associated with the Freemasons; and later, the

Muslim Brotherhood and related pro-Nazi operations of Jerusalem Grand Mufti al-Husseini.

A "League of Oppressed People" created in Berlin by Karl Radek and monarchist-Marxist Graf Reventlow worked with the Swiss-based Freemasonic "Order of the Druids" which advocated autonomy for Europe's Celtic regions. Reventlow's wife led an anthroposophic center called the "Children of the Sun" in Ascona, Switzerland where Nazi Rudolf Hess, Anthroposophy founder Rudolph Steiner, and others of the same kind met. In Egypt, the league sponsored the creation of a communist party whose immediate deployment was to join with the National Grand Lodge of Egypt. The grand master of the Egyptian lodge, one Zaghul, was the

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*For years, Aliyev has been re-assembling under Yuri Andropov's leadership a Comintern whose members are not communists but leaders of 'minorities' and 'nationalities.' The composition of the Iraqi Communist Party—Kurds, Armenians, Arab Shi'ites, and Arab Christian Gnostics—shows the resources at Aliyev's disposal.*

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leader of Egypt's main party, the Wafd.

On the Arab side, Oppressed Peoples League member and Druze leader Shekib Arslan, of the same Arslan family working closely with Ariel Sharon today, created a Pan-Arab Congress (PAC) in Geneva in 1926, which organized the first Islamic congress of Europe in 1935, in preparation for the 1936 Comintern-sponsored Anti-Imperialist conference of Brussels. An umbrella organization, the PAC controlled the Syrian People's Party of Ma'arouf Dawalibi, a leader of the Muslim Brotherhood and founder of the Islam and the West association. PAC also controls Tunisian President Habib Bourghuiba's Ad Dastour party and Algeria's Popular Party of Messali al-Hadj. Most of these countries, at least from 1939 to 1942, joined operations with the Abwehr, the Nazi secret intelligence organization, and Grand Mufti Hussein.

In this same clique was an obscure Algerian named Ahmed Ben Bella, who was trained at the Abwehr Paris center at the Caserne Mortier before changing colors and joining the Allies. One of Ben Bella's supporters to this day is Sultan Galiev, a founding member of the Baku conference. The spirit of Baku is indeed alive and well.

# After Thai-Vietnam talks on Kampuchea

by Richard Katz

Both Vietnamese and Thai diplomats are now saying that a diplomatic logjam around the Kampuchean issue is beginning to be pried open. The June 9 talks in Bangkok between Vietnamese Foreign Minister Nguyen Co Thach and Thai Foreign Minister Siddhi Savetsila, according to diplomatic sources, made some progress in arranging a pullback of Vietnamese troops 30 kilometers from the Thai border with Kampuchea, in return for an understanding that the pullback would not be used to provide a buffer for the Khmer Rouge rebels.

Nearly 200,000 Vietnamese troops entered Kampuchea in January 1979 to help Heng Samrin kick out the Chinese-sponsored Khmer Rouge of Pol Pot, which had murdered 2-3 million Kampuchians during its three-year rule. Since then, Thailand and its friends in Southeast Asia have demanded the total withdrawal of Vietnamese troops and have fought for continued recognition of the Pol Pot regime and its thinly veiled successor—a tripartite “coalition” of the Khmer Rouge, of the much weaker forces of former Prince Sihanouk, and of former Prime Minister Son Sann—until a new government is selected under United Nations-run elections. A diplomatic standstill and sporadic fighting on the ground have prevailed up until the recent talks.

Though no one expects any early settlement or imminent dramatic announcements, the 90-minute talks between Thach and Siddhi have taken the first steps. A Thai Foreign Ministry statement labeled the talks “a favorable new beginning,” announcing that Siddhi has accepted in principle an invitation to Hanoi. Thach called the talks “successful” and “friendly,” and stressed to reporters, “now we will have dialogue and not confrontation.”

The immediate impetus for the talks was a proposal by Siddhi during the recent Thai election campaign that Vietnam withdraw its troops 30 kilometers from Kampuchea’s border with Thailand. Siddhi said this would provide a basis for further Thai-Vietnamese talks to resolve the Kampuchea issue as a whole. Given Siddhi’s previous intransigent stance against Vietnam, many Southeast Asians regarded the proposal as a propaganda ploy to put Vietnam on the spot. However, to the surprise of many, Vietnam quickly offered to send Thach to Thailand to discuss the idea.

Following the June 9 talks, Thach indicated that some progress had been made on arranging the pullback. In a June 12 interview with the Vietnam News Agency, Thach said

that the Vietnamese side would say no if the 30-kilometer pullback was presented as a precondition for any future talks. If, however, Thailand simply asked Vietnam to do this as part of good-faith efforts to resolve the conflict, then Vietnam would give the proposal “due consideration.” Thach said the “Thai side made known that this was not a precondition.”

According to diplomatic sources, Thach also let the Thais know that if its pullback were used as an opportunity to send the Khmer Rouge and its allies back into Kampuchea, then Vietnam’s troops would move right back up to the border. Although Thach did not insist upon an explicit quid pro quo, the Vietnamese let it be understood that they expected a matching concession, e.g., reduced arms funneling to the Khmer Rouge. These sources expected the Vietnamese to begin the pullback soon.

The diplomatic possibilities are aided by the accession of a new, broader-based government in Thailand. The prime minister, Prem Tinsulanond, remains the same, but his new government includes politicians less aligned with neighboring China, and more willing to make a settlement with Vietnam. These include former Prime Minister Kriangsak Chomanan and former Foreign Minister Pichai Rattakul. China has announced its intent to use a prolonged Kampuchean conflict to “bleed” Vietnam. In contrast, many Thais and some of Thailand’s partners in the Association of Southeast Asian Nations (ASEAN), such as Indonesia, Malaysia, and the Philippines, are interested in ending the conflict if they can achieve what they believe to be a reasonable settlement. Thach had visited the Philippines just before he came to Thailand.

In an interview with *EIR* on the eve of the Thai-Vietnamese talks (see *EIR*, July 14), new Deputy Premier Pichai Rattakul said Thailand has to act in its own interests, not those of great powers around it. He said that he, along with Kriangsak, has been a “very severe critic” of Thailand’s previous hardline stance toward Vietnam, since he thinks it is impossible to “bleed” Vietnam, and that “being neighbors, we cannot afford to confront each other.” Pichai advocated immediate reopening of trade and economic relations with Vietnam, and told *EIR* he has already been talking with Vietnam’s Thach about the possibility of cooperation on hydroelectric-irrigation development for the Mekong River region.

The key to any future progress may lie with the United States. Interestingly enough, diplomatic sources say Vietnam believes that diplomatic efforts could be helped by strengthened U.S. links with the ASEAN countries. The Carter-Kissinger policy has been to subordinate U.S. policy in Asia to the effort to build up the “China card” as a substitute for U.S. strength in the region. However, if the United States desires to restore its direct presence and its ties to its traditional friends—and if the United States recognizes its Southeast Asian friends’ fears of China—then, the Vietnamese are said to believe, the United States will not stand in the way of an accommodation between ASEAN and Vietnam.



# Italy's War on Crime

by Marco Fanini

## In a single night

*The police operation against the Camorra confirms the role of the Propaganda-2 lodge at the top of organized crime.*

On the night of June 16, the most imposing operation to date by police and carabinieri against the mafia was carried out in Italy: 10,000 agents served 856 arrest warrants, issued by the prosecutors' offices in Naples, against the Neapolitan mafia, known as the "Camorra."

Among those arrested was the popular television announcer Enzo Tortora, charged with drug trafficking. Also hit by the warrants was Pierluigi Concutelli, the neo-fascist super-terrorist, and Sante Notarnicola of the Red Brigades.

All of them belonged to the Camorra under Raffaele Cutolo. The Camorra is a 3,000-man army of killers and gangsters based in the major Italian cities; its headquarters are in towns near Naples such as Ottaviano and Nola, and the killers are mostly young lumpen-proletarians from Naples. The Camorra is, however, very closely tied to the big mafia families of New York, and as we shall see, linked to the Propaganda-2 Freemasonic lodge.

The arrest of Enzo Tortora was a shocker. On behalf of the private television stations, he was about to interview U.S. President Ronald Reagan. Tortora is now accused by the Italian Joe Valachi, Pasquale Barra—who has sung to the tune of 3,800 pages of testimony—of supplying heroin and cocaine to figures in the Italian show business world.

But Tortora is also politically known for having participated during the 1960s in the Committee of Democratic Resistance of Edgardo Sogno,

a P-2 Mason linked to the deposed royal house of Savoy who is accused of having attempted a coup against the Italian republic.

It is extremely interesting that the Italian magistrates also accused Concutelli and Notarnicola of being in the Camorra: Concutelli is a killer who belongs to fascist associations, while Notarnicola is a terrorist of the extreme left. The apparent contradiction can only be explained by the top-down control exercised by Licio Gelli's P-2 lodge over every subversive operation: terrorism, the mafia, massacres, drugs, and kidnappings.

In every chapter of the Italian destabilization we find the guiding role of the P-2 lodge and of its international links, the Kissinger group in the United States and the "Bulgarian connection" in the East bloc. Concutelli and Notarnicola in particular were working with the Roman mafioso Ernesto Diotallevi, in turn a close collaborator of that same Flavio Carboni who today is accused of the assassination of banker Roberto Calvi.

Carboni, the right-hand man of Licio Gelli, is a very important figure in the mafia: his job was recycling the dirty money of the Sicilian and Naples mafias through Italian and Swiss banks.

Calvi, the head of Banco Ambrosiano, was used up to a certain point by Carboni in his operations.

Around Carboni are other shady characters like Alvaro Giardili (of the Eurocondotte and Aeragricola companies) and Francesco Pazienza (who

fled from Italy and lives in New York, protected by Alexander Haig). This may be a good place to recall that Judge Carlo Palermo accused the Italian actor Rossano Brazzi of weapons trafficking, and that Brazzi is also suspected of being a P-2 member. Brazzi lives in New York, where he directs an ambiguous organization called "The Knights of New Aragon."

The P-2 lodge, which has been targeted by the parliamentary commission of inquiry investigating the 1978 kidnap-murder of former Prime Minister Aldo Moro, also controls and finances politicians and entire parties, like the Italian Socialist Party (PSI).

This was proven once again in mid-June when Robert Teardo, the Socialist Party leader in the Italian Riviera town of Savona, was arrested and charged with belonging to the mafia.

Teardo was a member of the P-2 lodge, but even after the P-2 scandal broke two years ago, PSI secretary Craxi had kept him as president of the Ligurian Region and even ran him as a candidate for parliament. Thus, after the clamorous cases of "Honorable" Mancini, Landolfi, Pittella, Colucci, all PSI leaders, some of whom have been tied to terrorism, others to the mafia, and others to smuggling, the Teardo case has shown again that the PSI, which gets about 9 percent of the Italian vote, is run by a bunch of vultures who would find a more appropriate perch in jail than in the government.

The Italian magistracy is moving very fast to unmask the subversive maneuvers of P-2, no holds barred. Unfortunately, no Italian party is immune from P-2 control, except the POE (European Labor Party), which is denouncing the P-2 and Yuri Andropov for trying to destabilize Italy in order to remove it from the American sphere of influence.

# International Intelligence

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## *New alignments in the Middle East?*

Radio Baku, a Persian-language radio station which is a part of Soviet Politburo member Gaider Aliyev's Middle East operation, aired in a broadcast the second week in June the old Soviet diatribe about the rightwing Hojitia Mullah grouping being a fifth column of the CIA. But for the first time the British were included as working with the United States to gain new influence in Iran.

According to Radio Iran, a clandestine station associated with former Iranian Prime Minister Shahpour Bakhtiar, the British embassy in Tehran was firebombed earlier this month. This is seen as the work of a leftist grouping within the ruling Islamic Republican Party, known as the Followers of the Imam's Line, the same group which ran the hostage affair.

Further reports from Iran indicate that this leftist grouping has made a deal with the KGB to block U.S. efforts to regain influence in Iran. Iranian sources who have just fled Iran report that since the purging of the Iranian Communist Party, the KGB now has "an easier time" working with the mullahs. The sources say that the mullahs saw the Iranian Communists as a political problem which Moscow agreed to eliminate.

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## *LaRouche denounces new Palestinian massacres*

In a press release issued June 23, *EIR* founder Lyndon H. LaRouche, Jr. denounced Syrian President Hafez Assad and Libyan leader Muammar Qaddafi for carrying out a campaign of genocide against the Palestinian people.

Lebanon is now on the brink of a replay of the horrifying massacre of Palestinians that took place in 1976 at the Tel Zaatar refugee camp outside Beirut. Orchestrated by Henry Kissinger and carried out through joint operations of Syrian, Israeli, and Lebanese militia units, the siege of Tel Zaatar starved and slaughtered many thousands of Palestinians.

On June 21, Syrian tanks surrounded and opened attack on Palestinian camps un-

der the control of Palestine Liberation Organization chief Yasser Arafat in the Bekaa Valley in eastern Lebanon.

It was the first time that Syrian forces were openly involved in the insurrection against Arafat. Libyan troops stationed in the Bekaa Valley also joined ranks with the Soviet-backed anti-Arafat rebels inside the PLO in an attack on Arafat loyalists. In northern Lebanon, the self-styled Pink Panther militia units controlled by Rifaat Assad, the brother of Syrian President Hafez Assad, has joined up with the rebels to launch raids against Arafat's units.

Arafat has issued an urgent appeal to Arab leaders, and to India, Yugoslavia, and other countries "to stop the Syrian-Libyan aggression."

The insurrection against Arafat, who favors a negotiated settlement of the Palestinian problem, is aimed at undermining Arafat and his Fatah faction of the PLO and transforming the PLO into a Moscow-dominated radical organization controlled by terrorists Abu Nidal, George Habash, and Nayef Hawatmeh.

"The world should bear witness how the peace-loving Soviet Union is standing by watching the Palestinians being slaughtered," said LaRouche. "Even the Pope has yet to raise his voice in protest."

The Syrians and the Libyans, who may believe they have a "cut" in the Soviet-brokered arrangement to knock the United States out of the Middle East, apparently see no example in the fate of the Palestinians.

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## *Chilean unions strike against Pinochet*

Labor leaders in Chile called a nationwide general strike for June 24 in order to drive Gen. Augusto Pinochet, the self-professed student of both free enterpriser Milton Friedman and Adolf Hitler, from power. The National Workers Command of Chile (CNT), which includes miners, construction workers, truckers, teachers, and public employees, has formed a unified strike coordinating body consisting of every union in the country.

This first mass-based political action taken against Pinochet since he seized power in 1973, occurs as those who were once his strongest supporters are increasingly an-

gry over his loyal adherence to IMF austerity policies which have wrecked Chile's economy. On May 11 housewives marched in protest carrying pots and pans—exactly as they did 10 years ago in Pinochet's insurrection against Salvador Allende.

Worse—for Pinochet—a faction of army officers is circulating a leaflet among military ranks calling for a "change in the direction of the government of the nation, and of the high command of the armed forces."

Sources in Ibero-America fear that in response Pinochet may launch a wild invasion of Argentina, in an effort to hold on to power. The U.S. State Department also is reported to be involved in fomenting tensions, through the activities of Luigi Einaudi, the head of Latin American policy planning at Foggy Bottom.

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## *The cultural hooks of terrorism in Peru*

The barbaric Sendero Luminoso terrorists have won control over the minds of the 2 million Indians living in the south-central highlands of Peru, according to Peruvian sources. They believe that the Senderistas have tapped into the networks of "wise old men" who serve as myth-makers to the highly superstitious Indians. Peruvian experts suspect that the terrorists have thus succeeded in implanting a kind of "bible prophecy" that the time has arrived for the descendants of the Incas to kill the white man and extirpate his civilization from the Indian homelands.

It is feared that the degree of cultural control over Indian society obtained through many years of well-planned infiltration will make it extremely difficult to eliminate the genocidal Senderista operation. The business is clearly not run by the Maoist thugs who are usually reported to head it.

The Senderistas are followers of Peruvian socialist José Carlos Mariátegui, who was given his ideology by the same Paris salons of the 1920s that created muralist and bestialist Diego Rivera, and influenced the Soviet radicals. Sorbonne and Tavistock Institute networks were active in the 1950s in profiling the Indian culture.

The foundations which fund this "anthropological" activity have recently come under the scrutiny of Peruvian authorities.

The coordination and depth of recruitment shown in the growing Sendero terrorism is convincing them that Sendero is not a "guerrilla movement," and that it is not run by the kind of cannon fodder which are now filling Peruvian jails.

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### ***Andropov to offer Kohl 'reunification' bait***

Sources in the defense intelligence community report that Soviet leader Yuri Andropov plans to put on his "reasonable" face during meetings scheduled for July with West German Chancellor Helmut Kohl. The big bait will be a discussion of preliminary steps toward the reunification of the two Germanys.

These sources say that Andropov is making this overture to factions inside West Germany "who care little about the East-West issues per se, and see a basis for cooperation between the blocs." The pitch could take the form of proposing an "all-Germany commission" which would include representation from both East and West, which would likely find a warm reception from Egon Bahr's networks inside the West German Social Democratic Party (SPD).

Bahr's declaration in the Bundestag June 17 that the SPD would not support the deployment of U.S. Pershing missiles under current conditions was coordinated directly with Moscow, these sources report. Bahr has been concerned with the reunification—and neutralization—of West Germany for at least 20 years.

Kohl is not expected to accept Andropov's offer at this point. The rejected proposal would rather become a rallying point of the SPD left wing for "violent anti-government actions around the missile deployments," a source stated.

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### ***Soviets unite Mideast radicals and Nazis***

On June 8 the Soviet Union sponsored an All-Arab People's Emergency Conference in Damascus. At that conference, representing Lebanon, was one Inaam Raad, the leader of the self-professed neo-Nazi Lebanese

National Social Party. He was given prominent coverage by the Soviet TASS news agency.

The mother party of Raad's Lebanese grouping, the Parti Populaire Syrien (PPS), is the core of the neo-Nazi machine in Syria, and a proponent of the Greater Syria scheme whereby Syria would annex all or part of Lebanon.

The Lebanese branch of the PPS has long had a reputation as a killer organization, having attempted the assassination of Lebanese President Chehab in the early 1960s.

Since the civil war in Lebanon in 1975 the Lebanese Communist Party under the leadership of Greek Orthodox George Hawi and the fascist PPS have reportedly joined forces to fight against their common "imperialist enemies," Israel and the United States.

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### ***Israelis out to wreck Argentine transition?***

Israeli agents appear to be working to wreck the delicate negotiations that would enable Argentina to make a peaceful transition to constitutional government next January.

Patricio Kelley, the publisher of *Quorum* magazine, who works out of an office in the Israeli embassy in Buenos Aires, has brought murder charges against former Navy chief Admiral Emilio Massera. Massera is considered the key mediator between the existing military establishment and the Peronist movement, which, if elections are held as scheduled on Oct. 30, will run the next government. Patricio Kelley is the principal defender of exiled publisher Jacobo Timerman, who was a top associate of circles behind the Lavie Project to make Israel a regional nuclear power.

Massera was arrested in mid-June and placed in detention at a naval base outside Buenos Aires; a civilian court is hearing the case.

Although in this case Massera is accused of murdering a former business partner, and not of crimes of repression, the military fears that the human rights lobby will use the case as a precedent for submitting military officers to civilian trials for crimes committed during the "dirty war" which the military conducted against the Argentine left during the late 1970s.

## ***Briefly***

● **KAREKIN II**, the head of the Armenian Apostolic Church outside of the Soviet Union and the vice-president of the World Council of Churches is in the United States, to visit Armenian communities, his religious counterparts, and U.S. officials. Karekin met with President Reagan on June 16, and led the House of Representatives in prayer on Tuesday, June 21. In answer to criticisms that the World Council of Churches is too anti-Western and overly involved in political affairs, Karekin told the press that "the church cannot dissociate itself from the world."

● **DIETER KUNZELMANN**, who has a 20-year history of terrorist and anarchist activity, has taken a place in the West Berlin state parliament. As a candidate he made an official visit to the same jail he was imprisoned in 10 years ago, and he will now become a member of the parliamentary committee on internal security.

● **CARDINAL KOENIG** of Vienna is reported by informed sources to be the main link between the Vatican and the Club of Rome, as *EIR* has suggested in the past.

● **LANE KIRKLAND** presented the policy statement of the International Confederation of Free Trade Unions on "Peace, Security, and Disarmament" at the 13th world congress of the body, which began on June 23 in Oslo.

● **THE STOCKHOLM POLICE** union has filed a formal complaint against the government for helping to fund the May "Peace Tent" training camp which taught civil disobedience to protesters.

● **FRENCH SCIENTISTS** at Electromagnetic Radiation Applications Laboratory in Orsay report obtaining a laser effect from an electron beam travelling very rapidly in a toroidal ring. This represents a major advance in the development of free electron lasers, which could generate intense tunable emissions over a wide spectrum of radiation.

# Anti-nuclear ruling threatens national security

by Richard Freeman

On June 15, 1983, a conspiracy of environmentalists succeeded in winning a state supreme court ruling that will ensure that Washington Public Power Supply System (WPPSS), the nation's largest supplier of electricity to utilities, will default on \$2.2 billion worth of bonds, unsettling the entire tax-exempt bond market and threatening disruptive power shortages for the industrial Northwest and the nation.

Washington Supreme Court ruled that the 88 utilities that had legally contracted to purchase power from WPPSS, and to pay interest and principal on the bonds WPPSS floated to construct nuclear units #4 and #5, should not have to continue payments on the bonds. The two plants were mothballed in June 1981, during the height of the environmentalist/Wall Street uproar over "cost-overruns" at nuclear plants (themselves due to environmentalist-caused delays and Paul Volcker's interest rates). The court said that the 88 utilities had exceeded their authority in entering into the original "tax and pay" agreement with WPPSS, Washington state's power authority, which has been marketing electricity to Washington, Oregon, Idaho, and Montana since 1957.

Pressure for the ruling came from the Natural Resources Defense Council, the Sierra Club, and the Friends of the Earth, joined by the news media, Lane Kirkland-controlled labor unions, and prominent Wall Street investment firms, led by Treasury Secretary Donald Regan's alma mater, Merrill Lynch.

## Strategic stakes

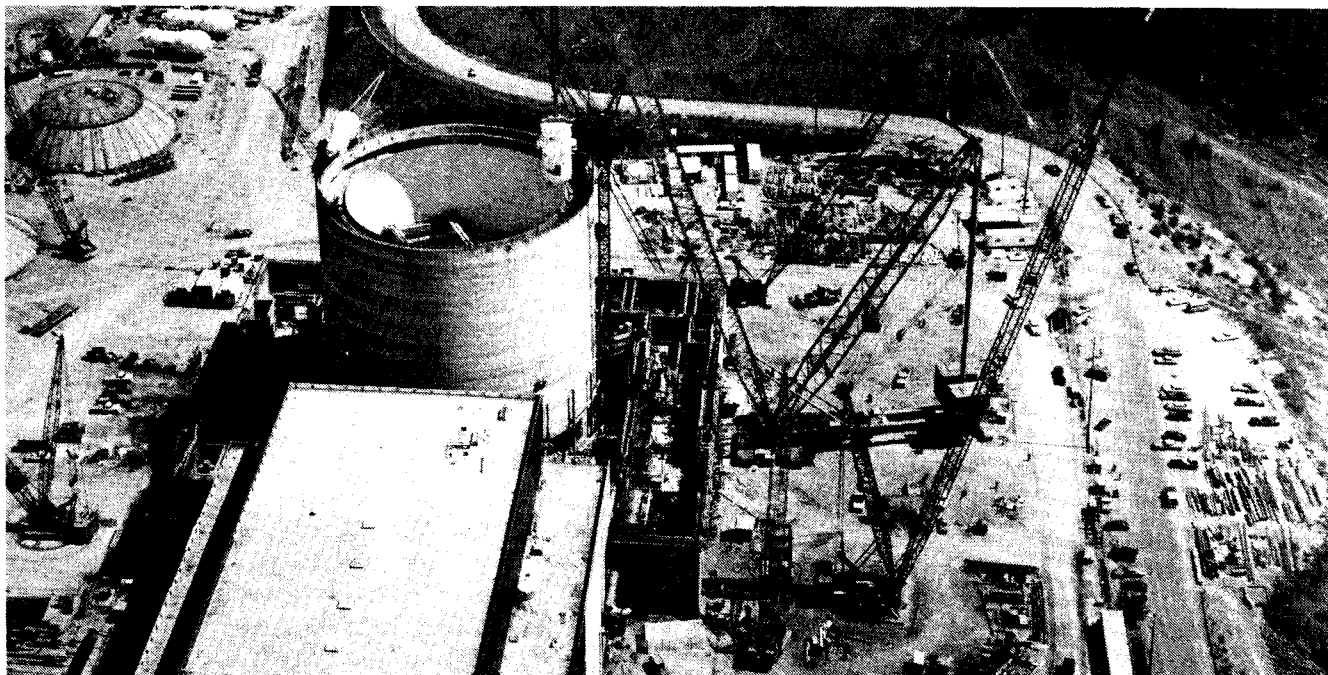
The June 15 decision represents a top national security issue, with implications for the economic and military well-being of the United States. The decision will accelerate what

experts warned would be a 1984 timetable for power shortages and blackouts. Most important, as a study by the La-Rouche-Riemann econometric model team has demonstrated, the United States cannot defend itself militarily without a vast expansion of energy supplies; at the moment this is a greater bottleneck than any faced during the World War II military mobilization. Adequate defense requires highly electricity-intensive lasers, plasma beams, and so forth.

The ruling will also knock out the aluminum industry of the Northwest, which consumes 40 percent of all industrial electricity in the region. Aluminum is indispensable for the military goods produced by Boeing, McDonnell Douglas, and other West Coast-based military contractors.

The collapse of the U.S. nuclear industry which this ruling will accomplish is viewed by the Soviet Union as a top strategic factor. At the same time that the Washington state Supreme Court was handing down this ruling, Andrei Gromyko, the Soviet foreign minister and a member of the Communist Party Politburo, was telling that party's special central committee meeting that the anti-nuclear movement must be mobilized and joined with the peace movement to disarm the United States. Gromyko said, "The anti-nuclear and anti-war movement that has arisen in the West is a kind of popular referendum."

While Gromyko spoke, scores of Russian Orthodox Church officials and Soviet KGB officers were touring 33 American cities denouncing President Reagan's historic March 23 call for the United States to adopt a directed energy beam defense system and a superpower agreement for a strategic doctrine of Mutually Assured Survival. Some of the same environmental-peace groups sponsoring the Russian



Courtesy of WPPSS

*One of the WPPSS plants under construction which will never be completed unless emergency action is taken.*

delegations are involved in provoking the Washington state decision.

The Washington Supreme Court ruling stemmed from a suit brought by New York's Chemical Bank, trustee for the units #4 and #5 bondholders, when it became clear that WPPSS would not be able to meet its regular payments. Pressure for a ruling seems to have been stepped up in May, when WPPSS missed a \$15 million payment into a reserve fund at Chemical Bank for the bond payments. Now that the 88 northwestern utilities have been freed from their obligation of having to guarantee and make payments on the bonds, WPPSS' revenue stream is sure to dry up, making default on the bonds inevitable. There is now speculation in the financial community that WPPSS may go into Chapter 9 bankruptcy, and that Chemical Bank will try to get first lien for the bondholders.

The inevitability of default shook the U.S. bond market, and all municipal and state bonds prices fell \$10 to \$20 per \$1,000 face value of the bonds, the day after the WPPSS decision was announced. The bonds of WPPSS, covering the mothballed units #4 and #5, fell to less than 20 cents on the dollar; other WPPSS bonds fell to less than 50 percent of their value; bonds issued by any agency of the state of Washington plummeted. One source suggested that \$50 billion worth of utility, water supply, sewage, and other bonds, constructed on a similar "take and pay" contract basis as the WPPSS bonds, might be challenged in the courts, destroying credibility in the U.S. state and municipal bond market.

The environmentalist-"peace" forces that forced this court decision crowed that this was an "historic, unprecedented victory," and concluded that the ruling would devastate the

nuclear power industry and paralyze the U.S. economy.

Ralph Cavanagh, the West Coast coordinator of the Natural Resources Defense Council (NRDC), which by his own account played a leading role in securing the state supreme court ruling, boasted to a reporter June 21, "This decision will mean that no new nuclear orders will be placed in the U.S. ever again. *No new nuclear plants will be built in the U.S. ever.* . . . This is the worst day ever for the U.S. utilities. This decision means that at least 48 out of 91 U.S. nuclear plants now under construction will never be built," and that as many as 25 to 30 of the remaining 91 will likely not be built.

The Electric Power Reliability Council reported last month that even if all the nuclear plants under construction in America were to be built, America would face power shortages and blackouts by 1984. A LaRouche-Riemann econometric model study, "A Beam Weapon Based Recovery for the U.S.," concluded that U.S. electricity generating capacity would have to increase sixfold over the next 10 years if the economy were to have the requisite energy supply to recover. The Washington Supreme Court decision means that the United States will experience blackouts the moment it actually increases real capital goods output. Any attempt at putting America back to work will be impossible; the United States will undergo, as the LaRouche-Riemann model team described it, a "thermodynamic heat death."

### **Environmentalist subversion**

The move to destroy the WPPSS system and the U.S. power grid was launched in Washington and the three other states served by the WPPSS system—Oregon, Idaho, and

Montana—by a coalition of forces whose most important components are:

- The environmentalists: the **Natural Resources Defense Council (NRDC)**, the **Sierra Club**, and the **Friends of the Earth** and the coalition front for these groups in Washington, the **Northwest Conservation Act Coalition**. According to Mark Reis, the director of the coalition, “The Washington Supreme Court ruling represents a victory for what we’ve doing for the last 10 years. Our coalition’s program won out.”

- The European oligarchy-controlled financial groups, including **Drexel Burnham Lambert** and **Merrill Lynch**, as well as the bond rating services, **Moody’s** and **Standard and Poor’s**. These groups undermined the WPPSS bond ratings over a period of years.

- Lane Kirkland-controlled unions in the Northwest, including the **Retail Clerks**, the **Service Employees Union**, the **Communications Workers of America**, and the **Oregon Federation of Teachers**.

- The nation’s news media, led by the *Washington Post* and the *Seattle Post-Intelligencer*.

The Natural Resources Defense Council, which is financed by the Rockefeller family, was jointly founded by the Aspen Institute and Harlan Cleveland. Cleveland recently hosted the Soviet KGB and Russian Orthodox Church delegation when it made its most prominent stop on its 33-city nuclear freeze organizing tour in Minneapolis, Minnesota May 24. *Seattle Post-Intelligencer* reporter Joel Connelly, who led the media assault on WPPSS for five years, is described by NRDC West Coast coordinator Ralph Cavanagh as “one of my very close friends.”

## The assault

WPPSS was targeted because the Northwest is the most energy intensive region in the nation. While, in 1982, the nation consumed 70.8 quads of all types of energy, of which electricity production took 23.5 quads, or 33 percent, in the Northwest, of all energy use, electricity constitutes more than 40 percent. Of total electricity in the United States, about 13.5 percent is supplied by nuclear power.

Power for the Northwest region started to be expanded in the 1930s, when engineers achieved their dream of harnessing the mighty Columbia River. The first great achievement of this effort was the construction of the Grand Coulee Dam. A federal power authority, the Bonneville Power Administration (BPA), was created to supervise the region’s power provision. By the early 1970s, more than 50 dams were in place on the Columbia River and its tributaries.

As the Columbia was harnessed, use of electricity spiraled, and its price fell, making electricity in the Northwest to this day the cheapest in any region of the country. In 1968, the Bonneville Power Administration designed a plan to carry out the same historic rate of energy growth of the previous 30-year span—7.5 percent growth per year—into the 21st

century. The regionwide power plan for Washington, Oregon, Idaho, and Montana called for the construction of 20 nuclear reactors and 40 coal-fired power plants by the end of the century.

The agency selected to do part of this job was WPPSS, which was formed by the Washington state legislature in 1957. In utility jargon, WPPSS is known as a “joint operating agency.” Its membership consists of 19 public utility districts and four city-owned utilities, including Seattle City Light and Tacoma City Light.

WPPSS then decided to build five nuclear reactors as part of this plan. Three were authorized in 1969 and two more in 1974, which together were to generate up to 6,000 megawatts per day, a capacity equal to Grand Coulee Dam. Each 1,200 megawatt WPPSS nuclear plant was designed to produce more electricity than normally used by the city of Seattle.

The first three WPPSS plants—units #1, #2, and #3—were supposed to come on line in the mid-to-late 1970s and the last two units—#4 and #5—were to be completed in the 1980s. Each of the two sets of reactors was financed by different bond issues. But then the environmentalist movement intervened. The Nuclear Regulatory Commission, which is supposed to facilitate nuclear plant construction (but under Naderite control, actually hinders it) lengthened the construction time of the plants from 7 to 8 years to 10 to 14 years. Then starting in 1979, Federal Reserve Board chairman Paul Volcker more than doubled construction financing costs through his usurious interest rates. As a result, while the cost of the combined five units was slated to be a total of \$4.1 billion when construction was first started in 1969, by the end of 1982, the environmentalists and Volcker had forced it up to \$23.8 billion, a sixfold increase.

Starting in the late 1970s, and accelerating in mid-1980, month after month, the Seattle press, led by the *Seattle Post-Intelligencer*, denounced the nuclear reactor construction projects, repeating the formula of the Natural Resources Defense Council, which stated that the Northwest didn’t need all this cheap energy and blaming the cost overruns, caused by the environmentalists and Paul Volcker, on “mismanagement.” This effort was crowned by *Seattle Post-Intelligencer* reporter and raving environmentalist Joel Connelly, who in late March 1982 was assigned to cover WPPSS almost full-time, starting with his derogatory article about WPPSS, “The Year the Big Dream Died.”

Wall Street got into the act. Howard Sitzer, a research analyst for Merrill Lynch, the firm that had been hired by WPPSS to underwrite WPPSS’s bonds, issued a report on July 24, 1981 entitled “WPPSS at the Crossroads,” which advised investors to get rid of the \$2.0 billion bonds that had been issued thus far to finance WPPSS units #4 and #5. Eileen Titmuss, of the investment firm, Drexel Burnham Lambert, issued a similar report within weeks (the Lambert family is a top representative of the Belgian royal household). As the anti-nuclear Sitzer boasted in an interview June 22,

"My report and that of Drexel Burnham killed any new bond issues for WPPSS units #4 and #5."

The bond rating services of Moody's and Standard and Poor's got into the act, manipulating a crisis—just as they did in New York City in 1975—by downgrading in successive steps WPPSS's bond rating, scaring off investors.

As the pressure mounted, in late fall 1981 the environmentalists got together with the help of massive media scare tactics to pass a referendum demanding that WPPSS or any other power authority in the region could not issue bonds—an inherent right of these authorities—without first having a referendum on each bond issue. That is, every time WPPSS wanted new funds it would have to go before an anti-nuclear-manipulated populace. When WPPSS appealed the referendum as unconstitutional, Joseph Califano, former Secretary of HEW and a big wig in the liberal wing of the Democratic Party, became the counsel for the environmentalists and the courts sustained the referendum.

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*A LaRouche-Riemann econometric model study concluded that U.S. electricity generating capacity would have to increase sixfold over the next 10 years if the economy were to have the requisite energy supply to recover. The Washington Supreme Court decision means that the United States will experience blackouts the moment it actually increases real capital goods output. The environmentalists and Volcker have raised the costs for an average new plant from \$120 to \$160 per kilowatt in 1969, to \$1,200 per kilowatt today.*

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The outcome for WPPSS was a Shakespearian tragedy. In June 1981, a besieged WPPSS was forced to announce that it would mothball—i.e., never complete—the construction of units #4 and #5, even though they were 16 percent and 24 percent completed, respectively.

The fall-out from the latter two units began to affect the financing and viability of the first three units, which were financed under entirely different bond issues, issues which

unlike those for units #4 and #5 were backed by the federal Bonneville Power Administration. In April 1982, WPPSS was forced to announce that it would mothball unit #1, even though the unit had been 60 percent completed at the time. Then on May 27 of this year, WPPSS was forced to announce that it would mothball unit #3, even though it had been 75 percent completed.

That leaves only unit #2, which is 98 percent completed, and scheduled to open in April 1984. But NRDC's Cavanagh brags, "The unit #2 can't sell its electricity in Washington, because there is no demand [due to the Volcker depression]. It will try to sell the electricity to California. My bet is that the plant will start up in early 1984, fail in its ability to sell its electricity, and close down for good."

Thus, more than \$10 billion later, after more than 13 years in the works, the WPPSS will end up producing not even one kilowatt of nuclear-fueled commercial electricity.

Worse, in 1980 the U.S. Congress passed a little noticed law that set up the Northwest Planning Council, which was entrusted with the authority to set regional power planning and investment for all of the Northwest utilities. The Northwest Planning Council just issued a report in May of this year, entitled "Northwest Conservation and Electric Power Plan," of which NRDC's Cavanagh says, "We practically wrote it." The strategy of the plan, according to Cavanagh, is that cost-effectiveness replaces the traditional criteria of "reliability of electricity supply" as the key criteria for energy generation, and Cavanagh lied, "nuclear power is not cost-effective."

The plan "asserts that energy conservation is the dominant aim for the Northwest over the next 20 years, not building new power plants. The lion's share of investment will go for small-based generation." Cavanagh concluded, "This plan brings an end to smokestack industry. It takes a gigawatt to sustain one aluminum job. It takes one-thousandth of that amount to sustain some high tech company job. The Northwest will move away from the energy intensive industries." The Planning Council plan provides for a 0.9 percent increase in electricity generating capacity per year for the next two decades, in its worst case scenario, but if implemented this plan would actually mean negative growth.

Ironically, despite all the added-on costs, electricity is provided in Washington state via WPPSS through its utility retailers at 3 cents per kilowatt hour. In New York city, the cost is 16 cents per kilowatt hour, belying all the claims about WPPSS inefficiency.

### **The hit list for nuclear plants**

According to the NRDC's Ralph Cavanagh, at the start of 1983, there were 91 nuclear power plants that were under construction. These 91 plants represented a potential of 80 to 90 gigawatts of newly installed electrical generating capacity by the year 1995. But, Cavanagh reports, 11 of these have been indefinitely deferred, meaning that they will never be

built. Further, he said, "What the WPPSS case establishes as a precedent is that if a utility has nuclear power plants less than 40 percent completed, like units #4 and #5, it is more cost-effective for the utilities to swallow the costs of the plants and not build them, rather than complete construction. Currently, there are 37 plants around the country that are less than 40 percent completed, and these will be closed down on account of the WPPSS ruling." The hit list that the NRDC and the other leading environmentalist groups have drawn up for closing down plants includes:

- Four Tennessee Valley Authority plants including two in Mississippi and two in Tennessee;
- Three additional plants in Washington state;
- Three in Illinois;
- Seabrook Plant #2 in New Hampshire;
- One plant in Texas, two in the Carolinas, one in Georgia, one in Alabama, one in Indiana, and others.

Thus, of the 91 plants now being built, 48, or more than half, will never be completed under current circumstances, representing tens of billions of dollars of lost construction and lost energy. Furthermore, Cavanagh indicated many plants that are more than 40 percent completed might also be closed. The Nuclear Regulatory Commission's new requirements for excessively rigorous, phony "evacuation plans" for communities surrounding nuclear power sites might accomplish these shutdowns, as is indicated by the case of the Long Island Lighting Authority's Shoreham nuclear plant.

What this spells is catastrophe. In the five-year period since 1978, 80 coal-fired plants and 84 nuclear plants have already been cancelled. The cost for nuclear and coal plants indicates the problems: the environmentalists and Volcker have raised the costs for an average new plant—coal or nuclear—from \$120 to \$160 per kilowatt in 1969, to more than \$1,200 per kilowatt today, a staggering 10-fold increase, seven times greater than the rate of inflation for other goods.

*No U.S. utility has put through a new order for a nuclear plant since 1978.* Moreover, since 1975, every one of the new orders on which construction was started has been cancelled. Thus, no post-1974 nuclear plant is still under construction.

The United States is entering what the *Executive Intelligence Review's* LaRouche-Riemann econometric model team describes as a "thermodynamic heat death," meaning that even if credit were made available and cheap, the U.S. economy could not recover. America has a total of 650 gigawatts of installed electrical generating capacity of all types (13 percent is nuclear). At the rates of capital construction of power plants up until the WPPSS ruling, by 1993 utilities would have seen 20 to 25 percent of their plants become obsolete but would have replaced at most only 18 percent of them (120 gigawatts). This means that the installed electrical generating capacity in the United States would have shrunk by 2 to 7 percent during the next decade, stopping all industrial growth and interrupting real physical goods output, since

for every 1.7 percent rate of growth of electricity capacity, there is a 1 percent growth in industrial output.

But the new ruling will mean that obsolescence will outstrip new production by 20 percent or more.

In achieving this result, which started with the 1973-75 Henry Kissinger-rigged oil crisis, the environmentalist fifth column has been aided by the leading U.S. proponents of the "nuclear freeze." For example, it was James Schlesinger, the current anti-beam weapon technology exponent, who was then Trilateral Commission President Jimmy Carter's Energy Secretary, who funded an NRDC "study" which purported to disprove the U.S. utility industry's assertion that the United States would need to keep to its 7.5 percent per year historical rate of electricity growth, or face power blackouts. The NRDC got a second grant from the Carter DOE for the same sort of project in 1980. These "studies" constituted a good part of the evidence considered by the Washington Supreme Court in its June 15 WPPSS ruling.

Beyond this, the NRDC, along with the Friends of the Earth and others, want to spread the Washington example as quickly as possible to every state to cut off any investment for energy, and instead emphasize conservation, windmills, passive solar heating, and so forth. Currently, Sen. Clairborne Pell (R-R.I.) and Sen. Robert Stafford (R-Vt.) are co-sponsoring a bill in the U.S. Congress to create a New England Power Planning Council modeled exactly on the Northwest Power Planning Council, to constrict energy production in New England.

### **What the White House will do**

The WPPSS ruling has been greeted so far, with dead silence from the White House. Donald Hodel, President Reagan's energy secretary, was chief administrator of the Bonneville Power Administration, the federal authority that underwrote the construction of WPPSS units #1, #2, and #3, and the person who urged the 88 northwestern utilities to back the construction of WPPSS units #4 and #5.

Hodel has pulled together a roundtable of utility construction company executives who wrote a special study for the DOE, just released in June, entitled, "The Future of Electric Power Supply in America: Economic Supply for Economic Growth," which calls for a sizeable increase in coal and nuclear-fired electricity generating plant construction.

But the report seems as if it were issued in a political vacuum. Immediately after the WPPSS court ruling, Hodel said that he hoped that the "parties in Washington can solve the problem among themselves." As one source put it, "Hodel can't openly come out for government intervention in the case, because there are too many free-marketeers in the administration who would oppose him."

President Reagan must take immediate action as Commander-in-Chief to reverse the WPPSS disaster. Unless he does so, invoking war powers granted to the President, there may not be much of a U.S. economy left to defend.



# Harriman Democrats blind to Labour Party downfall in British elections

by Graham Lowry

In the wake of Averell Harriman's meeting in Moscow with Soviet President Yuri Andropov, the Harrimanite stable of U.S. Democratic presidential candidates is now running hard to the left, in suicidal pursuit of the policy course set at the June 14-15 Central Committee plenum of the Soviet Communist Party.

This pathetic attempt to demonstrate to Moscow Harriman's influence in the Democratic Party is rapidly converting its presidential sweepstakes into a contest over who can be the next Michael Foote—the British Labour Party leader who took his party charging over the cliff to a crashing defeat campaigning for “peace” and disarmament against Prime Minister Margaret Thatcher.

The signals that went out to step up the Harrimanites' campaign for the Soviet-backed nuclear freeze and related disarmament schemes first surfaced June 11 in the Democratic presidential straw poll in Wisconsin. There aging one-worlder Sen. Alan Cranston, described by one party insider as “commanding the overwhelming support of 2 percent of the American people,” was handed a first-place finish, outpolling the “consensus” front-runner Walter Mondale, virtually in Mondale's back yard, with a unilateral disarmament, hard-line nuclear freeze pitch.

Mondale was then hauled into an “emergency” campaign strategy meeting, and surfaced in Maine June 13 to announce that he now considered a mutual and verifiable freeze on nuclear weapons to be the “first priority” for the United States.

Following the Soviet Central Committee plenum, Mondale appeared on national television June 19 to echo Moscow again on the nuclear freeze, and on an arms control package including tougher controls over nuclear proliferation and ensuring there be no tampering with or circumventing of the 1972 Anti-Ballistic Missile Treaty—which both Moscow and the Harrimanites falsely claim bans development of the defensive beam weapons ordered by President Reagan.

As a final contribution to American political debate, Mondale predicted an outcome for the ongoing Central American crisis identical to the one scripted in Moscow—direct U.S. military intervention, with the hope of dragging

the United States into a disastrous “new Vietnam” within its own hemisphere.

Political insiders admit that Mondale's campaign is washed up, but the rest of the Democratic presidential field is going on the same Harrimanite “peace” profile. This was much in evidence at the Alabama Young Democrats convention June 18, where the Young Democrats' straw poll gave World Federalist Cranston 53 percent, and Mondale received but 7 percent of the vote. The effort to emulate the British Labour Party seemed particularly incongruous in Alabama, a conservative state heavily dependent on military research and development centered around Huntsville, including research on laser beam weapons. Alabama is also the home state of the only Democratic Senator, Howell Heflin, who has seriously backed President Reagan's defensive beam weapons policy.

The Michael Foote look-alike contest continued when Democratic presidential candidates Cranston, Sen. Ernest Hollings, and Sen. Gary Hart, along with declared non-candidate Sen. Edward Kennedy, spoke at a rally in front of the Capitol June 14 calling for the defeat of the MX missile when it comes up for a crucial vote on funding for procurement. Ironically, their anti-defense chorus line act followed by less than 24 hours authorizations by wide margins in the House for the B-1 bomber and the ASAT (anti-satellite) program.

Sen. John Glenn, the horse of alleged centrist color in the Harrimanite stable, steers clear of such obvious Moscow follies as the MX rally on the Hill. But Glenn was recently endorsed by Kennedy's fellow senator from Massachusetts, Paul Tsongas, a leading backer of the nuclear freeze and the initiator of a Senate resolution that would ban the deployment of the space-based defensive beam weapons the President has decided to develop. Tsongas is a sustainer of the Ecumenical Patriarchate of Constantinople, a key component of the Eastern religious networks now directing Moscow's “Holy Mother Russia” drive for empire as the “Third Rome.” Glenn, the former astronaut who frequently appears lost in mental space, has been packaged to appeal—as Tsongas emphasized in his endorsement—to Americans' “traditional values.” Glenn's

value to Tsongas is weighed in relation to stopping President Reagan's beam weapons program.

As an aide to Tsongas explained to a reporter recently, Glenn's "strong point" is his "credibility on the space issue." Having the former astronaut campaign for "peaceful uses of space," and against its "militarization," is perceived by the Harrimanites as the only effective way to outflank the President on his new strategic defense doctrine. "That's Glenn's usefulness to the peace movement."

As the Harrimanite run of candidates covers the spectrum of Moscow's policy agenda, with no prospect of developing a controlling national base of support, the 1984 Democratic convention is virtually programmed for a deadlock, with none of the existing candidates able to emerge the winner. Democratic Party strategists also openly admit that any chance of success against Reagan is dependent, as one Harrimanite consultant in Washington put it recently, on "economic collapse or war."

In the wings is Ted Kennedy, who appropriately played master of ceremonies at a June 16 political "roast" that included five of the six declared presidential candidates. Kennedy, who had ruled out his own 1984 candidacy in an announcement late last year, quipped from the dais, "The last time there was this much presidential ambition in one room was the last time my staff sat down to lunch." The same day

the Harrimanite *New York Times* ran an analysis raising the prospect of a deadlocked convention, and pointing to Kennedy as the man best positioned to take the nomination in that event. In a recent radio interview, Sen. Daniel Moynihan of New York, an Averell Harriman protégé since 1954, offered the same scenario.

Kennedy himself is fully positioned on the "loser" left with the declared Harrimanite candidates, and has been a leading propagandist echoing Moscow's line on the nuclear freeze and its opposition to what Kennedy has also attacked as President Reagan's "Star Wars" beam weapons for missile defense. Therefore, speculation on a Kennedy draft by a deadlocked convention necessarily includes an additional consideration which should give patriotic, mainstream Democrats pause: the political feasibility of a Kennedy nomination through means of a deadlocked convention *presupposes* a financial blowout and/or a devastating strategic humiliation in the interim, collapsing the re-election prospects of Ronald Reagan.

The same conditions apply with greater force respecting the prospects of the meandering "clones for peace" already in the race. Thus it is Moscow's objectives—wholesale military and economic reduction of the United States—which constitute the Harrimanite Democrats' strategy for "winning" the White House.

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# Justice Department's Giuliani to oversee a pact between FBI and peace movement?

by Charles Tate

Rudolph Giuliani, newly appointed U.S. attorney for the Southern District of New York, signaled in a speech this week that the March 21 Executive Order authorizing the FBI to renew "Cointelpro" surveillance and dirty tricks operations is now fully operational. This time around, the ostensible FBI target will be various right-wing cults accused of tax evasion, illegal weapons stockpiling and similar crimes. The real aim, however, will be the destruction of the Reagan administration through a rerun of the 1967-68 "Operation Garden Plot" social chaos scenario.

Giuliani also used the occasion to echo the FBI line, most recently published in the June 16 Soviet *Literary Gazette*, that the U.S. freeze movement is, contrary to President Ronald Reagan's statement, without taint of KGB infiltration.

Appropriately, Giuliani surfaced this policy in an address Monday, June 20 to the Humanist Association of Greater New York, an aging collection of "free-thinkers" including Communist Party financial angel Corliss Lamont, and sundry American followers of disarmament movement founder Lord Bertrand Russell. Present as honored guests of the Humanists was a contingent of FBI agents, including New York FBI bureau head Ken Walton, Giuliani's friend, suntanned and dressed to the nines with a gold bracelet and pinky ring. Walton—who denied the possibility of a revival of the BLA terrorists before the Rockland County bank robbery and shootout—and the other G-men got along famously with the pro-Soviet peacenik Humanists, almost all of whom had been targets of the FBI's McCarthy era witch hunt thirty years ago. Giuliani paid homage to the FBI repeatedly in his address, beginning with the curious and questionable observation that with so many FBI agents in the audience, he felt safe from any possible assassination!

However, there is more to the FBI's new affection for such pro-Soviet disarmament supporters as the Humanist group than its denial of President Reagan's warnings of KGB control of the freeze movement—a warning redundantly confirmed by the Minneapolis conclave of 25 Soviet operatives with leaders of the U.S. "peace" movement from the Institute for Policy Studies and other groups last May 25-29.

Informed intelligence sources report that the FBI has struck a deal with IPS and the American Civil Liberties Union

(linked through founder Roger Baldwin and director Algon Black to Giuliani's friends in the Humanist Association). Under this arrangement, according to informed intelligence sources, the IPS-ACLU leftist civil libertarians will support the FBI in its new round of Cointelpro dirty tricks on the understanding that these will be directed against the right-wing anti-tax cults.

## The FBI's strange bedfellows

While claiming that the mafia is a dying institution, Giuliani told the Humanists that a new "organized crime" threat had arisen in the form of the Posse Comitatus, a racist, right-wing anti-tax cult. According to Giuliani, the Posse Comitatus and groups allegedly linked to it are the subject of intensive Justice Department investigation throughout the United States and, also, in Giuliani's New York area.

The script for Giuliani's remarks, and indeed the scenario for the new Cointelpro witch hunt, was taken directly from a recent publication of the Anti-Defamation League of the B'nai B'rith entitled, "The 'Identity Churches': A Theology of Hate," on a virulently anti-Semitic survivalist cult linked to the Posse. The ADL report has in turn formed the basis for sensationalist exposés in the June 11 *New York Times* and the June 22 *Washington Post*, preparing readers to expect violent clashes between law enforcement officials and the Posse gangs.

This propaganda barrage is complementing FBI provocations designed to spark shoot-outs and "guerrilla warfare" among right-wing groups throughout the Midwest. Intelligence sources report that the FBI has established a network of agent provocateurs throughout the Posse, the Identity Church, and other targets, profiling the usually highly manipulable and irrational "survivalist" cultists to ensure that they will respond to provocations with dramatic acts of violence. These incidents, modeled on the recent shootout between Posse leader Gordon Kahl and U.S. marshals, would provide the pretext for McCarthy-era style no-holds-barred assault on all FBI adversaries tagged as "connected" to the Posse.

Informed sources have reported that the FBI constructed a detailed psychological profile of Gordon Kahl at least a year

and a half ago in preparation for the staged shoot-out which also cost the life of two federal law enforcement officers. Kahl, who was on probation on a Federal tax charge (a crime typical among the anti-tax Posse members who believe themselves to be the only legitimate government) had refused to make provisions to pay the IRS. FBI profiles, the sources say, predicted that Kahl would prefer to go in a blaze of glory than be arrested. The Bureau went ahead, and got the blood bath they both expected and wanted.

This scenario is based on the 1967-68 "Operation Garden Plot," a covert operation planned by a small Pentagon clique headed by Cyrus Vance and Robert McNamara, which sought to obtain dictatorial emergency powers to deal with the social chaos they had ignited. Curiously, Vance and McNamara today have become leading spokesmen of the peace and freeze movements in which the FBI professes inability to find KGB penetration.

In remarks to a journalist overheard following the presentation, Giuliani said that a target of the Posse scare is the political machine of Lyndon LaRouche: "This is a dangerous group and we are watching them closely." An aide to Giuliani added that the legal pretext for attacks on LaRouche would be based "on his connections to the Posse Comitatus"—connections which in fact are an FBI fantasy.

The Posse Comitatus and the Identity Church, ironically, were themselves spawned by movements initiated by leading Scottish Rite Freemasons in the United States, a network which exercises a significant degree of control over the FBI. FBI Director William Webster is himself a member of the Scottish Rite affiliated-Bohemian Grove cult, which also shares membership with the notorious "Propaganda Two" Freemasonic Lodge now under investigation for its aborted coup d'état in Italy.

Former FBI director J. Edgar Hoover was himself at least indirectly implicated in this network through a former top aide Cleon Skousen, who is director of the Mormon Church-affiliated Freeman Institute, a right-wing holistic health cult said to overlap with the Posse.

In his address, Giuliani also attacked the Reagan administration's War on Drugs. Giuliani declared that the Reagan administration's War on Drugs is doomed to failure, and that the mafia is dying out. The new organized crime threat, said Giuliani, comes from right-wing "tax revolt" groups.

The reason for the proliferation of drugs and organized crime, said Giuliani, formerly the number three man in the Justice Department, is quite simply that "people want drugs." As long as this is the case, he claimed, the Reagan administration's War on Drugs cannot succeed.

According to the man who is now nominally responsible for that war on drugs in the city with the nation's largest addict population, the average citizen is to blame for the drug epidemic, because "people want to use the services" of organized crime. "There is no longer any voluntary respect for law," he claimed, and organized crime has a "romantic" image in the eyes of many. Despite possible "moral reserva-

tions," he said, popular toleration for crime means that decriminalization of marijuana should be considered.

Giuliani claimed that the drug traffic is no longer run by a single syndicate of the sort revealed in the 1978 best-selling paperback, *Dope, Inc.*, but by deeply entrenched local groups which have burgeoned in counties and townships in Florida, California and elsewhere. These he described as sophisticated operations, which run modern farms and independent supply routes. These "autonomous" syndicates, which are bristling with weapons, have gained control over local government and police forces, thus making federal anti-drug efforts impossible.

### **FBI's war on drugfighting**

Giuliani's declaration of surrender in the war on drugs is just his latest favor on behalf of his partners in the protection of drug traffic—the FBI. As Deputy Attorney General in charge of the Justice Department's criminal division, Giuliani was the most outspoken proponent of the two major policy blunders which have vitiated the otherwise successful drug interception campaign in Florida, directed by a special presidential task force led by Vice President Bush. Giuliani shot down an administration proposal to establish a federal "Drug Czar" to coordinate an all-out war on drugs. He also led the disastrous decision to merge the effective Drug Enforcement Administration with the FBI, an agency which has always been a dirty-tricks covert operations capability, never a law enforcement agency in any real sense.

Earlier that day, the Reagan administration's War on Drugs, the most aggressive in the nation's history, was attacked in testimony before the House Select Committee on Narcotics Abuse by Manhattan District Attorney Robert Morgenthau, who washed his hands of responsibility for the city's drug epidemic with the claim that not enough federal dollars are available. In fact, the actual withholding of funds is doing of Morgenthau and Giuliani's buddies in the Bureau.

The FBI's most recent act of sabotage of the administration's anti-drug policy is the failure by acting DEA director Francis Mullen, former assistant director of the FBI Criminal Investigations division to spend a \$127.5 million War on Drugs appropriation. Since April 1983, Mullen has used only \$7 million of these funds, not only crippling the administration's assault on narcotics but also threatening the appropriation for fiscal year 1984, beginning in October.

Such outrages against efforts to eradicate the nation's drug epidemic, however, are nothing strange to Rudolph Giuliani. His first major assignment as a young attorney was as an assistant to Nicholas Scopetta's "corruption" investigations of the New York Police Department's Special Investigations Unit. This investigation, an off-shoot of the Knapp Commission corruption probe that destroyed the morale and effectiveness of the New York Police Department, specifically targeted the city's principal anti-drug task force. The destruction of this key unit, the SIU, finished off the NYPD's capability to stem the flood of drugs entering the city.

## Seven months later

*The shift in the world strategic situation has interesting consequences for Henry's political and legal status.*

**D**r. Henry Kissinger, pagan that he is, probably lacks familiarity with the Old Testament story about the strange goings-on at the feast of the unsuspecting King Balthazar. Dr. Kissinger arrives in Israel over the June 26-28 weekend. Perhaps there a sage familiar with the tale will enlighten him.

Dr. Kissinger's masters in London and elsewhere have looked upon his works. They are not pleased.

At this point of writing, relevant people in London are engineering an historic shift in the United Kingdom's strategy. The catchword on their lips is "Churchill 1938." Fearful that maneuvers in Moscow and Geneva have steered the world on an out-of-control course toward chaos and war, they have decided, if reluctantly, to back up the strategic doctrine enunciated by President Reagan on March 23, and to move away from the "MAD" doctrine of Henry Kissinger and his Pugwash friends. Kissinger has become a liability to the U.K.'s own sense of what it needs to survive.

It is in this context that new, unexpected patterns of British cooperation with authorities in Italy investigating the Mafia and the P-2 Freemasonic lodge have suddenly been manifested, particularly in the re-opening of the inquest into the mysterious hanging at Blackfriars' Bridge of Banco Ambrosiano banker Roberto Calvi last year. This indicates a new intensity of intra-Freemasonic warfare, predicated on the British strategic policy shift at the top.

Kissinger, a member of the Monte Carlo Lodge of Freemasonry, and

multiply connected to the circles of P-2, is most evidently on the wrong side, from the standpoint of certain London influentials. During the week of June 13, in significant part due to pressures from outside Italy, the special Italian parliamentary commission investigating the 1978 kidnaping and death of Italian Prime Minister Aldo Moro released a summary of its findings, citing Moro's son and wife and close associate Corrado Guerzoni implicating Kissinger in the threats leading to Moro's murder.

The summary was covered in all the Italian papers. Then, on June 18, the mass-circulation Tunisian daily *As-Saba (The Morning)*, which has substantial Saudi Arabian financial backing, published a news item headlined "Kissinger Killed Moro!" and based on a Kuwaiti News Agency dispatch from Rome.

Veteran Kissinger-watchers will recall that it was the same news agency that created an international sensation in November 1982, by reporting on Kissinger's involvement in a mafia-like real-estate "scam" on the West Bank in the Middle East. This latter item points to the heart of the matter.

On Oct. 19, 1982, soon before the original signal Kuwaiti story, *EIR's* cover story, written by founder Lyndon LaRouche, was entitled, "How Henry Kissinger Will be Destroyed." LaRouche forecast that Kissinger's erstwhile backers in London would realize, in the rapidly escalating global strategic crisis, that they "have two choices, and no other. Dump Kissinger, because he and what he represents

have become worse than useless, or continue to deploy Kissinger, and go down into apocalyptic ruins with him."

LaRouche concluded with a suggestion that the erstwhile sponsors would, at a certain point, act with ruthlessness to put Kissinger out to pasture, "to prevent a Kissinger, angry at being dumped, from unleashing such information as the files of Pocantico Hills [the Rockefeller family estate in upstate New York]."

Insiders will not have missed LaRouche's point: how else to explain the *method* employed in the current brouhaha around Mr. Seymour Hersh's exposés about Kissinger in his book, *The Price of Power?* International coverage of the Hersh book has strayed away from the sexual perversities and other nasty aspects of Dr. Kissinger's life, and have concentrated on one theme: Kissinger's use of blackmail during the 1968 electoral campaign, to force himself in as National Security Adviser to the next President, *through access to the files of Nelson Rockefeller about candidate Richard Nixon.*

The friends of Mr. Hersh, cognizant without question of this capability as well as the significance of Kissinger's marriage to a vampire who formerly served as Nelson Rockefeller's private secretary, are playing the game cleverly. Fellows like Zbigniew Brzezinski and Richard Allen, with their own ambitions, told Hersh's *New York Times* colleague Terence Smith June 14 that *all* the charges Hersh made about the 1968 events were true. Campaign aides to Hubert Humphrey were quoted to the same effect.

In all well-staged dramas, the onset of guilt and realization that one's days are numbered sets in motion an irreversible spiralling process of decline. The quickened heartbeat is one symptom.

## Senate approves Garrison Diversion

The Senate voted to keep the North Dakota Garrison Diversion water project under construction, tabling an amendment which would have cut \$22 million from the project. The June 22 vote was 62 to 35. While this nearly two-to-one margin was a sound rejection of the "fiscal conservatism" arguments of Gordon Humphrey (R-N.H.) and the Heritage Foundation, the developing alliance of environmentalists and the Heritage/free enterprise networks has become a serious threat to continued infrastructural development in this nation.

The arguments Humphrey used in the Senate floor debate demonstrate how flagrant this alliance is, and at the same time make clear why this nation would never have developed without a dirigistic national policy.

The Garrison Diversion is an irrigation project, Humphrey said, and we already have too high a level of agricultural production. Second, he argued that the cost of credit under the prevailing high interest rates should be the basis for calculating the costs of a project.

Humphrey, despite his claims to status as a conservative, then went on to assert that "the project will inflict unacceptable damage on our wildlife habitat," and proceeded to list all the national environmentalist groups that oppose it, to bolster his argument.

The House, more seriously affected by the lobbying of the environmentalist-free enterprise coalition, has not approved the Garrison Diversion for either FY83 or FY84. However, it is anticipated that the funding will be retained in House-Senate conference.

The last major water project undertaken in this nation, which environmentalists had unsuccessfully at-

tempted to stop for years, the Tennessee-Tombigbee Waterway, is rapidly nearing completion. No new money had to be authorized for Tenn-Tom in the FY84 authorization.

Jamie Whitten (D-Miss.), chairman of the House Appropriations Committee, rose at the end of the Tenn-Tom debate on June 7 to thank his colleagues for their support of this project. "This is a great day for us and for the Congress," said Whitten, "for we will point out once again—our country and its development is our real wealth and Tenn-Tom will greatly increase that wealth. . . . Everything depends upon protection and development of our own country, for it is on our country that all else depends.

"We must return stability to our nation, to its money, and to its budget, but we must ever keep in mind that we could leave to our children all the money in the world and a worn out land—and they would never make it. But if we leave them a developed and rich land, they could set up their own medium of exchange."

## Senate Committee freezes farm target prices

With the American farm sector being destroyed between high interest rates and below-parity farm prices, the Senate Agriculture Committee voted June 21 to give Agriculture Secretary John Block the power to freeze 1984 and 1985 target prices on grains, rice, and cotton.

The administration argued that such a freeze on target prices, which determine the amounts of subsidy payments to farmers, will save about \$1.4 billion over the two years it is in effect.

At the committee hearing after the 10 to 7 in favor of the freeze, North

Dakota Republican Mark Andrews protested, "I am getting damned sick of selling our wheat to the Soviet Union and the People's Republic of China at less than the cost of production. You ought to be raising the price support. This is just one more kick in the head to wheat farmers."

The measure passed with the support of some grain-state senators who accepted, as a sop, a \$600 million plan for U.S. agriculture export promotion. Democrats on the committee who opposed the freeze, such as Montana's John Melcher and Oklahoma's David Boren, have indicated that they may attempt to filibuster the bill when it reaches the Senate floor.

It now appears that administration opposition will kill legislation intended to establish a year-long moratorium on farm debt.

The Senate Agriculture Committee passed farm debt moratorium legislation this spring sponsored by ranking Democrat Walter Huddleston of Kentucky's and claims that it is ready for floor action "at any time." But Senate sources report that administration opposition to the proposal will ensure that it is never brought to the floor.

## Percy announces arms control end run

At hearings featuring premier "Soviet handler" Averell Harriman, Senate Foreign Relations Committee Chairman Charles Percy (R-Ill.) announced that he will use his committee to force action on certain arms control treaties with the Soviets regardless of administration opposition.

The June 17 hearings were the second in Percy's round on U.S.-Soviet relations and, besides Harriman, heard Harriman's wife Pamela and former Carter administration ambassador to

Moscow Thomas Watson, of IBM.

Both Harrimans, just returned from private talks with Yuri Andropov, stressed that the Soviet leader "senses imminent danger . . . and fears war through miscalculation." The Harrimans argued that Andropov is ready to negotiate with the United States on the basis of mutual initiatives and reciprocity.

Watson, who recently traveled "socially" with Percy to London and Venice, called on the U.S. Senate to create a bipartisan consensus on arms control around which the country could rally. "If you don't like the ground rules set out by Henry Kissinger, then you, the Senate, should change them," he urged, arguing that the administration's arms control approach has led to a frightening deadlock. As an example of independent, bipartisan Senate conciliation, he called on the Senate Foreign Relations Committee to take the initiative and ratify the Peaceful Nuclear Explosives Treaty and the Threshold Test Ban Treaty which have been signed by both the United States and the Soviets but have not been ratified because of serious problems of verification.

Watson, Harriman, and Percy all call for near-term conciliation with the Soviets on any issue, with the PNE and TTBT treaties the immediate targets. Percy announced that he has demanded an explanation from the administration as to why the United States is not moving ahead with ratification of those treaties. If he does not receive a satisfactory answer in a matter of weeks, Percy will start Committee hearings on the treaty.

Harriman recounted his experiences as President John Kennedy's negotiator on the Limited Test Ban Treaty in 1962 as evidence that Secretary of State George Shultz was

wrong when he testified, two days previously, that the United States must not permit the Soviets to think that we want an agreement badly. Harriman pointed out that he arrived in Moscow in 1962 and announced that the United States and Great Britain were eager for a treaty, and had completed negotiations two weeks later.

## **Beware quick House vote on IMF**

Capitol Hill sources are warning opponents of the International Monetary Fund (IMF) quota increase to beware a possible attempt to railroad the legislation through the House immediately after July 10, when the House returns from its July 4 recess. As we go to print, the House Rules committee has not yet given a rule to the IMF bill, and House floor action is not yet scheduled. But sources warn that a decision to place the IMF bill on a "fast track" could come at any moment.

House Banking Committee Chairman Rep. Fernand St. Germain (D-R.I.) has reportedly been delaying a scheduling decision in order to force administration support for funds for a housing bill. Members, the argument goes, have to have something to show to their constituents after their support for the IMF.

The higher-level reality of this bargaining effort is that it could be used to force the President to come out and give unambiguous support to the IMF, which could hand full responsibility to Reagan for economic disaster when the debt blowout occurs.

Many Republican House members are reportedly agonizing over their vote on the IMF bill now that Secretary of State George Shultz and Treasury Secretary Donald Regan seem to have the President "signed on" in sup-

port. The Republicans' offices are reporting that they are being "lobbied heavily" for a pro-IMF vote, particularly by the State Department. The implications for the nation's economic security implications if it continues down the IMF road have left many of these members undecided on the issue.

## **Labor racketeering bill passes Senate again**

In what could become a yearly ritual, the Labor-Management Racketeering Act of 1983 (S. 336) passed the Senate on June 20 by a vote of 75 to 0. Senate Labor Committee Chairman Orrin Hatch (R-Utah) and ranking Democrat Edward Kennedy strongly supported the legislation, which would force a trade union official from office upon conviction of a felony—rather than allowing him to complete the appeals process.

In arguing for the legislation on the Senate floor, Hatch singled out AFL-CIO chairman Lane Kirkland for "special thanks," noting "his commitment to an honest trade union movement . . . and support for this bill."

Although the Teamsters union had led the opposition to the attempt to get the legislation through the House, last year, in early June, newly installed Teamster President Jackie Presser announced at Senate Labor Committee hearings that the Teamsters would support the legislation if two substantive changes were made. The changes included leaving the length of disbarment time of a convicted official to the judge's discretion, and if penalties were equal for management officials.

While the Senate Labor Committee did not accept these amendments, and did not get official Teamsters support, Hatch praised Presser's efforts toward cooperation.

# National News

## Vice-President Bush: greater war on drugs

During a speech before the National Press Club in Washington June 17, George Bush confirmed that the administration is expanding its "War on Drugs."

Noting that, "In 1983, millions of Americans will spend approximately \$100 billion on illicit drugs," the Vice-President said the administration will use every means to "counteract the national curse" of dope smuggling.

The specifics Bush announced include: 1) creation of five regional task forces, headquartered in New York (with responsibility for the U.S.-Canadian border), New Orleans, El Paso, Long Beach, and Chicago; and

2) involvement of the Coast Guard, the U.S. Customs Service, the Immigration and Naturalization Service, the U.S. military services, the FBI, and the CIA in the effort to find and interdict drug shipments crossing every U.S. border.

## Mayors confront the economic realities

The mayors of 220 American cities commiserated for four days in Denver in mid-June, besieged with the budget agonies and constituency pressures characteristic of an economic "upturn" that doesn't exist.

Democrats and Republicans alike came humbled by the forced recognition that glib phrases and partisan chatter befit only fools in a time of crisis, and that the traditional approaches aren't working.

This was the mood among the hundreds of mayors and city councilmen. There were a handful of hard core Aquarian ideologues—Feinstein of San Francisco, Sensenbrenner of Madison, Wisconsin; Hatcher of Gary, Indiana; Lodge of Santa Barbara, California; Fraser of Minneapolis, Minnesota; Whitmire of Houston, Texas; and others—for whom the problems were simple, such as stopping Reagan and defense spending. (Noticeably absent among the Aquarian set were Koch of New York, Young of Atlanta, and Washington of Chicago.) For the vast majority, the concern was far more

serious, and the answers less sure.

U.S. Conference of Mayors President Coleman Young of Detroit, Michigan, set the tone when he opened the conference by confronting the mayors with the realities of the economic collapse. "Our cities are failing," he said in his speech, "due to the collapse of our basic industries."

He described the collapse of steel, auto, glass, and other basic industries vital to the creation of national wealth, jobs, and the tax base required to maintain life-support services in our cities.

Young went on to say that international financial realities are behind this collapse, and can only be addressed at the federal level. "Many of our competitors in the world market," he said, "are competing with us because their governments realize the importance of making sure their industries survive. They realize that the days of laissez-faire economics are over."

Yet he attacked Reagan's initiative to develop frontier-technology beam weapons systems as "Star Wars . . . opposed to the concern for people."

When Houston National Democratic Policy Committee mayoral candidate Nick Benton told Mayor Young of the fallacy involved in counterposing human needs to the one technological pathway that promises to open up millions of new jobs and an industrial revolution for the United States, Young invited Benton to address a panel on defense procurements for cities.

Young went on to lead the passage of a resolution endorsing the Defense Production Act, aimed at protecting key U.S. industries involved in defense production.

## Reagan will oppose budget compromise

By announcing that he will "vigorously" oppose the compromise 1984 budget resolution adopted by a House-Senate conference committee on June 20, President Reagan has put in doubt the passage of the resolution.

Speaking to a group of leading Republican legislators June 21, Reagan said that the budget raises taxes, shortchanges the rebuilding of U.S. defense capabilities, and does not control spending. Reagan also expressed opposition to Democratic moves to put a \$700 per capita limit on the scheduled

10 percent tax cut.

While the congressional proposal is not subject to veto, since it is simply a resolution, the President's opposition may result in presidential vetoes for ensuing specific legislation, especially bills calling for tax increases.

Senate Majority Leader Howard Baker, torn between the President and Republican congressional leaders who favor the compromise, is sitting on the fence. His decision will probably be the deciding factor on the final vote.

The President has the upper hand in a confrontation with Congress, because of the much-hyped "recovery." But "if the recovery aborts, it's all over," said one White House aide, since the budget deficit will go out of control; and Democrats will denounce Reagan's "budget busting" obstructionism.

The "recovery" nonsense was fueled by statistics from the Department of Commerce—the department's so-called "flash estimate"—which are supposed to show a 6.6 percent annual growth rate in the U.S. GNP in the second quarter.

## Registrar cuts Lantz vote that 'didn't look right'

LaRouche Democrat Evelyn Lantz saw her official vote cut from more than 13 percent to 1.4 percent June 21 in the special California congressional election for the seat opened by the recent death of Rep. Philip Burton.

The San Francisco Registrar of Voters justified the change from the earlier tally because it "just didn't look right."

The changed vote eliminated the necessity for Burton's widow, who ran for her husband's office, having to face a run-off election. Only the week before, a spokesman for the registrar told *San Francisco Today* that "[Sala] Burton is the leading candidate, but there is no way there will not be a runoff." Burton's campaign manager had also voiced fears of a runoff.

A spokesman for the Lantz For Congress campaign released a statement calling the incident "one of the most blatant cases of election fraud in a city with a history of vote fraud rivaled only by Chicago."

Running with broad support from labor and minority interests, and wide press coverage in the final weeks of the campaign,



Lantz had received 13 percent of the 25,400 absentee votes when the computer suddenly went on the blink and Voter Registrar Jay Patterson withdrew the returns. The absentee votes in the larger-than-expected turnout comprised about one third of the total vote.

When the final results were posted, Sala Burton (who had initially received 39.7 percent of the absentee vote) avoided a runoff with 55 percent; and Lantz finished in eighth place with 1.4 percent, behind candidates who had failed to even conduct campaigns, and far behind the third place a registrar office spokesman had predicted.

Voter Registrar Patterson presided over the infamous San Francisco elections in the 1970s, which were contaminated by massive fraud run by death cultist Jim Jones as part of the Jimmy Carter-"Fritz" Mondale Operation Big Vote.

## New York shootings provoke counter-terror

In the Washington Heights area of New York, three students from the Yeshiva University were wounded June 22 when a gunman fired shots into a Jewish restaurant where they were having lunch. Police said that a Hispanic man opened fire on the Amsterdam Avenue restaurant before he and two others fled in a car bearing New Jersey license plates.

This is the third shooting incident against Jewish institutions in the area in the past month. On June 7 shots were fired at the windows of Yeshiva University; and on June 9 bullets were also fired at the windows of Jewish Memorial Hospital. Police say that bullet fragments from the first incident match the bullets used in the restaurant attack.

These incidents have provoked the terrorist Jewish Defense League, headed by Rabbi Meir Kahane. JDL chairman Meir Jolowitz held a Yeshiva University press conference June 23 to announce that the JDL is initiating armed patrols in the area, contending they will prevent further attacks. CBS News reported that the JDL claimed it would "retaliate" against the attacks.

Security specialists for *EIR's Investigative Leads* have determined that the activation of anti-Semitic terror and counter-terror could be directed against the National Democratic Policy Committee and other organi-

zations associated with *EIR* founder Lyndon LaRouche.

In April and May, during the District 6 (Washington Heights) school board campaign, the NDPC was the target of a wild campaign by the Anti-Defamation League (ADL) and Democratic Party officials which smeared the NDPC as "Nazi." Sources in the JDL have said that the organization "is investigating whether the LaRouche organization could have been involved in the attacks."

According to usually reliable law-enforcement sources, the terrorist attacks on the Yeshiva were conducted by members of the Puerto Rican FALN terrorist group who are known to work with radicals in the PFLP in New York. The sources have said the attacks are part of a broader terrorist operation known as "Team International," which has a base at Columbia University.

## NATO committee slams beam weapons

The most recent issue of *Aviation Week* magazine includes a report just released by the scientific and technical committee of the North Atlantic Assembly (an advisor to NATO), which claims that the Reagan defensive beam weapon policy raises "policy, technology, and cost questions."

The main problem is that the anti-missile system could "create a dangerous and divisive current within the alliance, since the projected system would not be deployable against theatre weapons such as the [Soviet] SS-20," the report contends.

The report also states that British and French nuclear forces would be deemphasized because the Soviets would be even more capable of neutralizing the European missiles. However, the report does not explain how beam weapons could "neutralize" European short-range missiles, but not Soviet SS-20s.

The report alleges the following problems with beam weapons: the arms race could be escalated; research could lead to complicated battle stations, the system could violate the ABM treaty, and, the system could hinder existing space assets, including military satellites used to verify arms control agreements.

## Briefly

● **THE UNITED CHURCH** of Christ biennial synod scheduled for Pittsburgh June 24-27 will gather to endorse the nuclear freeze (including banning weapons in space) and polymorphous sexuality. The UCC is among the most active and most liberal Protestant denominations in the peace movement. The two featured speakers who will address the expected 700 participants are Rep. Patricia Schroeder (D-Colo.) and His Holiness Karelin II of the Catholics of the Armenian Apostolic Catholicate of Sicilia.

● **ROBERT DOLE**, co-chairman of the Commission on Security and Cooperation in Europe, wrote an op-ed in the June 19 *New York Times* calling for a nuclear freeze and arms control. The GOP senator from Kansas said that "special attention must be paid to weapons that are the most destabilizing, and to technological breakthroughs of all sorts."

● **THE AMERICAN** Ramallah Federation and the Palestinian Congress of North America, both fronts for rejectionist radical Palestinian networks based in the United States, will hold a convention in Dearborn, Michigan on July 6-9. Sources have indicated that the convention, sponsored by associates of the Institute for Policy Studies, will expand an effort to transform the Palestinian Liberation Organization into an instrument of the Swiss-Soviet "Third Rome" apparatus whose first assignment is to eliminate the Saud dynasty in Saudi Arabia and usher in a "post-American" era in the Middle East.

● **WILLIAM HYLAND** and Dmitri Simes, two U.S. Sovietologists of the Carnegie Endowment for International Peace, told a press conference June 18 that the recent consolidation of power of Soviet leader Yuri Andropov might "open the door for negotiations" with the United States on arms control. Hyland is a Kissinger-allied former national security adviser to President Ford, and Simes is a Moscow-educated foreign policy specialist who emigrated to the United States in 1973.

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## Editorial

### *The scandal behind Volcker's return*

As we go to press, *EIR* has received reports that America's nine leading money center banks forced Paul Volcker's renomination to the Federal Reserve chairmanship in return for a guaranteed bailout of banks' bad assets in developing countries.

The Federal Reserve chairman believes that the international debt crisis has become "unmanageable" and that existing mechanisms for rescheduling through the Paris Club of creditors as well as IMF "adjustment" programs have become "counterproductive," according to sources conversant with Volcker's planning.

In a recent secret study, the Federal Reserve Board of Governors concluded that the chances for the emergence of a generalized banking crisis were greater than 25 percent. The Federal Reserve's contingency plans to counter the threatened collapse of the U.S. banking system are restricted to "defending the liquidity of the banking system." In practice this means that the Federal Reserve would purchase at or near par the worthless Third World debt paper held by major banks, creating a flood of new liquidity in the tens of billions of dollars or more. By such action, the Federal Reserve would become the principal creditor of Ibero-American and other borrowing countries.

According to one administration intelligence estimate, the apparent collapse of negotiations between Brazil and the IMF raises the probability of a Brazilian debt moratorium during the month of June to over 80 percent. Such action by Brazil, which owes \$100 billion to private banks, most of them American, would probably trigger the Volcker bailout scheme.

Since the Federal Reserve's assets are currently less than \$50 billion, against American commercial bank direct and indirect Third World exposure of several hundred billion dollars, the effect of such a bailout would be to destroy the foundation of the U.S. currency and the U.S. government debt markets, detonating a financial crisis with grave national security implications. One economist with access to the Federal Reserve's plans commented, "Volcker has already created a wave of liquidity, which is crazy enough; but at least

this is backed by the U.S. taxpayer. What would back up this second wave of liquidity?"—liquidity which in no way would provide the debtors with new credit for recovery, either.

Meanwhile, the Caracas meeting of the heads of state of the Andean Pact nations—Bolivia, Ecuador, Colombia, Peru, and Venezuela—on the 200th anniversary of the birth of Simón Bolívar, July 24, is being built into a strategic meeting of Ibero-American leaders from which action on the debt question is expected to emerge. Several other big debtor nations in Ibero-America have privately asked to send representatives to the July 24 discussions; King Juan Carlos of Spain will attend as well. Spanish Prime Minister Felipe González just toured several Ibero-American nations, meeting with President Reagan after his tour in Washington.

There are unpostponable questions facing institutions around the world. The governments of debtor nations: do they expect to withstand the credit cutoff which the Bank for International Settlements plans to impose on a disunited Third World after the debt pyramid comes tumbling down? Western leaders: do they wish to see the wave of mass misery and Cuban-style revolutions in Ibero-America that would put the Soviets' thumb on the continent and make the current wars in Central America look like a ballet dance? U.S. congressmen who have supported America's space program and the President's new initiative for directed energy-beam antiballistic missile buildup: do they consider that military and scientific strength can be resecured while the U.S. Treasury is handing billions of dollars to the International Monetary Fund?

And those bankers who realize that expanding the IMF's liquidity will not avert a financial blowout: do they prefer to watch Mr. Volcker's bailout program invite default by those countries upon obligations which Volcker will have de facto declared worthless? Or are they prepared to help the White House negotiate with debtors to restructure the debt on the basis of generating the high levels of tangible wealth required to make old and new credits good once more?

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