

# EIR

Executive Intelligence Review

August 23, 1983

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Qaddafi and the IMF, partners in African genocide  
The secret supporters of Walter Mondale  
The latest faked figures of the U.S. 'recovery'

## The big debt blow-out of the 1980s: Western Europe



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# EIR

## From the Managing Editor

**F**or an example of the International Monetary Fund's policies at work, take a good look at the massacres in Chad by Soviet-backed butcher Muammar Qaddafi. When all is said and done, distinctions between Moscow and the usurious depopulators in the West dissipate in the dust of Soviet-supplied tanks, the crackle of machine-gun fire, the roar of napalm-armed MIG fighter-bombers, and the moans of civilians left dying in 120° heat, while in neighboring African capitals, IMF teams click open their briefcases and quietly itemize the devastation being demanded of the continent as a whole.

The *Financial Times* of London insists that Nigeria, one day after its election results are released, also be put under the IMF. "Still more emphasis needs to be put on the promotion of agriculture as opposed to inefficient industries," says the *Times*. At the moment Qaddafi's hordes overran Faya Largeau, an IMF delegation landed in Cairo to demand that the Egyptian government cut back on food subsidies. This policy has a name: genocide.

In Ibero-America, however, leaders have just about had enough. The continent is alive with heated debate over the issue of the debtors' cartel; the London press is referring to the Organization of American States' financial meeting in Venezuela on Sept. 5 as "the Caracas club of debtors."

In Europe, monetary "decoupling" from the United States is accelerating. Our Economics lead and the preliminary survey of the Western European debt pyramid presented in this week's Special Report provide background intelligence to understand this month's currency crises.

In the United States, as jockeying intensifies for the Democratic presidential nomination, we bring you extensive coverage of the "Andropov Democrats," along with a report on the international effort to draft for the nomination their leading opponent, *EIR* founder Lyndon H. LaRouche, Jr.

In the near future we plan a Special Report by Vivian Freyre Zoakos on the World Council of Churches' international conference in Vancouver, which she attended. Next week we will also detail the Ibero-American preparations for the Caracas OAS meeting on the debt crisis.

Susan Johnson

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Courtesy German Information Center

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With a debt burden greater than Ibero-America's, and even greater, proportionally, to capital formation than that of many developing countries, Western European nations are on the verge of handing economic policy making over to the IMF—the next step to Hitler-Schacht style cannibalization.

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## Central banks envision a decoupled Europe

by David Goldman and Laurent Murawiec

Several months ago, Venetian industrialist and monetary crank Carlo De Benedetti told the Italian daily *La Repubblica* that Western Europe would have to abandon the dollar as a transactions currency, because the combination of dollar appreciation and exorbitant dollar interest rates was crushing the European economies. This was before President Reagan told Western European leaders attending the Williamsburg summit May 31 that U.S. interest rates would moderate and that the United States would review its attitude towards currency intervention.

Now intervention has, apparently, come and gone, with the hard-core non-interventionists back in the saddle at Treasury the dollar continues to rise, and interest rates are poised to repeat their surge since mid-May. The London *Financial Times* Aug. 11 retreaded De Benedetti's argument in a new and ominous form, under the headline, "Decouple from the Dollar."

### Decoupling from the dollar

The decoupled Europe envisioned by the *Financial Times*'s Samuel Brittan, as well as the German-speaking central banks, would combine the domestic policies of Bettino Craxi's Italy and the foreign economic policy of Austria: an immiserated protectorate of the Soviet bloc. The worst loser, after several months of European economic disaster, will not, however, necessarily be Western Europe. As Brittan commented, it will probably be the United States.

"The durability [of the dollar's sharp rise] is highly questionable. The dollar may go too high and eventually generate an excessive current account deficit. The official estimate for this deficit in 1983 has just been raised from \$20 billion to

\$30 billion. Overseas holders of funds might eventually become conscious of an overhang of dollar assets either because of the U.S. trade deterioration or because other factors sap confidence. If the financial markets ever started to view the U.S. current account or budget deficits in the same light as those of Mexico or Brazil, the dollar would drop like a stone."

The conclusion offered by the central banks of *Mittleuropa*, now endorsed by the London *Financial Times*, is this: a rapid end to the recovery illusion, the collapse of Third World debt values, the eventual collapse of the American dollar, as the United States absorbs the whole impact of the Third World debt crisis, and an era of permanent austerity. In short, the world will look as if the United States had lost World War II.

What senior administration officials fear is the conjunction of the European currency crisis, provoked by an out-of-control scramble for dollars, with the Latin American debt situation. One official in discussion in mid-August cited Fed chairman Volcker's contingency plans for the event of Ibero-American debt default, which amounts to a pledge to purchase whatever volume of banks' holdings of bad Third World paper might be required to maintain the liquidity of the banking system. At the point that the banking system runs into the buzzsaw, the official argued, the dollar would collapse.

### Deflationary pressures

What the United States has, in fact, offered the rest of the world, is described by the *FT*'s Brittan as follows:

"There are three types of strategy possible towards the dollar by the main OECD countries. The first is for them to try to establish an old-fashioned dollar standard; that is, to



*Federal Reserve Chairman Paul Volcker's monetary policies have provided the pretext for further savage economic contraction in Europe.*

stabilize more or less permanently—and presumably at higher levels than today's—their own currencies against the dollar.

“To make a dollar standard work, OECD countries would have to reduce the supply of their own currencies, which are now less attractive internationally relative to the dollar. . . . To stabilize the D-mark anywhere within hailing distance of the DM 2.1 top of the old target range could require actual deflation—falling prices—in Germany and other European countries.”

The U.S. Treasury's alter ego, the *Wall Street Journal* editorial page, has been recommending this type of deflation to the complaining Europeans for some time, on the grounds that the strong dollar is just what is required to bash them into line.

For the record, West Germany's economic leadership does not disagree, in principle: West German central bank chief Karl-Otto Poehl said Aug. 10 that the rise of the dollar was good for West Germany, citing the supposed benefit for West German exports. Finance Minister Gerhard Stoltenberg echoed the sentiment. The trade argument is nonsense, and both men know it; the most likely result of rising dollar interest rates and European capital outflows will be French protectionism and the sudden attrition of a market which absorbs close to one-fifth of total West German exports.

However, the rising dollar gives Germany's ruling Christian Democratic Union the chance to unveil what one Swiss banker called “the economic wonder weapon,” privatization of large chunks of German industry, combined with drastic rationalization of German heavy manufacturing capacity. This is on the agenda for the autumn.

More important, it gives the German-speaking central

bank group—the Swiss, Austrian, Dutch, and German institutions—a springboard to an eventual *Mittleuropa* financial policy, premised on a Central European currency bloc independent of the dollar. This has been the objective of the Swiss game since 1971.

Mont Pelerin Society economist Prof. Christian Watrin of Cologne University commented, “It means massive capital outflows from Europe—and that will hit Germany extremely hard. But the weakness of the mark is a vote of no confidence for this sclerotic government of ours which has only been able to postpone decisions. A change is overdue.”

Similarly, at the Kiel Institut für Weltwirtschaft, international economist Dr. Lehment thinks that a 13-14 percent American prime rate is in the cards. Then, “Europe's current account surplus will simply finance the U.S. current account deficit . . . a huge transfer of purchasing power from Europe to the United States. The U.S. will be driven off of third markets in manufactured goods, it's already begun, and the next step is that the U.S. itself will be invaded by foreign goods. . . . But there is a 6- to 12-month fuse for the dollar to explode.”

### **Volcker's funny money**

The dollar's sharp rise will make the subsequent fall all the worse, argues the French daily *La Vie Française*, in an editorial entitled, “Dollar: The Clay-Footed Colossus.”

The French newspaper states, “The dollar rise is the symptom of the deepening of the world crisis. The dollar is dear . . . because of the bankruptcy of the international banking system,” since the dollar demand is either dollar-liability refinancing (borrowers) or dollar-asset refinancing (lender

banks).

Quoting former Banque de France Governor Olivier Wormser, the editorial adds, "From August 1982 through May 1983, Volcker had decided to generate about as much dollars as the international banking system required . . . he has manufactured funny money to meet the banks' demand." Now, the Fed must tread the narrow path of continuing to bail out the banks while continuing to draw in dollars to fund the budget deficit. As a result, interest rates are bound to soar.

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*Otmar Emminger drew the consequences of the capital drain from Europe in a particularly chilling speech Aug. 8. 'Positive real interest rates are here to stay. . . . We are living in an over-indebted world. . . . We are bound to make the appropriate adjustments. . . .'*

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The editorial continues, "The U.S. central bank has one and only aim: to create as much liquidity as needed to save the banking system without torpedoing confidence in the U.S. currency . . . as Volcker himself admitted: 'We've only been able to keep interest rates down by attracting capital.' Volcker's true problem . . . is to effect the indispensable monetary creation without the markets reacting on cue. . . . When the markets understand what the actual U.S. strategy is, or when it is advanced enough, the dollar will not drop, it will tumble, it will collapse. The greenback's future drop is implied in its present rise . . . the dollar will collapse not out of overvaluation but of overabundance. . . . From the moment that world leaders chose to save the bankrupt banking system, refusing to accept a global renegotiation of the debt of insolvent nations, from the moment that IMF austerity has proven unpracticable, the U.S. and Volcker have had no other solution than this monetary policy. . . . The present non-solution is the most cowardly."

### **Otmar Emminger's analysis**

Former West German central bank governor Otmar Emminger drew the consequences of the capital drain from Europe in a particularly chilling speech before the Aug. 8 Inter-

national Investment Conference in Cambridge."In the years ahead, a major challenge in the monetary and financial field will be learning to live with stability," Emminger said, equating stability with the "withdrawal symptoms after too much growth."

Emminger argued that there has been "a fundamental change in the real interest rate picture. . . . I do not need to stress what this turnabout from zero to very high real interest rates on dollar debt means for the world economy and particularly for debt-ridden Third World countries. For those latter countries, the real rate of interest of their dollar-denominated debt has risen well above that for American borrowers . . . in the years 1981 and 1982 their combined payment deficits on current account were nearly entirely made up by their net interest payments . . . nearly all their net capital imports had to be used for interest transfers abroad."

The former central bank chief continued, "Positive real interest rates are here to stay and in the foreseeable future probably at a relatively high level, especially for dollar debt

deficits are bound to keep real interest rates relatively high."

This means, Emminger added, that countries with large debt burdens must submit to savage adjustment. "Over the recent period of inflation the world has accumulated an awesome volume of debt. This is true not only in the international field. It is equally true of inflated domestic debt, particularly government debt . . . world debt (outside the communist bloc) both domestic and external increased in the decade from 1971 to 1981 at an annual rate of at least 15 percent while world production in real terms increased at about 3.5 percent. We really are living in an over-indebted world. Some have been saying that this problem can be solved only by inflation or bankruptcy. But we can afford neither. We are bound to have to make the appropriate adjustments.

"In the field of domestic debt, the adjustment has barely begun," Emminger declared. "I do not intend to go further into all these problems except to draw the conclusion that the government debt situation in the major industrial countries calls for an enormous adjustment effort with scarcely any room for stimulatory fiscal policies."

To argue that the high interest rates proceed from the U.S. budget deficit (which Emminger considers to be a permanent fact of life) is absurd, he continued, because "it is precisely the American budget deficit which is the chief propellant of the present recovery in the U.S.A. Ironically, this pure Keynesianism—government deficit spending through income tax cuts and high defense expenditures—provides the driving force behind the Reagan recovery."

Emminger politely ridicules IMF managing director Jacques de Larosière's argument that 3 percent growth recovery in the OECD countries might make the problem manageable. "At least for 1983 and 1984," he argues, "this is highly doubtful. . . . The present indications are that the world economic environment for the necessary payment adjustments of the debtor countries appear less favorable than that assumed by [de Larosière]."



# Jobless decline: latest fake 'recovery' figures

by Leif Johnson

A recent poll reported by columnists Evans and Novak found that 14 percent of the population now believes that the recession has ended. Last May, 18 percent of the population believed the recession was over. This must have come as depressing news to those, particularly in the administration, who have been whooping recovery with every statistic reported in the press.

The President devoted a substantial part of his Aug. 7 radio talk to the Bureau of Labor Statistics report of the previous day which found unemployment had dropped half a percentage point from June to July, the largest month to month drop since December 1959.

The President's continued belief in the recovery is being met with enormous cynicism by the American population, as the Evans and Novak report indicates. Most Americans, correctly, believe that the officially reported unemployment statistic vastly understates the real level of unemployment.

Yet the problem for the administration's recovery-mongering is more serious than that. Even if we accept the BLS figures which intentionally omit more than 10 million of the disguised unemployed—the welfare population, part-time workers (which the BLS counts as “employed”), older men pushed out of the workforce before age 65, students who would work if they could find work, and the handicapped—the July unemployment figures provide no evidence of any recovery.

In every recovery, including the 1976 turnabout, adult men returned in substantial numbers to their former jobs. As a BLS economist explained, “Traditionally, adult men predominate in cyclically sensitive industries. Therefore, their return to employment is taken as a definite sign of recovery.” This is precisely what has not occurred in the imagined recovery of 1983.

The drop in officially reported unemployment from June to July shows that joblessness among adult women dropped 8.8 percent and unemployment among teenagers decreased by 6.9 percent, but unemployment of adult men sank only 1.5 percent. This means that proportionally, the hiring of women and teenagers was much greater than that of adult

men.

The failure to rehire adult men is a very strong argument, even by official statistics, against the notion that there is a recovery in the U.S. economy. But further analysis is even more conclusive. In the table, “Persons at Work,” the BLS reports that there was an increase (seasonally adjusted to discount the summer hiring bulge) of 1.714 million, of which 781,000 were in part-time jobs. Thus 45.6 percent of all additional persons at work were part-time workers, a phenomenon entirely uncharacteristic of a genuine recovery.

The administration, among other recovery boosters, has made much of the reported half percentage point July drop in unemployment being the largest since December 1959. Scrutiny of the 1959 unemployment drop using the same categories—adult men, adult women, and teenagers—shows a profound difference between the actual recovery of 1959 and the imagined one of 1983. From November and December 1959, the increase in adult male employment was 589,000, a percentage rise of 1.4 percent. The drop in adult male unemployment was 414,000, in percentage terms, 18.0 percent. But from June and July 1983, the rise in adult male employment was only 292,000, or 0.5 percent, while the drop in unemployment was a scant 80,000 or 1.5 percent. The contrast could scarcely be sharper: the large November-December 1959 drop in adult male unemployment shows the effects of a true recovery; the shallow dip in June-July 1983 male joblessness shows that no recovery is occurring.

Statistics for female and teenage employment and unemployment for 1959 show the characteristics of a true recovery. Then female employment rose by 0.6 percent and unemployment rose by 3.2 percent (women tend to be replaced by men in a recovery) while teenage employment rose 2.6 percent and teen unemployment increased 4.5 percent. (The reason for these seemingly contradictory BLS statistics is that they measure the number of people working and the number of people looking for work.) Compare these figures with the 1983 non-recovery: female employment June-July rose 0.9 percent but unemployment fell by 8.8 percent while teenaged employment fell 2.6 percent and unemployment dropped 6.9 percent.

In 1959 the drop in male unemployment was responsible for the entire fall in unemployment; in 1983, the decrease in male unemployment accounted for less than one quarter of the decrease in unemployment reported. Add to this that nearly half of the persons newly at work in 1983 are only part-time, and we have a picture that firmly contradicts any real economic recovery.

What we do see is the misery inflicted upon American families who must send their women and children to work—to an extent yet greater than already reached. We see the once-employed steel worker replaced by his wife and even children to maintain a family income; we may also see him accept a part-time job, perhaps at half-pay. If we take such a hypothetical case, one job is replaced by three—and the total employment increases while the unemployment rate falls.

Of course, the hypothetical steel worker is by no means

just hypothetical: the adult male employment rate (percent of men 20-65 who are in the labor force) was 81.2 percent in 1965 but had shrunk to 72.3 percent in 1981. On the other hand, only 37.6 percent of the women participated in the labor force in 1965 compared to 43.9 percent in 1981, while the teen employment rate went from 38.9 percent to 43.9 percent.

The reason that a drop in BLS unemployment cannot be taken to signify a recovery is that the BLS does not care what kind of job or what hours the worker works. The tragic shift of U.S. employment—from basic industry, construction, and development and infusion of new breakthrough technologies, to menial and low-paid employment in service industries—is of no concern to the BLS unemployment rate. The BLS hides this transformation and the social degradation of the labor force by its own method of measuring employment.

To the BLS, a job is a job is a job. Anyone who works at least one hour during the pay period containing the twelfth day of the month is employed. If an auto worker making \$14 an hour is laid off but finds a job pumping gas from 8 p.m. to midnight at \$3.50 an hour, he is employed.

By the BLS methods of calculations, Hitler cured German unemployment in the 1930s.

Americans not ideologically blinded by the media propaganda machine recognize that the crushing unemployment brought by the second downward descent of the Volcker Depression, beginning in 1981, has been only marginally alleviated. The unemployment figures are faked, however, not merely by statistical juggling (there is evidence of this as well), but in the very definition of employment and unemployment, and in the implications of published figures. To summarize how this is done:

1) The BLS encourages the assumption that a drop in unemployment—as it defines unemployment—is synonymous with economic growth. This year this has been proven a myth, as the failure to rehire adult men in jobs in basic industry, substituting female and teenage part-time jobs, is the clearest sign not of growth, but of a rapid advance toward a non-productive service economy. As the BLS figures themselves show, the economy has merely added low-paid non-productive overhead employment.

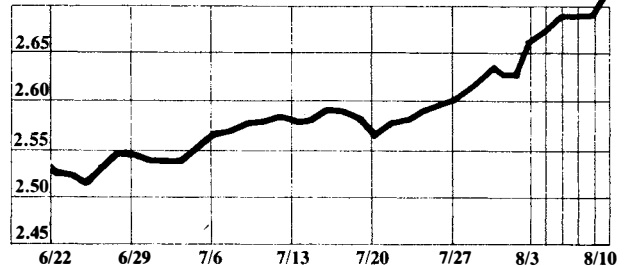
2) The BLS counts even the most marginally employed either in terms of hours worked or type of work as employed. With the inclusion of the Armed Forces as part of the labor force in January 1983, the BLS measure is essentially no different than the one used by Nazi Germany to glorify its cure for unemployment.

3) Unemployment is defined by those workers who are searching for a job. The 17 million Americans working part-time, of whom 6 million by BLS admission would like to work full-time, are counted as employed, not unemployed. More than 1 million workers forced out on early retirement are “out of the labor force,” as are the unemployed temporarily in school or on welfare, and the handicapped. Being “out of the labor force,” they cannot be counted as unemployed.

## Currency Rates

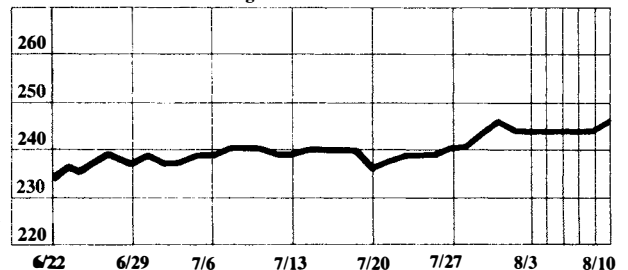
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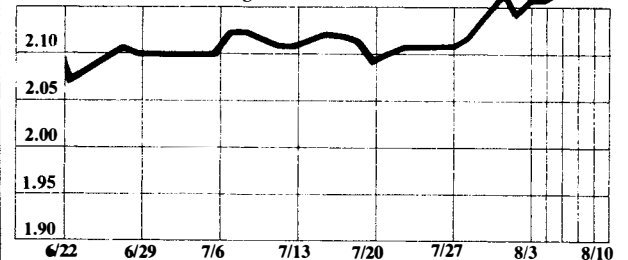
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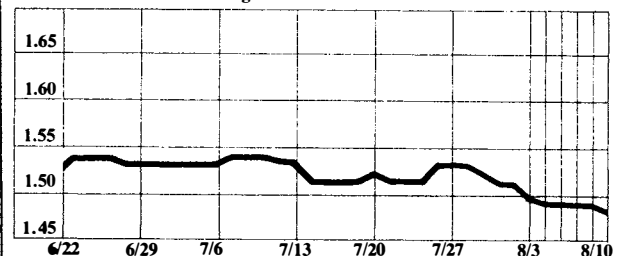
### The dollar in Swiss francs

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### The British pound in dollars

New York late afternoon fixing



# Policy makers rush to scrap price supports

by Cynthia Parsons

"With recovery under way, agriculture will be entering a new era. . . . It's important that we take a collective look at the issues so that we are better prepared to give direction to our industry as it enters that era," Secretary John Block told the July 12 "summit" on farm policy sponsored by his U.S. Department of Agriculture.

Block was invoking the myth of recovery to persuade the 70 heads of farm organizations, agricultural bankers, agribusinessmen, and consumer and labor organization leaders gathered for the most important meeting on agriculture policy since the 1960s to forget the dirigist measures that had made American agriculture the most productive in the world and let the levels of U.S. food production be determined by Adam Smith's invisible hand of "market forces"—i.e., Paul Volcker's high interest rates and the international commodity cartels.

The path to the summit had been paved by six months of meetings led by the USDA, farm groups, universities, and think tanks. The discussions will be used to influence the 1985 farm bill.

Secretary of State George Shultz, Vice-President George Bush, and Block all reiterated to the meeting that current farm programs cost the government too much money, and that a long-term policy had to be designed to bring supply and demand into balance—without the aid of price supports. Price supports and loan programs were termed "insulting" to farmers and were called the chief cause of the current collapse of farm income and exports. Farmers must "produce for the marketplace, not for price supports," as Alan Tubbs, the American Bankers Association representative, commented at the summit.

Further high-level attacks on price supports followed the July 12 meeting. Addressing the National Corn Growers Association's annual convention July 18, Block and Sen. Robert Dole (R-Kans.)

control." Block announced that the administration hopes next year to cut costs in half if Congress can be persuaded to enact

legislation to achieve that goal. Dole added that "unless some of us in Congress from farm states . . . show responsibility and leadership in making the necessary corrections, the future of farm legislation will be extremely bleak."

## End of dirigism

Joint Economic Committee hearings on agricultural policy held during May and June, titled "Toward the Next Generation of Farm Policy," focused on the necessity of determining production by "market demand"—with little or no discussion of the huge international debts and the record interest rates that have brought on world depression and destroyed agricultural markets. Should farmers be forced out of business, it would be a threat to world food supplies that no immediate "surplus" could alleviate.

Although legislated price supports alone are inadequate to ensure the continued productive capacity of U.S. agriculture, the fact that farm organizations showed themselves willing to compromise on guaranteed income, in exchange for government "supply management," demonstrates a level of demoralization equal to that of American labor unions. Farm Bureau President Robert Delano testified that farmer-owned reserve incentives must be lowered, instead of continuing provisions that support prices at "legislated income-support levels without regard to long-term market damage." Delano endorsed the goals of the costly Payment In Kind (PIK) program, saying "the purpose of PIK has been to allow markets to operate so that farmers and ranchers may receive adequate income from the market—rather than from government." Delano added that target prices must be frozen, instead of increasing annually.

A National Farm Coalition spokesman, although very much opposed to freezing target prices or lowering the minimum loan rate provisions, echoed the Farm Bureau. The National Farmers Union called for a supply-management program and said they would consider eliminating target prices if loan prices were raised in return.

Daniel Amstutz, the newly appointed USDA undersecretary for International Affairs and Commodity Programs and former Continental Grain Company employee, called at the hearings for a "world system of liberal agricultural trade, in which producers compete on the basis of comparative advantage"—the same dumping policies that have allowed U.S. steel and other industrial production to be undercut in international markets.

## Long-range policy

While farm leaders and some politicians have to answer to a constituency, and therefore may favor the softer approach of "market management," bankers, economists, and grain companies have been forthright in blaming price supports for the farm crisis. Both groups are going in the same direction—an agriculture based on a fully feudal "free-market" system, and they are only arguing about the method to obtain that goal.

Continental Grain's vice-president for commodity research, Ted Rice, claimed at a seminar for executives in the breadstuffs industry in June that the high cost and deficiencies of the PIK program could be justified if it is used as an emergency plan while the administration and Congress work toward a marketed-oriented agriculture. But in a July 7 interview with *EIR*, Rice likened PIK to "a man shooting himself in the leg. You can put a tourniquet on it, but if he does not get to the hospital for treatment, he will lose his leg. PIK will do nothing to relieve surpluses. What we have to do is let prices find their own level."

"The problem," continued Rice, "is that congressmen know nothing about economics. . . . We must lower the loan rates to the minimum the law will allow—\$3.30 for wheat and \$2.40 corn. Then we must have an acreage-reduction program, taking the largest percent out of production possible. Those who want to farm will comply. Those who don't, won't. . . . As things stand now, yes, we will lose many farmers who are generally bad managers, its too bad, but that's life."

Professor Barry Flinchbaugh at Kansas State University, an agriculture economist and analyst, admitted in an interview that "PIK was cheap this year. But the [\$12 billion worth] of grain the government's giving away eventually will show up in the budget as loss. And operating a farm program after the grain's gone would cost the Treasury billions." This could make future programs less desirable for farmers. In other words, this year PIK will show up as "the best program farmers ever had," he said. But "next year, it will be a cost to the Treasury."

Farmers should lobby for a free market, he said: "It can work. Farmers soon learn to allocate their resources on the basis of demand for their products." It would mean farmers selling directly to foreign governments, which control and subsidize their domestic markets. If too many American farmers competed for these foreign sales, that could make prices unacceptably low. "If our grain production dropped too far, forcing prices up, those prices might reach the point where other countries' production would suddenly seem economical."

Flinchbaugh called for a government program controlled by delegated farmers, which, like the Federal Reserve System, would not be controlled by Congress. "If the system were isolated from the political process, farmers could determine their own production and stocks policies."

John Urbanchuk of Wharton Econometric Forecasting Associates, Inc. summed up the political situation in the following way. "Program management has become a critical issue. It is not clear that the administration has the necessary leverage to run the current farm program in a political environment of tight budget constraints. Without sufficient funds to restrain acreage expansion, we may find ourselves faced with the necessity of 'bailout' programs similar to PIK on a fairly regular basis."

In the Heritage Foundation's yearly policy guide, *Agenda*

'83, author Bruce Gardner called for an immediate end to price supports. Such a move towards a free market is fully endorsed by the grain companies.

The filibuster led by Sen. John Melcher at the end of the last congressional session against the target price freeze, is, indeed, all that stands between the free market and the shards of the current system.

## Building for the summit

The University of Missouri at Columbia, along with the Agribusiness Council of the Kansas City Chamber of Commerce, held a National-Agricultural Policy Symposium in March, marking the 50th anniversary of the writing of the 1933 Agricultural Amendment Act. The theme of every speech was that it's time to change the commodity price support programs of the Agricultural Amendment Act. Jimmy Carter's pioneer free marketeer, former Agriculture Secretary Bob Bergland, now of Farmland World Trade, said that while Congress holds the ultimate power in the formation of farm policy, Bergland said it is not well suited to that task.

Dawson Ahalt, acting deputy undersecretary for International Affairs and Commodity Programs, told the Eastern Federation of Feed Merchants in June, "Frankly, we at USDA realize we are among the worst violators of budget-balancing objectives of the U.S. government."

Policies under consideration, he said, are to continue current programs since inflation is down, although support levels may be too high; to insulate U.S. agriculture in a manner similar to the European Community, including a guarantee of minimum farm prices, export subsidies, and the possibility of strict acreage controls; and to adopt a more market-oriented approach which might freeze target prices and lower price supports. PIK added \$2-\$3 billion to farm income, he said, which will be used to show the success of the program.

Ahalt, talking to Farmland Industries, said that American farmers face three options: produce for world markets or insulate themselves from those markets; take price signals from world markets or have the government heavily involved; choose between "flexible" or "rigid" farm price support programs. "These would not be easy choices to make or accept." The department, he said, has asked Congress to give Block the flexibility to freeze target prices for wheat, corn, rice, and cotton. Those prices mandated in the 1981 farm bill were too high and are encouraging production.

"The market is signaling we have too much and we are continuing to add to the supply. The fundamental underlying program is sending the wrong signals. . . . It is clear, given the situation today, we have too many resources in agriculture."

C. W. McMillan, assistant secretary for Marketing and Inspection Services, gave the same three alternatives as Ahalt, with much more market worship. He claimed that more market-orientation will make it more expensive for U.S. competitors to insulate their farmers from the marketplace.

## A friendly fascist society

*Trudeau is imposing post-industrial policy and a major labor congress has fallen for corporatism.*

**T**he Trudeau government will soon announce the creation of two institutions whose purpose is to impose austerity through government-business-labor corporatism. The backdrop for this development is the emergency measures passed by Order in Council in June 1981 which include the creation of "civilian internment camps."

Although this will be announced as a measure to cope with rampant unemployment, the real aim is to turn the Canadian workforce into a model for a post-industrial "friendly fascist society" based on "work sharing."

On July 25, Trudeau and his cabinet ministers met with U.S. economist John Kenneth Galbraith and labor leaders at Val Morin, Quebec, to implement a new "social contract" on "how to divide up the nation's income." At that meeting, the decision was made to move ahead at full speed with the Canadian side of the policy discussed between Trudeau and some 20 top American executives at a meeting held in Ottawa on Oct. 16, 1982 (see *EIR*, Nov. 16, 1982).

On Aug. 1, the news came out of the Couchiching Conference at Geneva Park, Ontario, that the post-industrial society has arrived. Therefore, "people must be prepared to share work and develop new jobs in the human services," said Stuart Smith, chairman of the Science Council of Canada. "The only way to share the wealth," he said, "is by sharing the work." The Science Council of Canada, under Minister of State for Science and Technology, Donald J.

Johnston, was created at the instigation of Aurelio Peccei, head of the Club of Rome, in 1973.

This scenario was fully elaborated in 1982 by Kimon Valaskakis, director of the Club of Rome front group called GAMMA at the University of Montreal. In his script for the Canadian government titled "The Management of Time in a Conserver Society," Valaskakis proposes a "Mafia model" of contract work sharing as the alternative to the traditional work schedule. "The advantage of contract work for an institution is that it can 'rent' people rather than 'buy' them. . . . This alternative is, of course, not new. The Mafia . . . has been using it for years."

The bottom line for both Canada and the United States was given at Couchiching by Vincent Mosco, professor of communications at Temple University in Philadelphia. "The majority of jobs created in the high-technology world won't be glamorous or stimulating, but low skilled, low-paying, low-benefit work requiring little education," Mosco said. He added that "the industrial worker who is replaced by a robot may find his next job sweeping floors or serving hamburgers. The people who will find the most job opportunities are fast-food workers, janitors, and sales clerks."

It was decided at Couchiching, and reported in the Montreal *Gazette* by Richard Gwyn on Aug. 3, that Employment Minister Lloyd Axworthy, the kingpin of the "work sharing" scheme we exposed this spring (see

*EIR*, May 24), will set up an Industrial Labor Market Analysis Institute to replace his own Canadian Occupation Protection System (COPS).

The other new institution set up will be called the Canadian Institute for Productivity and Employment Growth (CIPEC), to be administered by Industry Minister Edward Lumley, the keynote speaker at Couchiching.

Just as the COPS apparatus was designed to police the work force, ILMAI and CIPEC's job will be to channel labor displacements from the remains of the industrial society. During the latest weekend close session at Val Morin, ending August 7, Axworthy announced to the *Globe and Mail* that there are already 14,000 work-sharing agreements involving more than 300,000 workers, and that he wants a "permanent work-sharing program," which he considers a "revolutionary way to ease unemployment."

As for organized labor, it is "coming inside the tent," as Gwyn put it. Canadian Labor Congress executive vice-president Shirley Carr will co-chair the steering committee of CIPEC in collaboration with Tom Aquino, president of the Business Council on National Issues. The only sane reaction came from Tom McGrath, national vice-president of the Canadian Brotherhood of Railway Transport and General Workers, who told the *Globe and Mail* August 9 that work sharing is "people sharing the poverty, not sharing the goods."

The Couchiching conference was set up by the Canadian Institute on Public Affairs (CIPA), a Club of Rome think tank headed by Nona Macdonald, who is also a board director of the Empire Club. One of CIPA's executive officers is Janet Smith, assistant secretary of the Privy Council Office.

Next year's conference is titled "What's Left? What's Right? What's Next?" What will be left, indeed?

## New flight-capital wave 'stupendous'

*The inside story on how portfolio managers profit from "arbitrage" between long- and short-term instruments.*

The continuing European central bank "interventions" on foreign exchange markets are not serious attempts to stem the rise of the U.S. dollar at this time. The Swiss central bank, which is synonymous with the Nazi International-controlled Bank for International Settlements, was actually buying dollars this week, to drive the German mark downward in line with the collapse of other European currencies.

For the short term, the net effect of these central bank "pokes" in currency waters has probably been little more than to cheapen the cost of dollar purchases for the investment managers of the European private investment funds who are now running a large round of flight capital into the United States. The central banks are setting up Europe for a massive new round of devaluations and loss of purchasing power.

In the meantime, the managers of the powerful family fortunes (*fondi*) are raking in extraordinary earnings through a process of "arbitraging" transfers of old and new flight capital inflows into the United States, shaving off the difference between last year's long-term investments and this year's short-term investments.

How does this work?

In discussions with New York bankers who work with European investment managers, *EIR* has traced the step-by-step investment strategems the *fondi* managers have pursued since August 1982, the turning point in the Ibero-American and world-debt crisis in large part, what the *fondi* man-

agers have done is to take advantage of the opportunities for arbitrage which have been created through the process of deregulation of U.S. financial markets since 1979. A not-so-visible effect of such deregulation—that is, of the creation of what is often called the financial supermarket—is the way deregulation "pools" the gross resources of the U.S. financial system.

For the European flight capital investment houses, this means that they are virtually guaranteed a buyer for any paper which was good last month but which may no longer be a premium investment. Thus, the "risk" to the foreign investor of playing with very large sums of money is greatly reduced—especially when the sheer profit earned on the rise of the U.S. dollar is calculated into the earnings evaluation.

When the Ibero-American debt crisis hit last year, some \$10 billion plus in European flight capital came into the United States, "piggybacking" on the much larger flow from panicked Latin American investors. Under the pressures of this "flight to quality" and the shortage of U.S. dollars to finance debt payments worldwide, the dollar gradually appreciated, guaranteeing a higher return on those investments. However, U.S. interest rates were under 10 percent for most of that time.

Thus European investment houses concentrated their dollar investments in the longer-term bond market. According to an informed Wall Street source, however, these bond purchases were *not* made with intent to accrue

earnings off the bond coupons. What the foreign investors were primarily interested in was the *short-term* resale potential of big-name U.S. corporate bond issues. "The name of the game," the source emphasized, is "portfolio management."

The same source indicated that in approximately early June, the managers of European flight capital transactions began to put out the word that until U.S. rates went up again, they would yank their money out of the United States. "A leading West German investment fund, which placed \$1 billion in U.S. corporates in 1982, estimated that they had probably earned everything they possibly could, and that unless interest rates start rising, there is no reason to keep their money here."

Uncertainty over U.S. rates prevailed until late July, and in that period a certain amount of foreign investment was indeed pulled out of the United States. Swiss bankers say some of these funds ended up in Italy, where supporters of Italian Prime Minister Bettino Craxi have come to the conclusion that this is a great time to buy into the Italian stock market, in order to support the neo-Fascist reorganization of Italian industry.

However, once Paul Volcker was reconfirmed as Fed chairman, and U.S. rates took off, the outflow from the dollar ceased. A new round of funds, plus last year's cashed-in investments, is being placed, we are told, primarily in the stock market; flight capital will only start moving into money market instruments if money market rates go well over 10 percent.

What permits the "cash-in" of earlier investments and removes the risk on such transfers, is the immense rise in deployable, reserve-free liquidity in the U.S. financial system overall as a result of banking deregulation.

## Rubbing Congress's nose in the dirt

*Interest rates will move higher; the prime could be 12 percent by the end of the summer.*

On Aug. 11, Chase Manhattan led the way for the country's large banks in raising the prime rate from 10.5 to 11.0 percent. This is likely to be the first of several increases.

Monte Gordon, chief economist for Dreyfus in New York, reported, "The prime will probably go to 12 percent or higher. Based on market conditions, the prime should be 12 percent right now. The prime is lagging behind the other short-term rates.

"The banks waited to raise the prime. They couldn't do that while Congress was voting the IMF subscription increase. That would be like the banks rubbing Congress's nose in the dirt. So, the minute Congress recesses, bingo, the banks raise the prime."

The Dow Jones industrial average plunged 20.23 points Aug. 9, resting at 1163 at day's end. From the Dow's high of 1248 the first week of June, the steady rise in interest rates across the board has lopped 85 points off the Dow average. Dreyfus's Gordon believes the Dow could soon go down to 1050.

Three things are forcing up the prime.

First, there is the policy decision reached by Federal Reserve Board chairman Paul Volcker to threaten President Reagan with destruction of the phony recovery through higher interest rates, and thus confront the President with a domestic economic crisis at the same time that the President is hit with crises abroad.

The newly reappointed Volcker told Congress in hearings July 28 that

he thought interest rates would move higher, sending a shock through the markets. Then, as I reported last week, Volcker, in order to drain liquidity, sold Treasury securities by invitation to individual banks, rather than a general offering. As one New York banker said at the time, "By conducting federal funds operations on a customer-by-customer basis, the Fed was giving a signal that it was pleased with the rise in the federal funds rate." Federal funds set the base level for other interest rates.

On the same day that Volcker spoke, his alter ego, Henry Kaufman of Salomon Brothers, predicted higher interest rates. On Aug. 5, First Boston economist Henry Wojnilower—he and Kaufman are known on Wall Street as "Dr. Death and Dr. Gloom"—predicted 13 percent Treasury bond rates before the end of the year.

The second factor in the interest-rate increases is a tremendous demand for dollars internationally, which is pushing up interest rates.

Ibero-American nations service their \$300-billion-plus debts in dollars; Western Europe's debt must also be paid for the most part in dollars (see Special Report). This demand for dollars has pushed the six-month Euro-dollar rate to above 11 percent, more than a percentage point above the comparable six-month rate in the United States. The higher interest rates in the Eurodollar market can be expected to contribute to the upward pressure on rates across the Atlantic.

Finally, there is the tremendous financing required to cover the U.S.

budget deficit, which will be \$210 billion for fiscal year 1983, despite administration claims to the contrary. This too requires dollars.

What about the "recovery"? McGraw-Hill economist Joe Speers reported Aug. 9, "I believe that the increase in interest rates will hurt housing pretty bad.

"I think that all the people who could buy homes at 13 percent interest rates have already bought them. Now rates are above that level [13.75 percent]. The multi-unit housing complexes have already gotten their money to be built. They won't be able to borrow much new money."

Chris Palmer, editor of the Birmingham, Alabama-based newsletter "Palmer's Lumber and Plywood Forecast," told *EIR* Aug. 12, "I'm looking for housing starts to slow down to 1.5 million or even 1.4 million on an annual basis." Housing starts were reported to be 1.7 million units in July.

The slowdown is already foreshadowed in the decline in lumber prices, which reflect the level of homebuilding activity.

The benchmark price for softwood lumber, which stood at \$243 a thousand board feet at the beginning of June, fell to \$195 July 31, and to \$178 on Aug. 5. Chris Palmer predicted that the price could fall to year earlier levels of \$130 per thousand board feet within 30 days.

As for auto, the other side the Treasury-debauching Keynesian recovery this spring, General Motors Acceptance Corporation has announced that it must pay 9.5 percent for its commercial paper, which dooms its 9.9 percent consumer loan interest rate for selected auto models. Since the auto boom is attributable in the main to such programs, their termination will also terminate the eight-month auto recovery.

# Business Briefs

## U.S. Labor

### **Contract settlements lowest in 15 years**

The U.S. Bureau of Labor Statistics revealed Aug. 8 that collective bargaining contracts settled in the first six months of 1983 were the lowest for any six-month period in the past 15 years of reporting. Average wage adjustments were 0.9 percent for the first contract and 27 percent annually for the rest of the contracts, as opposed to 8.4 percent for the first year and 6.7 percent for the remainder of the contract the last time contracts were negotiated—only two to three years ago.

A full one-quarter of the 1.2 million workers covered by settlements in the January to June 1983 period took wage cuts. These included over 325,000 steel and construction workers, whose wage cuts averaged 6.3 percent. Another 300,000 workers will lose 0.6 percent of their wages for the duration of their contracts.

One-fifth of the workers under new contracts will receive no specified change—i.e., increase for the duration of their contracts. Construction workers received the industry's smallest wage and compensation adjustments in 15 years—reflecting contracts that provided no wage increases, but raised employer contributions to benefit funds.

Only 550,000 workers were covered by Cost of Living adjustments—amounting to a 5.9 percent wage increase for the duration of the contract. But half the workers covered by COLA clauses took wage cuts of up to 2.7 percent for the first year of their contracts.

## U.S. Infrastructure

### **Subway collapse shows economic decay**

A 50-ton steel and concrete ceiling collapsed 25 feet onto the mezzanine concourse of the Journal Square Transportation Center train terminal in Jersey City, New Jersey Aug. 8, killing two persons and injuring nine. This collapse occurred one month after the Mianus highway bridge, which is part of

Interstate System 95, collapsed outside of Greenwich, Connecticut, killing three people. If the bridge collapse had occurred at rush hour, and not at 3:00 a.m., hundreds might have died.

The two accidents underscore the fact that the U.S. economy is not recovering, but rather its infrastructure is collapsing at an accelerating rate, after four years of Paul Volcker's depression. The U.S. interstate highway system was built in the 1950s and 1960s, and was intended to last for 25 years. But only minimal maintenance work has been done in the 1980s, leading to the collapse of the system.

The roof of the train station in New Jersey, which is run by the Port Authority Trans Hudson (PATH) railroad, was built only eight years ago. It was inspected in April, and found to be sagging, but funds were not appropriated for its repair.

## Operation Juárez

### **Brazil joins 'integration drive'**

Brazil's foreign ministry announced plans Aug. 10 to send a top-level government delegation to represent Brazil at the Sept. 5-9 OAS meeting in Caracas, Venezuela. The Ministry announced that Ibero-America's foreign debt would be the top item on the agenda and revealed "unofficially" that discussion at the summit meeting would focus on how to achieve a common regional negotiating stance with their creditors.

The London *Financial Times* and the *Journal of Commerce* carried the story on their front pages Aug. 1, with the warning that Brazil appears to have "joined the mood" of the other debtor countries in seeking collective renegotiation of their debts.

Although the Brazilian government is cited "vehemently denying" plans to go with a debt moratorium and insisting that the Caracas meeting would not be the occasion for forming a "debtors' club," the tone of the U.S., British and Swiss press coverage was decidedly unconvinced. Exemplary is a note in *Newsweek* magazine of Aug. 8 which points to "an ominous meeting" about to be held in Caracas on the debt and cites a "Rea-

gan administration official" warning that "the potential of the meeting is awesome."

"Brazil," notes the *Financial Times*, "is to participate next month in an unprecedented meeting of Latin American debtor countries, aimed at reaching an informal coordination of positions over the renegotiation of their \$310 billion-plus external debt . . . the idea of a debtors' club has been aired increasingly over the past year . . . but the refusal [to join] up to now of Brazil . . . was always the stumbling block."

The French daily *Le Monde* reported that the OAS meeting will establish the "debtors' club," and that the entire continent has a policy of rejecting IMF conditionalities, and if the attempt is made to force countries to submit, the result will be that they will not pay their debts.

## Agriculture

### **Congress leaves wheat prices uncertain**

United States wheat farmers face an uncertain situation in planning their 1984 wheat crops. A filibuster led by Sen. John Melcher (D-Mont.) stopped passage of legislation to freeze target prices (see Congressional Closeup). Without any new legislation, option two of the 1984 wheat program announced by Agriculture Secretary Block July 29 will go into effect. However, if Congress passes new legislation in September, wheat prices for next year could change drastically.

Block's option two states that if the target price automatically escalates to \$4.45 per bushel, there will be an acreage-reduction requirement of 30 percent, and, for farmers who divert additional land from planting, there will be a payment-in-kind program giving farmers 75 percent of what they would have grown in surplus grain.

The proposed legislation would have frozen the target price at \$4.30 per bushel, with an acreage-reduction requirement of 25 percent and payment-in-kind program for farmers who diverted additional land. PIK compensation would have been 80 percent of the program yield.

Under Block's option, the national average loan and purchase rate will be \$3.30



per bushel. The 1981 Food and Agriculture Act sets the loan rate at this level, because the season's average price for the 1983 crop is expected to be less than 105 percent of current loan rate.

### ***Ibero-American Debt***

## **Venezuela: current debt renegotiation 'provisional'**

The existing bilateral debt renegotiation arrangements which many Ibero-American countries have made with their creditors are "only provisional," Victor Giménez Landínez, Venezuela's ambassador to the Organization of American States (OAS), declared Aug. 10.

Giménez Landínez said that long-term solutions to the debt crisis are needed, and that such solutions would be the subject of the hemispheric economic meeting to be sponsored by the OAS in Caracas on Sept. 5-9. The meeting will take place at ministerial level, Giménez Landínez stated, with or without the participation of the Reagan administration. His comments were almost simultaneous with Brazil's affirmation that it would attend as a full participant.

### ***Research and Development***

## **Japan develops laser cable**

A Japanese government laboratory has achieved the world's first successful development of a hollow optical fiber cable that could efficiently transmit a carbon dioxide gas laser beam infrared ray, according to Kyodo News Service. The new cable can be used in laser surgery, cutting, and other processing methods, with wide industrial application, researchers at the Ministry of International Trade and Industry (MITI) stated Aug. 3.

Non-hollow, conventional optical fiber cable cannot efficiently transmit a gas laser beam infrared ray.

The new cable, with a quartz glass core, is based on an entirely different concept and

structure than conventional cables, researchers stated. It could transmit laser beams over long distances without repeater, and with less than half the loss sustained by the most efficient current fiber-optics communication cables.

### ***Ibero-American Labor***

## **Bolivian unions demands debt moratorium**

The Bolivian central labor council, the COB, presented the government of Siles Zuazo with a specific program as the basis for its joining the government on the president's urging. Foremost among its demands are "a postponement on payment of the foreign debt to the international banks" until the Bolivian economy recovers sufficiently to make such payments feasible.

The 12-page document the COB presented to Siles Zuazo the second week of August declares that the government has only two options: "To submit to the dictates of the International Monetary Fund and to the pressures of the privileged economic groups, which are its allies and sustainers, or to undertake as a firm decision, co-government with the Bolivian Labor Council, formulating a new economic and social policy in defense of the national interests and in protection of its human capital." The document also urged a Bolivian "regional policy" based on economic integration, which was discussed at the July 24 Andean Pact summit in Caracas.

Siles Zuazo offered the COB 6 of 18 ministerial positions to resolve the economic and political crisis that is paralyzing the country. The COB is now prepared to give the government a "prudent" period of time to accept, negotiate or reject its proposals.

In Argentina, the two rival federations of the CGT labor central joined the week of Aug. 8, with the mediation of the Argentina church, to present the government with a unified petition for drastic alterations in its economic and wage policies. The labor federations asserted that if they do not receive an immediate and positive response from the governing junta on its demands, they will mobilize a national strike.

# *Briefly*

● **ARGENTINA** must end its "discriminatory practices" against the British banks and speed up repatriation of funds seized during the Malvinas War, or those banks will pull out of the recently arranged \$1.5 billion loan package, according to the *London Guardian*. There is a risk that if the issue is forced, Argentina, which is "self-sufficient in oil and more economically resilient than Brazil" could declare a debt moratorium and pull the Ibero-American continent along with it. But the risk is worth taking, if the funds are to be recovered, the *Guardian* concludes.

● **SAO PAULO's** Federation of Plastic Industries president denounced the increase in U.S. interest rates because of the effect on Brazil's economic crisis. Brazil has to pay \$450 million more in interest alone with every one point rise in interest rates.

● **THOMAS REICHMANN**, the director of the IMF delegation to Brazil, told Globo network television Aug. 10 that because of delays in concluding an agreement with the IMF, the release of two scheduled loans that were to have been disbursed in May and August, will be delayed until October. Brazilian Finance Minister Galveas responded that "we are \$2 billion behind in payments, but if we do not get any money we cannot pay."

● **ULYSSES GUIMARAES**, the president of Brazil's largest opposition party, the PMDB, announced Aug. 10 that his party proposes a moratorium on the foreign debt, direct presidential elections, end to emergency decrees, and an end to recessive economic policy to end the economic crisis. The PMDB president also said that he will propose to the party's executive that the PMDB challenge before the nation's supreme court the constitutionality of the existing accords with the IMF and the foreign banks.

## The debt blow-out of the 1980s: Western Europe

by George Gregory and Laurent Murawiec

Western Europe's central banks have already decided that the present collapse of their currencies will provide the occasion for a general "purging" of the debt-loaded European economies. The model for both West Germany and France is already visible in Bettino Craxi's Italy, where the makework employment methods of Mussolini have been installed under the Venetian finance minister, Bruno Visentini.

The currency crisis, which will ruin the European Monetary System—since 1978 the last prop of internal European trade—will plunge Europe into a general depression crisis, coincident with the disintegration of the spurious American recovery during the September-October period. In particular, the collapse of the French franc and the expected institution of additional exchange controls and a protectionist trade policy will ruin West Germany's exports, shattering the core of Europe's economy.

At least five Western European countries are *already* on the verge of turning over their economic policy-making powers to the same teams of the International Monetary Fund that have wreaked havoc with Third World economies. The combined foreign debt of Belgium, France, Denmark, Spain, and Italy, the "Most Affected Countries" of Europe, tops \$320 billion, a shade more than Latin America as a whole. These economies are stronger? They represent a greater debt-carrying capacity? The reader will see for himself that they do not—unless they agree to bleed investment, social services, and living standards in the way Nazi Germany stabilized its own debt in the 1930s.

The long-term deterioration of Europe's state finances is the product of 20 years' deterioration of the Bretton Woods system. *EIR* showed in a study published Sept. 15, 1982, that the collapse of investment in the West German economy and the decline of Europe's industrial productivity in general is attributable to the vicious circle of European terms of trade: the more West Germany exported, the less social surplus it had available for capital investment in domestic industry. The long-term undervaluation of the German mark during the 1960s was followed by, in quick succession, two devastating increases in the price of imported oil, and an



Women selling tin cans to feed their families in Weimar Germany: just the first effects of the last European debt crisis.

increase in the dollar-financing cost of West German interest rates through the Paul Volcker monetary régime.

Now the last phase of what is, fundamentally, a dollar crisis has brought Europe to the final economic extremity. The rapid decline of European currencies will undermine the continent's capacity to manage a dollar debt burden in excess of \$300 billion, forcing its economies into the most brutal form of bankruptcy reorganization: the ultimate consequence envisioned not only by Italy's Craxi, but by the German-speaking central banks as well, is an immiserated, fascist Europe under the economic wing of the Soviet Union.

Not only France and Italy, but also the apparently more favored Europeans, namely, West Germany and the Netherlands, have *already* mortgaged their productive capacity in the last decade for the purpose of settling debt—be that in the form of public debt, corporate debt, or household debt. Contrary to the doctrinaires of economic faculties, it makes no difference whether it is the state, the corporate sector, or individuals that incur debt: *what matters is whether debt is incurred to invest productively or not.* European nations have incurred enormous amounts of debt for unproductive purposes.

The insurance giants, those game-masters of international finance, generally classify countries (and other entities) according to degrees of indebtedness: degree one is debt on projects; degree two is debt incurred to repay project loans; degree three, debt to repay debt incurred to repay debt, and so forth. In their current calculations, France is at the third degree, Italy at the fifth to sixth degree, Spain at the sixth degree, Britain at the fourth, Belgium is beyond calculation,

and Switzerland is covered, "since everybody owes *them* money." The short-sightedness of monetarist financiers: when all the debtors collapse into default, what are the creditors' claims worth?

Let us take a bird's-eye view of the main categories of debt over the recent period (see **Figure 1**).

How did such an immense burden of debt accumulate in the stagnant economies of the past decade? Not because "consumption" was favored to the detriment of "investment." Both have fallen victim to the Moloch of debt. Evidence for this is provided by the fact that *both* the "hard currency" countries that led the proverbial policy of stability, such as Germany and the natural-gas-rich Netherlands, and the "soft currency" countries with their burdens of inflation, have slid down the same path.

In themselves, the statistics in Figure 1 could be misleading—it is not the magnitudes per se that matter, but their reciprocal correlations: France's or Spain's domestic debts are fairly small, but the counterpart is massive foreign indebtedness. Corporations in both countries have tapped the Euromarkets in huge proportions to escape credit controls. Similarly, the rate of growth of German or British state indebtedness appears to have been kept within reasonable bounds—but it started from very high levels. And, in all cases, as the country studies below show, the 1978-80 period witnessed an extraordinary acceleration of all debt ratios for all nations concerned, an acceleration which has essentially abolished differences in historical patterns.

Could economic recovery flatten the debt-to-output ratios in such a way as to increase the debt-carrying capacity of the

**Figure 1**  
**Debt expansion in European Community nations**

	Increase of public debt 1975-82 in %	Increase of foreign debt in national currency in % 1975-82	Government debt per capita in 1982 dollars	Debt to GNP in %
West				
Germany	119	189	4,048	39
France	450	7,900	1,210	13
Italy	353	219	4,263	61
Spain	253	240	588	23.9
Holland	168	0	6,808	73
Belgium	245	9,560	10,204	107
Sweden	413	802	6,385	61
Denmark	300	900	6,078	47
U.K.	113	n.a.	10,357	111

European economies? It certainly could, *if* the recovery were based on unprecedented levels of high-productivity capital formation in infrastructure, energy, and plant and machinery. Any "countercyclical" patchworks like the programs of the mid- to late-1970s, would make things much worse. For it was precisely these programs, as introduced under Helmut Schmidt in West Germany or James Callaghan in Britain, that are to blame for the present debt heap. Schmidt's deliberate policy of loading the government accounts with debt incurred to fund investment incentives and related programs—a "pro-business" Keynesian policy—held things up for a few years. But the equally deliberate refusal to commit the Federal Republic to crash development of nuclear energy was a suspended death sentence for the West German economy, which is now paying the price in the form of interest. The supposedly pro-labor policies of James Callaghan in Britain (1973-78) fared no better. And the French imitator of Mrs. Thatcher, former Prime Minister Raymond Barre, presided over the most formidable explosion of public and foreign debt seen in recent French history during his 1976-81 tenure.

### The fundamentals

The common feature of European nations' economic policies of the last decade is the fact that each unit of output, of capital formation, has been paid for, first, by an ever-increasing amount of debt, and, in a next phase, the hard-commodity impact of every additional unit of debt has decreased exponentially. In short, an immense amount of powder has been accumulating for the inflationary bomb of debt.

Policy makers have refused to tackle the fundamental problem: the stagnation and shrinkage of world trade due to the consciously Malthusian policies of the International Monetary Fund, the Bank for International Settlements, and the international merchant banking establishment, with com-

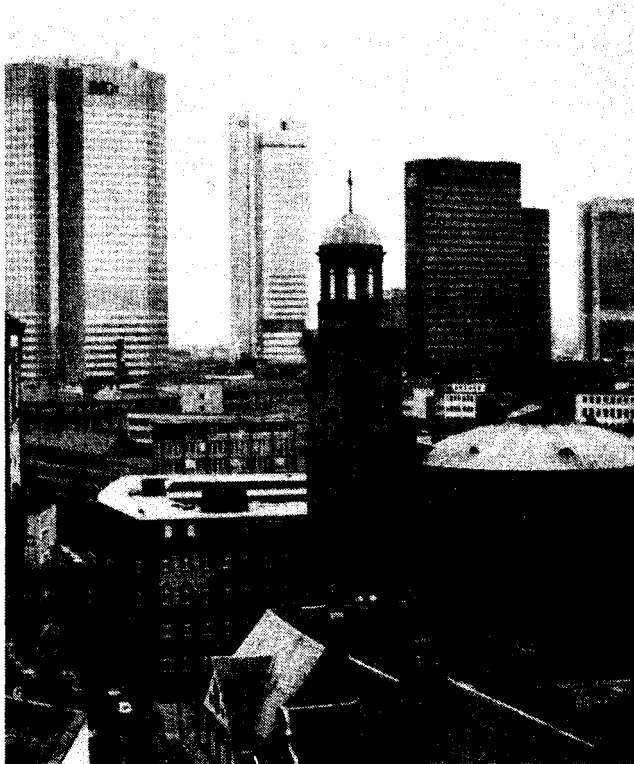
mercial bankers trotting ignorantly behind. The policies of deflationary austerity which have destroyed the gigantic potential export markets in the Third World, and choked NASA-like "Great Enterprises" in Western nations, found their consummate expression in the insane usury of the U.S. Federal Reserve. The amount of fictitious financial paper has multiplied many times over the growth of production. The tax imposed by debt on the proceeds of real output has grown while the productive basis shrank: the stage was set for an exponential growth of debt. The weakest link in the world economy, the Third World, broke first. The turn of Western Europe is nigh.

The Eurocurrency markets presently amount to about \$1.7 trillion dollars. Given the interest rate structures of the last few years, it has been estimated that \$210 billion per annum in interest had to be generated simply in order to maintain the breakeven functioning of the market by means of regular interest payments! And this, while the deposit base of the market is contracting (OPEC is now in deficit and is withdrawing deposits; multinational corporations have less liquidity at hand; large amounts of Euro-liquidity are frozen by moratoria or defaults). Interest rates, powered in an earlier phase by the demand for rollover funds, are sent up also by this relative scarcity. The debt burden is self-feeding.

Where can the money come from to feed this monstrous accumulation of fictitious values? From looting the existing wealth of economies, which cease to invest to pay replacement cost of labor and society. The more debt service a country pays, without investing in return, the more it will have to devalue its currency and the greater the quantity of domestic currency will be required to purchase the means of debt payment. The country will have to export real wealth to purchase the repayment of a fictitious debt. The terms of trade will collapse.

This is not, or not only, the portrait of a developing nation. In fact, the domestic debt structure of, say, Brazil, is far healthier than that of many European countries described in this study. European countries whose debt mortgaged one year or more of GNP (Belgium, Britain); 20 months of taxes (Germany) or 34 months (Holland); 10 months of exports (France); or represents three times the value of capital formation, compared to only 86 percent less than a decade ago, as in the case of Sweden, are far advanced down the road of economic disintegration, and are well on the way to either Weimar's hyperinflation or the post-Weimar Hitler-Schacht policy of cannibalization of capital and labor. The appeal to the IMF might be the first step in this direction, but since the five "Most Affected Countries" of Europe together could claim upward of \$30 billion from the IMF's empty treasury, the exercise might first lead to amusing situations of the IMF's broke creditors begging for undisbursable loans.

In each of the four most vulnerable countries (Spain, Italy, France, Denmark), currency devaluations, either self-imposed or enforced from the outside, have played a major role in increasing the real economic price of foreign debt. In



West Germany's financial sector in Frankfurt: "investor confidence" is evaporating.

any developing country, the vicious inflationary circle of devaluation of the domestic currency in the attempt to earn the foreign exchange to pay debt-service is a hell suffered daily. If, for example, Brazil has \$90 billion in foreign debt, but devalues the cruzeiro 30 percent, overnight 30 percent more real goods will have to be sold to pay the same debt service.

### Capital outflows

Is Europe "finished"? This is certainly what the learned geopoliticians of the Central European school, including Henry Kissinger, would have us believe—the better, it seems, to farm it out to Yuri Andropov's regenerative efforts. At present, immense flows of capital are leaving Europe to seek more remunerative short-term dollar investments, or long-term shelter investment in the Western hemisphere or to settle in the Pacific Basin. To the fairy tales of "recovery," investors—starting with the giant insurance companies mentioned above—are voting with their investment portfolios. Indeed, they are deliberately planning the collapse of Europe.

Johann Philip Freiherr von Bethmann, until recently family owner of the 235-year-old Bankhaus Bethmann in Frankfurt, West Germany, recently sold his last remaining 10 percent share in the bank, and gave up banking totally. Asked by *Der Spiegel* magazine why such a renowned family bank, which financed the Hapsburgs and survived two world wars, should have any fear about high interest rates and the pyramid of world debt, the old aristocrat answered, "Because I fear we

are going to see an immense world economic crisis. . . . I am convinced it will be far worse than the 1930s." He proceeded to explain that the crisis was of such dimensions that he simply no longer wanted to be a banker, even if his own bank would not necessarily be wiped out of existence. Carlo De Benedetti of Olivetti, an Italian spokesman for the old Venetian finance which embodies the insurance companies that dominate the world market, makes no mystery that "a gigantic crash is coming which will wipe out a thousand billion dollars worth of financial claims—we need such a crash for a New Order to emerge."

Another remarkable feature of the present situation is the coincidence of the predicted late-1984, early-1985 crash of the debt of developed nations with the time scale of the evaporation of the "recovery" ghost sold to President Reagan by crafty statisticians and their political controllers. The funny-money-generated mirage is slated to last "until the markets realize what extraordinary hyperinflation has been generated to refinance the Latin American debt, and then horribly panic," as a London merchant banker said.

This is the print-out, the "scenario" that nation-states and populations are supposed to follow, to their own self-destruction. The idea that "debtors of the world should unite," and that there is a fundamental *industrial* community of interest between the emerging Ibero-American debtors' cartel, certain Eastern European nations that might be able to join it, and the industrial nations of the West, can turn around an otherwise desperate situation. Otherwise, the bankruptcy of the Lombard bankers in the 13th century, the South Sea Bubble, the New York Stock Exchange crash of 1929, the Austro-German banking crisis of 1931, will be dwarfed by the blow-out of the European debt.

### West German 'redemption capacity' fades

West German economic propaganda is a parody of the United States' non-existent recovery. The depth of industrial capacity built up in the Federal Republic up to the end of the 1960s has indeed given the country a greater resilience, but that resilience is about to collapse, by the end of 1983 if not sooner.

There are words to describe the process of cutting the throats of West German export-oriented industries, the financial misery of corporations, and the anti-labor recipes recommended which are censored because of their open resemblance to Nazi economic policies. When the WSI economic institute of the German labor federation predicts 25 percent losses of jobs in productive sectors of the economy in the main industrial cities of the Ruhr, due to "changed conditions on foreign markets," the proper word for the policy of "adjusting" to the collapse of export markets is "autarky." When environmentalist leader Carl Amery calls for "lifting the taboo on the word *Arbeitsdienst*" (Labor Service), the policy is called "Labor Front." When government advisers privately confess that they believe "emergency measures" will be required by the end of the year, the message is just as blunt.

As for the renowned “confidence” of investors in the West German economy: At the end of the 1960s, that economy urgently needed a nuclear-energy-based investment drive. In its place, consumerism and long-term deindustrialization took over. There was, however, talk in business circles up to the end of the Schmidt government in October 1982 that at least 100 billion marks in investments could be immediately launched if only political conditions permitted.

In truth, the funds that might have been invested in such “blockaded” projects are no longer in the West German economy. Nearly 60 billion marks have left the country in the form of long-term private capital outflows since the end of 1979. Last year, even with a DM 8.5 billion current-account surplus, over 21 billion marks dribbled out of the economy in private capital outflows.

That is not exactly evidence of long-term confidence, nor is the continued net private capital outflow of DM 12.7 billion through June of this year exactly a show of confidence in the new government.

Such unpleasant facts are related to the debt-carrying power of the West German economy in the following way. Corporate interest payments jumped from 35.5 billion marks in 1979 to 48.5 billion in 1980, at which point interest payments presumably peaked (more recent data is unavailable). Corporations then began using depreciation funds and funds not spent on maintaining stocks for financial investments to earn enough interest themselves to knock down their net interest payments bill. In 1982, the increase of such use of funds was 21 billion marks, 8.5 billion more than the 1981 increase. The corporate sector itself directly bought 7.5 billion in foreign securities. At the same time, corporations took DM 69 billion in bond issues in 1982, 30 percent less than 1981, and took DM 45 billion, or 7 percent less long-term credit than in 1981. Corporate capital formation dropped from 70.7 billion marks in 1980 to 37.4 billion in 1982.

From 1975 to the end of 1982, net corporate debt (not including trade and other short-term credit) increased 66 percent to 1.29 trillion marks. We estimate that net interest on corporate debt increased by 50 percent and would have grown faster had not the above “debt containment” financial strategy

been implemented at the expense of the economy’s capital base.

By May 1983, the German Bundesbank was recommending in its monthly bulletin that the chief means of making non-interest-sensitive funds available to corporations would be to reduce taxes on share capital (a move precluded by the government debt burden, at 629 billion DM, and 1982 interest payments on government debt of over 45 billion marks) and increasing “capital-participation” schemes for workers. For Germans, of course, the latter strategy—giving workers shares in their own factories as compensation for shrinking real standards of living—retains the aftertaste of the “forced savings” plans of Hermann Goering (the Volkswagen “people’s car” swindle).

The total net debt of the West German economy increased over the same period by 84 percent to just over 2 trillion marks, the major increase beginning in 1978, even before the U.S. Federal Reserve threw the oil of Volcker’s high interest rate policy on the flames. At that point, debt was growing at rates of 10-11 percent per year. Foreign debt climbed over the same period from 49.5 billion marks to 143.1 billion (long and medium term).

Even in nominal terms, corporate debt grew 20 percent faster than the value of production. The ratio of the current stock of net debt to the value of production in current prices grew from 0.5 to 0.6 by the end of 1982. The accompanying table shows comparable figures provided by the German Bundesbank’s November 1982 monthly report for “debt redemption capacity,” which measures the ratio of earned funds (profits plus depreciation allowances) as a percentage of liabilities (see **Figure 2**).

Thus, in the Bundesbank measure, “debt redemption capacity” signifies that portion of outstanding liabilities that can be paid off with earned liquid funds available. The detailed breakdown is not available past 1980, but the deterioration for total manufacturing from 1975 through 1981 of 18.4 percent is in line with *EIR*’s calculation of a 20 percent deterioration of the ratio of debt to value of current production. There has been a 33 percent deterioration since 1970.

The relevant ratios for steel, construction, and machinery within the manufacturing sector are evidence of a debt vulnerability which will mean bankruptcies through the corporate sector.

## Investment overview

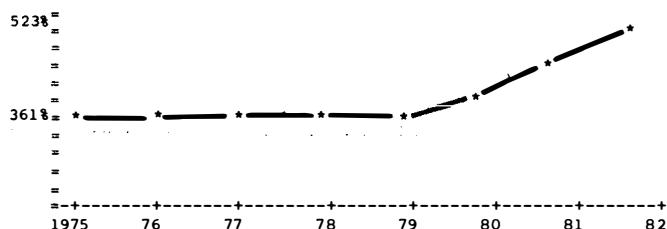
Those ratios, however, only express the relative failure of corporate financial gimmicks. Far more significant is the ratio of net corporate debt to deflated real capital formation, which deteriorated by 45 percent from 1975 to 1982 (see **Figure 3** for the trends in the rate of growth of each). *EIR*’s calculations show the same 45 percent deterioration of the ratio of total net West German debt to real investment in plant and equipment (see **Figure 4**).

The increase in the ratio of the net corporate debt burden to real capital investments expresses the real widening gap between the growth of debt and the expenditure on the indus-

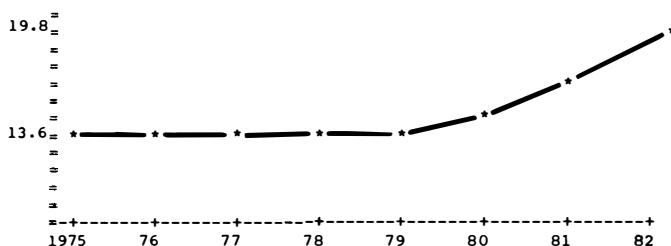
**Figure 2**  
**West Germany: Earned funds as percent of liabilities**

	1970	1975	1979	1980	1981
Corporate sector	22.5	18.4	19.1	17.4	15
Manufacturing	25.3	20.0	21.9	20.0	17
Chemicals	29.8	29.1	34.5	31.0	n.a.
Steel	32.0	20.0	16.5	15.3	n.a.
Construction	16.1	8.4	12.9	12.8	n.a.
Machinery	16.1	13.5	14.6	15.4	n.a.

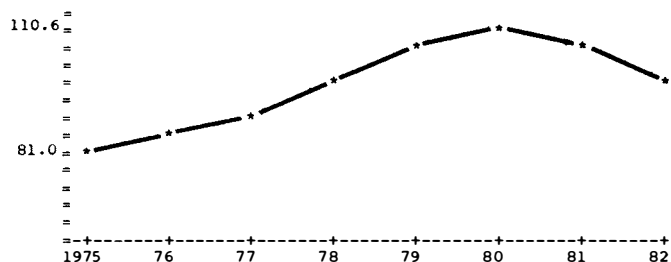
**Figure 3**  
**West Germany: Growth of total debt as percentage of growth of gross fixed capital investment**  
 (1976 prices)



**Figure 4**  
**West Germany: Ratio of total net debt to real investment in plant and equipment**



**Figure 5**  
**West Germany: Investment in machinery and equipment**  
 (billions of 1976 marks)



trial capacity which is supposed to produce to pay the debt.

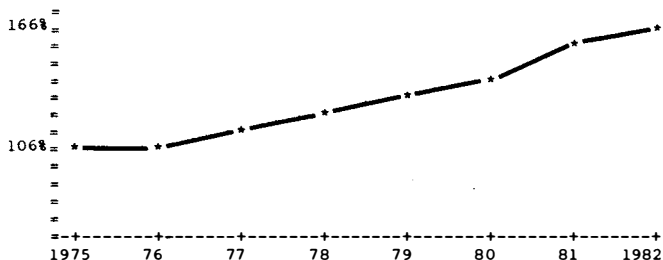
The decline of real investment in 1981 by 3.2 percent, and by 7.2 percent in 1982 (see **Figure 5**), was the price of "debt containment," and the decline cannot be halted under any of the policy options presently entertained by the West German government or financial decision makers.

It stands to reason that the relationship of government debt, currently at 706.2 billion marks (or, minus railway and postal service, 629.5 billion) to tax income has deteriorated (see **Figure 6**) and will continue to do so, in pace with the unsustainable debt in the private economy.

### Failure of Friedman and Keynes in France

France started, in the 1970s, from an extremely low level of indebtedness, be it that of the government, households, or, for the corporate sector, a reasonable level of net indebtedness (once intracorporate sector debt is deducted). The increases have been all the more remarkable. The external debt represented 3.8 percent of exports in 1972, and 39.9 percent at the end of 1981 and probably close to 60 percent

**Figure 6**  
**West Germany: Public debt as percentage of tax income**

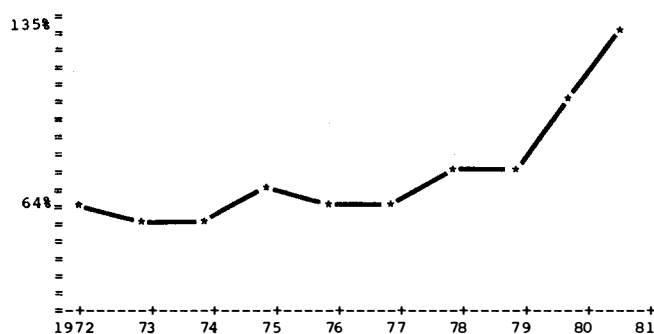


today! The foreign debt has grown exponentially, from irrelevant quantities at the beginning of the 1970s to about 400 billion francs at the end of this year, with an ever-accelerating curve—75 percent of that has been borrowed since 1979. In the same period, corporate debt increased by 40 percent and household debt by 50 percent. The domestic public debt increased almost 50 percent. In sum, the French economy has undergone a profound transformation which makes it one of the most affected of the "debt economies" of Europe (see **Figure 7**).

The foreign debt is rapidly approaching a breaking point where France's international credit will not prevent the humiliation of paying higher and higher spreads to bankers adventurous enough to lend. That phase will be quickly ended by a refusal to lend on the part of international banks. The country, which is presently tapping the markets through intermediaries—the large public sector corporations (with a state guarantee) and European Community facilities—will not be able to do so much longer. The spectre of the IMF is already looming. But problems get compounded: very conservative estimates foresee that by 1986, the country will have to pay, in interest on debt alone, the equivalent of last year's enormous trade deficit!

The Socialist regime has certainly aggravated the situation with its recklessly unproductive spending. No illusions, however, should be entertained about its predecessors and putative successors: all available figures demonstrate that the

**Figure 7**  
**France: Public debt as percentage of gross fixed capital formation**



trend towards exponential indebtedness was either fueling a regular increase since the beginning of the 1970s, or that an inflection point was reached in 1976-77, which marks the beginning of the soaring of most categories of indebtedness. The 1976-81 period is that of the premiership of Raymond Barre, a notorious orthodox monetarist doctrinaire, and that which saw a collapse of private sector fixed capital formation. What has "held up" the country from even steeper declines is the huge nuclear energy investment program—a decision from the early 1970s continued through the early 1980s and persisting inertially even today—which has provided Europe's cheapest electricity generation as well as constituted a dense industrial fabric of high-productivity corporations.

While a limited number of industrial "pockets" representing relatively isolated areas of in-depth industrialization have similarly held up the country's productive apparatus (aerospace/defense, energy, transportation), the sleepy, backward other half of the country, which has come to power with the Mitterrand government, has merely given a new, powerful impulse to the degenerative trends at work during the last years of the Giscard-Barre regime. While more recent figures are not available as of this writing, it is clear that the 450 percent increase of public domestic debt over the 1972-82 period and the cool 7,900 percent increase in foreign debt will further accelerate. With domestic interest rates in the 15-20 percent bracket over the last few years and the deflationary policies applied by Swiss-inspired Finance Minister Jacques Delors, an explosion can be expected in the fairly short term. A fourth devaluation of the French franc is in the cards for October.

### Authoritarian looting ahead in Italy

The data on Italian debt must be placed in the context of the disastrous decline in production in the range of 13-14 percent on average, 20 percent in the basic industrial sectors, for 1983.

The Mussolini-style solution to the Italian debt explosion is being actively pursued by the new government of Socialist chief Bettino Craxi. The Mussolini-style solution proposed for the cost of living escalator (*scala mobile*) is to freeze nominal wages; while the reduction in real living standards will be brutal, workers are to be compensated with shares in enterprises where the government has the controlling position. The pool of shares thus created is to be called the "solidarity fund."

Simultaneously, plans are being designed by Craxi's controllers to "consolidate" short-term public and private debt by the same mechanism designed by Felix Rohatyn of Lazard Frères investment bank and applied in New York City in the second half of the 1970s. The "consolidated" debt is transformed into a pool of longer-term bonds, and administered by an authority which has the power to seize a certain proportion of the tax earnings, for example, of a city or state to pay the interest and principal on the bonds.

In both cases, as IMF programs for underdeveloped nations show, debt-paying capacity is not enhanced—quite the

contrary—while authoritarian measures are enforced to divert real capital and human resources into servicing debt and debt service.

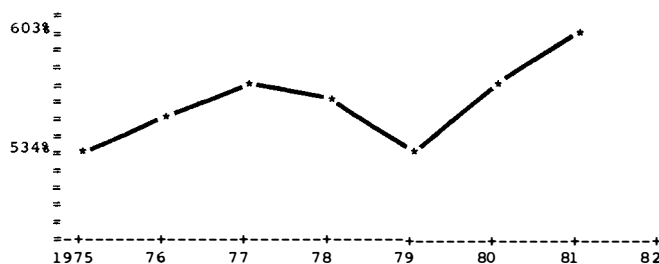
Of the 325 percent increase of total Italian debt from 1975 to the end of 1982 up to 577.7 trillion lira, 219 percentage points was accounted for by the growth of foreign debt. Of course, the lira exchange rate was 1,200 to the dollar on average in 1982, and is now around 1,600 to the dollar. The difference in the lira equivalent of Italian debt in dollars is 9,223 billion lira, or about \$5 billion at the 1982 exchange rates. In effect, Italian foreign debt increased \$5 billion without Italy borrowing a penny, or rather, that is the increase of debt felt by the domestic Italian economy. The domestic programs of the Craxi government are designed to try to pay for that increased debt.

But how high is the total debt burden of 577 trillion lira (or about 500 billion dollars at 1980 exchange rates)? Since 1980, debt has gone completely out of control in relation to investment (see **Figure 8**).

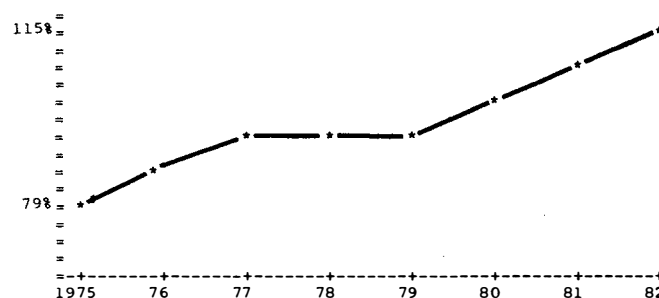
Compare this ratio for Italy with that of Spain (see **Figure 9**). For Spain, the sum of debt in 1975 was only 78 percent of the capital deployed into investments; in Italy one begins with 534 percent, only to climb over 600 percent at the end of 1982.

Given the production declines indicated above, it is clear that the debt overhang in relation to output and investment in 1983 will reach impossible and astronomic proportions. The austerity measures planned by the Craxi government will merely finish off the economy.

**Figure 8**  
Italy: Debt as percentage of fixed capital formation

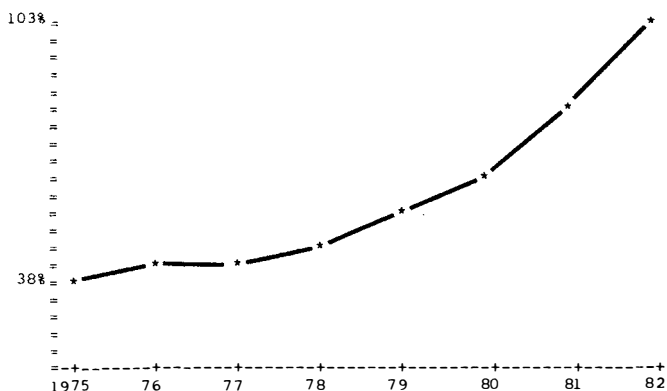


**Figure 9**  
Spain: Total debt as percentage of gross fixed capital formation





**Figure 10**  
**Denmark:** Growth of total debt as percentage of growth of gross fixed capital formation



### Spanish development gains reversed

The Spanish peseta has been devalued 120 percent since the end of 1979. Foreign debt, public and private, increased in dollar terms 240 percent since 1975. At the end of 1982, dollar denominated debt was reported as \$28.7 billion, or 3,158.5 billion pesetas at the exchange rate at that time. In July 1983, however, after a further 35 percent devaluation of the peseta, that same \$28.7 billion is equivalent to 4,229.5 billion pesetas. Spanish debt increased 1,071.0 billion pesetas without Spain borrowing a penny.

That is inflation of debt, while the economy is depressed to pay it.

Spain ceased being a developing country following its massive development of manufacturing, energy, and infrastructure capacities over the 1960s and 1970s. Spain indebted itself to industrialize, and was doing quite well with this policy until the mid-1970s. Thus, even with an explosion of total debt (public and private, domestic and foreign) of 395 percent from 1975 to the end of 1982, the ratio of total debt to gross national product grew from 1975, when debt represented 17.2 percent of GNP, to only 23.9 percent of GNP in 1982, or a deterioration of 46.7 percent. As the comparison with Sweden, Denmark, or Belgium in Figure 1 shows, this is indeed a praiseworthy accomplishment.

Spain in fact maintained rates of investment equivalent to 24 percent of GNP up to 1979, when the rate fell to 20 percent by the end of 1982. That is, the ability of the economy to "carry" the weight of increased foreign debt and debt service payments was also maintained.

Now, Spain is one of the European countries receiving the "Latin America treatment" from international banks, and is being drained of resources to pay debt at such a rate that official reserves would now only be sufficient to pay for two months of imports.

### Denmark's agricultural debt burden

With over \$48 billion in foreign debt and a population of only 5 million, Denmark is one of the most highly indebted countries in the world. The tragedy here is that the Danish

agricultural sector is both one of the most productive and one of the most highly mortgaged in the world. Danish agricultural debt has reached a level over 200 percent of the value of annual production, whereas even in Spain—where farmers are demanding a moratorium on agricultural debt—this rate is only 85 percent.

Total Danish debt has grown by 715 percent since 1975. Foreign debt has exploded by 900 percent. If such data alone did not put Denmark into the same plight as a Third World nation, the fact that the interest paid on foreign debt grew between 1975 and 1982 from 5 percent of exports to over 20 percent would justify that categorization. In addition to the burden of indebtedness to pay for oil and industrial goods, Danish economic policy has, if anything, contributed to a more adverse relationship between debt and investment than in any developing country—because developing countries initially indebted themselves by and large for industrialization purposes. This relationship deteriorated by 325 percent since 1975: i.e., the rate of growth of debt was that much above the rate of growth of gross fixed capital investment, even in current prices (see **Figure 10**).

Since the rate of growth of net fixed capital formation *has fallen* by 30 percent since 1979, the actual relationship is far worse. No IMF-style austerity policy will be able to maintain the illusion that Danish debt, at 485.5 billion kroner, is controllable under such conditions. By the end of this year, it can be expected that the collapse of agriculture will bring this country to a full financial and political crisis.

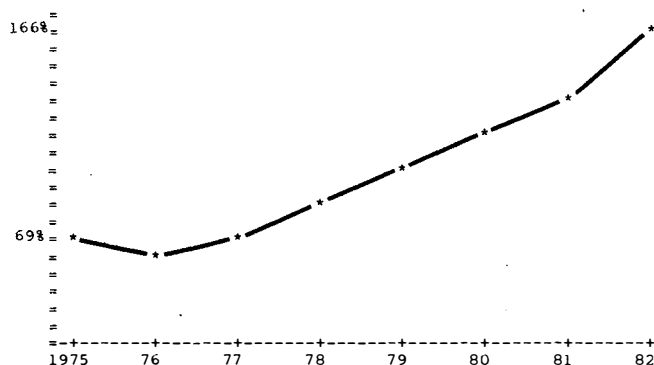
### Swedish investment begins to crack

Industry in Sweden is waging a gallant but losing battle. Corporate debt has indeed grown by approximately 90 percent since 1975, but Swedish industry has at least kept real fixed capital formation from declining; the deterioration in the ratio of total domestic debt/business fixed capital formation has been 65 percent over that period. In the past two years, investment has begun to suffer, creating crisis conditions particularly in shipbuilding, steel, and machinery, so that Sweden is being driven back to the status of a pulp and wood exporter. Olof Palme's attempt to outdo export competition in shrinking markets with "maxi-devaluations" of the Swedish kroner has accelerated the decline in Swedish industry.

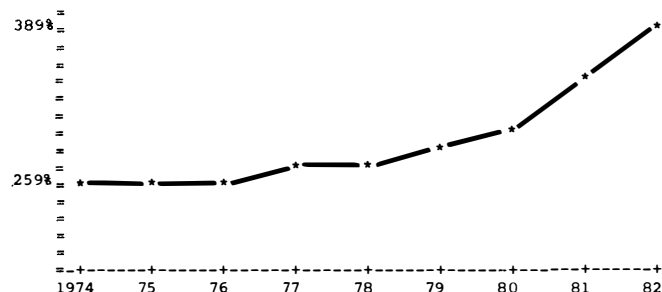
Investment in Sweden was running at an index value of 60 at the end of 1982 relative to 1975/100. Out of 29.8 billion kroner in after-tax profits, Swedish corporations quoted on the stock market (including the "invulnerables" like Volvo) spent 52 percent of that amount, or 15.6 billion kroner, on interest alone. That ratio also underestimates the debt actually being carried, because the Swedish government has incurred a significant volume of debt itself to brake the effects of the collapse of steel, shipping, and so forth. One leading steel firm, Sandvik, spent 70 percent of its profits for 1982 on interest payments!

Worse for a country where every squirrel is taxed for wearing a fur coat, the debt crisis is underlined by the wid-

**Figure 11**  
**Sweden:** Growth of public debt as percentage of growth of tax income



**Figure 12**  
**Belgium:** Public debt as percentage of tax income



ening gap between government debt and tax revenues (see **Figure 11**); this ratio has deteriorated by 140 percent since 1975.

### Belgium can't produce to pay

First, the old industries of the southern region of Wallonia, coal, steel, and textiles, went down the drain; next, those industries established in the postwar period in Flanders, including auto and chemicals, shrank under the effects of world depression. Since foreign trade represents over two-thirds of Belgium's GNP, the country being a half-way station for European manufacturing, the stagnation and then shrinkage of world trade has been a catastrophe. The state shouldered much of the industrial collapse and its consequences, and passed the cost in part onto today's brutally squeezed taxpayers, and in part onto future taxpayers. Belgium is mortgaged as is no other European country.

Total public debt, in trillion Belgian francs, soared from 1.42 to 4.9 in the 1974-82 period. Debt represented 259 percent of tax income then, now 389 percent (see **Figure 12**). Two years of tax revenue was necessary to cover debt—and now the proceeds of nearly four years would be needed! For every unit of capital formation in the Belgian economy, seven units of debt were being incurred simultaneously in 1974. By 1981, the ratio had more than doubled to 15.1.

The foreign currency component of public debt soared from a tiny 10 billion francs in 1974 to 966 billion in 1982.

Belgium's international credit is nearing extinction.

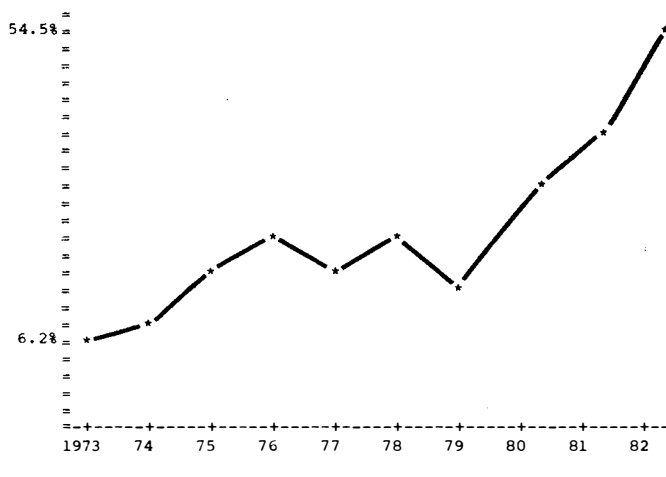
### The Netherlands isn't immune

The lesson to be drawn from the case of the Netherlands is that neither the most "orthodox" monetary and credit policy in the world nor the bounty of nature in the form of natural gas exports have ultimately been able to protect the country from the effects of world depression: while levels of indebtedness were kept in check throughout the 1970s, world trade contraction and monetary problems ultimately broke into the dikes and have started to submerge the Dutch economy—singular among European nations by the absence of any foreign debt.

The ratio of debt to gross domestic product exhibited a unique tendency to drop throughout the 1970s, from a starting-point of 58.6 percent in 1973 to a trough of 51.9 in 1977. By 1982, the ratio had jumped to 72.8 percent, a trend accompanied by the debt-to-productive sector output ratio, which remained around the 135 percent margin until 1978 but soared to 204.9 percent in 1982. Aggregate public debt grew by 168 percent in 1973-82 while gross fixed capital formation in the corporate sector increased only 102 percent (all in nominal terms) (see **Figure 13**). Debt service on public debt was 2 billion gulden in 1973; it was 30 billion in 1982. Debt-service represented one-sixteenth of productive investment in 1973, and one-half in 1982.

Just as compound interest generates exponential growth rates, the incurrence of debt by economies crushed under the monetarist dogmas entails an exponential mortgaging of real wealth produced and of *the ability to produce real wealth in the future*, as payments are diverted—for purposes of debt settlements—from investment in infrastructure, capital equipment, and necessary social outlays. The exponential growth of debt in Europe since the 1978-79 shocks of Khomeini and Paul Volcker now threatens the very survival of the economies of the continent.

**Figure 13**  
**Netherlands:** Public debt as percentage of gross fixed capital formation



# Special Report:

## KISSINGER'S PLOT TO TAKE OVER THE REAGAN ADMINISTRATION

The surprise naming of Henry A. Kissinger to head the President's Bipartisan Commission on Central America is part of a very ugly and long-standing attempt to subvert the Reagan presidency. But Henry Kissinger's return to official life is far more significant than the Central American appointment would suggest.

This *EIR* Special Report, "Kissinger's Plot to Take Over the Reagan Administration" is essential reading for any citizen concerned about the future of the United States as a republic. Researched and written late in 1982 by *EIR* Washington Bureau Chief Richard Cohen, long before anyone else had an inkling of the Kissinger operation, the report documents a process over months, using the friendly offices of Kissinger confidante George Shultz and others, of quietly inserting "Kissinger's boys" throughout the administration.

The report also supplies background dossiers on George Shultz and Helmut Sonnenfeldt at the State Department: Sonnenfeldt, currently a "consultant" to State, has been repeatedly challenged by Senate committees as a "security risk"; he has been an intimate of Kissinger's since 1945. Further dossiers include top appointees at State, Defense, the National Security Council, and the private business associates of Kissinger, including former British Foreign Minister Lord Peter Carrington and Gen. Brent Scowcroft. Kissinger's numerous private affiliations from Trilateral Commission to the secret illegal Monte Carlo masonic lodge are also identified.

The report is available for \$250.00

For further information call or write:  
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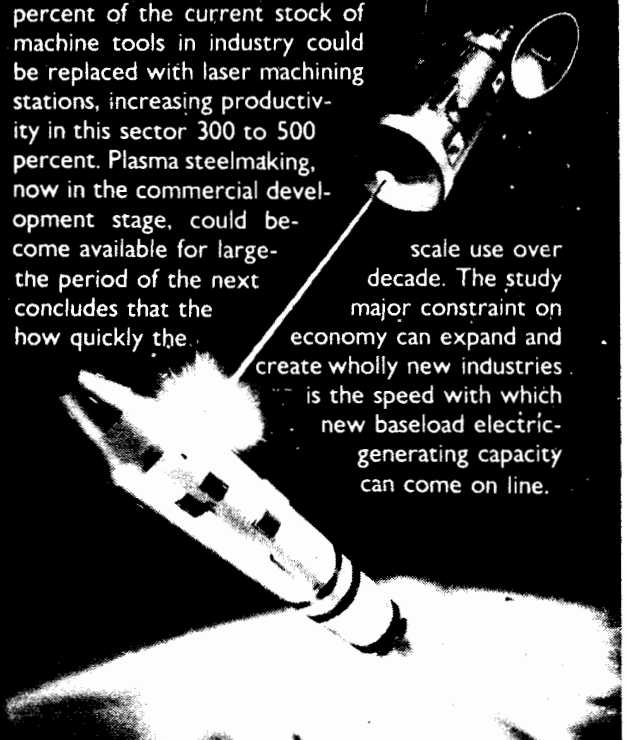
## The Economic Impact of the Relativistic Beam Technology

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

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

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

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



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

## Libya, Soviets, and the IMF: partners in African genocide

by Douglas DeGroot

The failure of Western nations to enable the Chad government to defeat the military offensive launched against that black African nation by Libyan dictator Muammar Qaddafi is setting the stage for chaos and conflict throughout Africa. World trade contraction and International Monetary Fund programs have already so weakened most African nations that they cannot resist the relatively small marauding bands of well-equipped Qaddafi-recruited rebels, mercenaries, and Libyan troops.

The genocidal design for Africa is nothing more than the extension throughout Africa of the Venetian plan for ravaging the then-Italian colony of Libya by Count Giuseppe Volpi di Misurata, who arrived in Tripoli as governor of Libya in 1921. Volpi was one of the representatives of the three top Venetian families that controlled Venetian finance, established the Propaganda-1 and P-2 Freemasonic networks, and put Mussolini into power. During the next 13 years, he reduced Libya's population by 60 percent.

The destruction of Africa is fully supported by the "Third Rome" empire builders in the U.S.S.R. Moscow's current leaders have the same cultish, anti-development, racialist outlook as the Venetian and Swiss backers of Qaddafi. It is Soviet arms and East German advisers which have enabled Qaddafi to assault Africa; according to one British source, during the peak of their Chad offensive, the Libyan air force and naval chiefs went to the Soviet Union.

Blistering attacks by Qaddafi's airforce on the northern Chad town of Faya Largeau, using 500-pound fragmentation and napalm bombs against the civilian population of that desert oasis town of about 7,000, confirms that the real goal

of Qaddafi's controllers is not simply military conquest, but extermination of the black population of Africa.

From Washington, D.C., *EIR* founder Lyndon H. LaRouche, Jr., issued a call Aug. 11 for the United States to immediately launch air strikes into northern Chad to wipe out the Libyan capabilities in that region. "Whatever Qaddafi has there must be blown up," LaRouche declared. "This must be done in the name of stopping Qaddafi and Russian racist genocide policies toward Africa. Qaddafi," LaRouche underscored, "is a fascist, a Nazi, and the United States must take unilateral action to stop him."

LaRouche also reviewed the assessment from leading quarters in Europe that Qaddafi's rampages in Africa have been expedited by the "conditionalities" policy of the International Monetary Fund toward Africa, with Upper Volta a case in point, and with reports of increasing IMF pressure on Egypt and Nigeria, two countries targeted by Qaddafi for destabilization. LaRouche declared that the policies of the IMF and Qaddafi toward Africa were one and the same: to create conditions of genocide against the populations of that continent. Severe famine conditions now reported in 18 African countries underscored LaRouche's contention.

"Time is running out," LaRouche emphasized. "Large-scale development projects for Africa along the lines we've previously indicated must be implemented now. The Zaire River must be dammed in Zaire, creating a central African lake, with that water then transported northward to fill up the dying Lake Chad. The fastest railroad in the world must be built running east to west across central Africa, where no railroad at all presently exists, and the Qattara Depression must be filled with water in Egypt."

"If Ronald Reagan wants to get Qaddafi out," LaRouche concluded, "this is the way to do it."

### A widening zone of devastation

If Qaddafi is not halted, he will establish a belt across Africa from the Atlantic to Sudan on the east which will create a base for operations into the rest of Africa, down to the South African zone of influence. From there the South Africans, allied with the Ariel Sharon faction in Israel, are to carry out the southern Africa side of the same plan.

Indicating how this process will work in Africa if Qaddafi is not stopped, a British source stated: "The example we have to keep in mind is what happened [the Aug. 4 coup] in Upper Volta. It was inevitable that government would fall. In all the

world development reports, Upper Volta has been at the very top of the poverty list. There's very little anyone can do unless we change our development approach. If we don't change it, Qaddafi will make gains out of the resulting instability.

"There is great danger in the area of Chad," he continued. "The north is under Qaddafi's control, the south is barely holding on. Libya has just pushed into Upper Volta through a proxy government. To the West of Upper Volta is Mali, which is almost as poor, and could fall like Upper Volta did. Then further west is Mauritania. . . . So, if Chad falls, Qaddafi has consolidated his south, and will then push west, and if he creates trouble in Mauritania, he has access to the Atlantic. It might sound like a domino theory, but that's the

## France making deals with Libya to carve up Chad

The French decision in mid-August to send a small number of troops to southern Chad came after the French had consistently refused demands by Chad President Hissene Habré and the Reagan administration that they provide air cover for Chad against the concerted Libyan air force strikes against Faya Largeau.

Since Qaddafi began his latest offensive into Chad June 23, *EIR* has asserted that French passivity was due to an agreement between France and Qaddafi to effectively partition Chad. Qaddafi would control the northern and eastern deserts, while the French would maintain their influence in the cotton-producing south. The French daily *Quotidien de Paris* reported the first week in August that there had been secret negotiations between Paris and Tripoli on the partition of Chad. The *Daily Telegraph* of London also reported the possibility of such a deal, whereby Qaddafi would recognize French influence in southern Chad in return for French recognition of Qaddafi's "manifest destiny" throughout North Africa.

The belated French dispatch of troops to the capital, Ndjamená, in southern Chad, after Qaddafi captured most of the north and prepared to take the east, is probably designed to secure southern Chad as their zone of influence.

Cotton is 90 percent of Chad's exports. Now that the French are in Ndjamená, the Libyans are talking about jointly determining a new, more pliable leadership in southern Chad. Southern factional leader Kamougue, now with the Qaddafi-run rebels, would be a likely candidate. He is a former head of the Chad gendarmerie and is closely associated with French cotton interests.

A high-level African source in Paris identified the

Libya lobby in France as including Michel Jobert; former head of SDECE Alexandre de Marenche, now a security adviser to King Hassan of Morocco; the present French ambassador to Algeria, Guy Georgy; and Lucien Bitterlin, chairman of the French-Arab Friendship Association. On Aug. 6 Habré said he blamed the pro-Libya lobby in France as the cause for the unwillingness of France to send air support to stop Qaddafi. He singled out Guy Georgy and Mitterrand's Africa adviser, Guy Penne.

One British source reports that François de Grossouvre, the coordinator of security services at the presidential palace, has reached agreements with KGB-connected governments like Syria whereby the Abu Nidal terrorist group would refrain from attacks on French territory in exchange for France coming to an agreement with Qaddafi in Africa. He revealed that de Grossouvre held a secret meeting at the end of July with Rifaat Assad, brother of President Hafez Assad. Qaddafi has promised the French priority rights to uranium in Chad, as well as a resumption of arms sales to Libya, according to diplomatic sources in Paris. Foreign Minister Claude Cheysson met secretly with Qaddafi in July, and Qaddafi may make a state visit to France later this year.

Qaddafi has French Mirage fighter jets, in addition to his vast arsenal of Soviet military hardware, which were reportedly used in the offensive against Chad. These planes are maintained by French crews; the crews were in France on vacation, and were allowed by the French foreign ministry to return to Libya to play their role during the genocidal attacks.

Indicative of the French mood was a discussion with the editor of the journal *Afrique Defense*. A retired lieutenant colonel, the editor gloated that "Chad is a cesspool—it may not be a bad idea to hand it over to the Americans. Africa cannot be stabilized. The only thing to do is therefore to be on the side of the destabilizer."

way I see it.”

In the Sahel nation of Niger, between Upper Volta and Chad, Qaddafi is grooming an alternative leader, according to the *Daily Telegraph* of London. For several years, Qaddafi has been distributing arms and buying up Touareg desert tribesmen in Niger, resulting in periodic incidents of terrorism and attacks on Niger's uranium mines.

Qaddafi is taking advantage of the disastrous economic situation in these countries to force himself upon young military leaders, as in the recent coup in Upper Volta. The case of Ghana shows how he has been working with the IMF in manipulating and blackmailing nations in Africa. The IMF, in addition to demanding that Ghana impose horrible economic cutbacks to qualify for a IMF loan, also insisted that the bankrupt government had to obtain complementary financing as a condition for the loan. Qaddafi was the only one willing to grant such a loan to Ghana, whose president, Jerry Rawlings, attended an April conference in Tripoli on Qaddafi's *Green Book*. However, according to African sources, when Rawlings would not allow Qaddafi to use northern Ghana as a staging area for destabilizing neighboring Upper Volta, Qaddafi reneged on his loan to Ghana.

### Qaddafi's strategic targets

The chief targets of Qaddafi's controllers are Nigeria, Sudan, and Egypt. Nigeria, which shares a border with Chad, is the most populous country in Africa, with about one-fourth of the continent's population. It has not been balkanized, unlike most of the continent, and it represents—along with Egypt—one of the African countries with the greatest immediate potential for rapid development. This makes Nigeria one of the prime enemies of Qaddafi's Nazi-Soviet controllers. If Qaddafi has his way in Chad, he will have easy access to Nigeria, and will be able to build on his networks there. Disturbances in Nigeria by Islamic fundamentalist cults in the past have been linked to Qaddafi.

Since he launched his offensive against Chad, Qaddafi has explicitly called for the elimination of Egypt, so that territory could be absorbed into his empire. The third target, Sudan, is Chad's neighbor to the east. Although its population is only about 20 million, it is the continent's largest nation, with the agricultural potential to feed all of Africa and more.

Sudan is located on Egypt's southern border, and its stability is a primary concern in Cairo. Egypt itself is the most established nation-state in the Middle East and Africa, and therefore is a crucial element in the fight to build industrial republics in the underdeveloped world.

Morocco, Algeria and Tunisia, having gauged the lack of will of the United States and France to halt Qaddafi, also seem to be trying to placate Libya. When Qaddafi visited Morocco's King Hassan shortly after he began his offensive against Chad on June 23, apparently an agreement was reached whereby in return for allowing Qaddafi to do as he pleased in Chad, Qaddafi would stop supporting the anti-Moroccan Polisario guerrilla forces in the Western Sahara. In an unprece-

dent move, Qaddafi received a pro-Moroccan Saharan delegation in southern Libya early this month, where Qaddafi had gone to take command of the genocide in Chad.

In late July Qaddafi visited Algeria, and half of the Tunisian cabinet came to Tripoli during the same month to meet with him. There has been increasing talk of some kind of Maghreb federation which would include Libya.

### The Reagan administration pulls back

The Reagan administration attempted to draw the line in Chad, to demonstrate that the United States could act effectively to contain the Qaddafi threat, and to prevent Washington from being dealt out of the picture by the Soviets. The administration also hoped to goad the French into an active role in defending Chad.

Thus the *U.S.S. Eisenhower* was stationed off Libya as a warning, \$25 million in military goods was authorized, and Reagan invoked the War Powers Act to send two AWACS reconnaissance planes, accompanied by F-15 fighter jets, to Sudan. However, the AWACS are quite useless if there are no attack aircraft to which they can provide intelligence; Chad has no air force, and the United States had been led to believe, according to administration sources, that France would supply them.

Then Reagan threw in the towel. "As I've said before, it [Chad] is not our primary sphere of influence," he said Aug. 11. "It is that of France. . . . I don't see any situation that would call for military intervention by the United States there."

The danger now is that instead of taking the initiative and sending surgical air strikes to knock Qaddafi's armored columns out of the picture altogether, the Reagan administration may condone a more limited air action by a third party. According to sources in both Europe and the United States, this could include Israel, which operates Zaire's air force. Limited air strikes would only intensify the conflict without resolving anything, as in Central America: Qaddafi would not be deterred, and there would be one more hot spot for the Kissinger faction in the United States over which to horse-trade with Yuri Andropov.

The Israeli government is taking advantage of the crisis to move further into Africa, offering security collaboration against Qaddafi as a "protection racket." The Israeli leadership, aligned with the "Central America" approach to Africa, has the assistance of George Shultz; according to Jerusalem's *Koteret Rashit* on Aug. 3, "the United States and Israel will set up a joint working committee next month that will exchange information and analyses on the African countries." The report noted that this was a drastic shift on Washington's part, and reported that "State Department officials have instructed their representatives to cooperate in the field with Israeli representatives. . . . This instruction came directly from the Secretary of State. The cooperation between the Africa division in Jerusalem and the U.S. Embassy in Tel Aviv has tightened."



## 'Israel will not play the role of a dirty dog'

*Colonel (res.) Meir Pa'il is a prominent and controversial figure in Israeli military, political, and academic circles.*

*Born in Jerusalem in 1926, Dr. Pa'il began his military career before the founding of the state of Israel. He was a member of the Palmach (shock troops) and the underground Hagannah organization. He fought in Israel's War of Independence and afterward joined the Israel Defense Forces as a regular. When he received an honorary discharge in 1971, he had served as a brigade commander, commander-in-chief of the Armed Forces Military Academy, and chief of the Department of Tactics and Operational Doctrine of the Armed Forces Supreme General Staff. He wrote manuals on tactical doctrine and methods of instruction for the armed forces. In addition, he wrote a book on the changing military doctrines of small nations in the nuclear era.*

*Dr. Pa'il was a member of Israel's Knesset from 1973 to 1980, representing the Zionist Peace Initiative parties. During the same period, he was a professor of military history at Tel Aviv University and at Hebrew University in Jerusalem. His articles on modern Mideast history, battle morality, and military history, doctrine, and leadership are published frequently in Israel and abroad. His most recent book, dealing with the Israeli War of Independence, was published in April 1983.*

*The following interview with Dr. Pa'il was conducted in New York on Aug. 5 by EIR Middle East correspondent Nancy Coker.*

**EIR:** Lebanon has been called Israel's Vietnam. Do you agree with that analogy?

**Pa'il:** I think that the Israeli invasion of Lebanon was from every point of view something that created a negative outcome for Israel. It proved to be a terrible political mistake, because Israel didn't gain anything. We didn't destroy the PLO. We didn't solve anything vis-à-vis the Palestinian

question, because the center of gravity of the Palestinian question is not in Lebanon but in the West Bank, under our own auspices. The invasion cost us at least 500 people dead. It demonstrated quite a lot of immoral activities by Israel, not only in the Sabra and Shatila refugee camps by politically sponsoring the Falangist massacre of Palestinians there, but even before that, by bombarding the towns and the Palestinian refugee camps. Whatever you say, the number of Arab people killed through the Israeli invasion is about 10,000 Palestinians, Lebanese, and others.

So for Israel it was a military achievement, not a military victory; a political failure; and a moral shame.

**EIR:** How typical do you think your views are in Israel?

**Pa'il:** I think that there is in Israel a small majority of about 60 percent who think that the Israeli invasion of Lebanon was a mistake, or a fake. And the sooner, the better we should get out, even without a Syrian withdrawal.

**EIR:** You have called Ariel Sharon, Israel's former defense minister and the architect of the Lebanon invasion, a modern-day Genghis Khan. As bad as Sharon is, many people say that Yuval Neeman and Moshe Arens are far worse in their own way.

**Pa'il:** You are right. Theoretically, ideologically, they are far worse. For example, Moshe Arens voted against the Camp David agreement, while Ariel Sharon voted for it. Yuval Neeman was not a member of the Knesset in those days, but he was against the Camp David agreement. So both of them, Moshe Arens and Yuval Neeman, were even against the very idea of evacuating Sinai, even for peace with Egypt.

But Ariel Sharon is much more dangerous than they are. He is not as radical, as fanatic, as Yuval Neeman or Moshe Arens. But in his pragmatic readiness to perform the kinds of atrocities he carried out in Lebanon, he is unique. Neeman

and Arens are not capable of this kind of behavior, even if their ideology is much more fanatic.

The government of Israel is too much influenced, or one would say drunk, with the very phenomenon that Israel is the strongest state in the Middle East. And instead of using our military superiority as a deterring stick, and offering our enemies some political deal to motivate them to approach the diplomatic table toward some compromise, Israel has preferred just to use the stick. Lebanon is a typical example.

**EIR:** If you were prime minister of Israel, how would you approach the current crisis in which Israel finds itself? And what do you think the United States should do in this situation?

**Pa'il:** I have the same advice for the United States President and for the Israeli government. The most important challenge for Israel politically in the coming 10 or 15 years is to establish peace with the Arab world. By establishing peace, I mean that the borders will be open, and commerce and transportation and economic exchange would begin functioning between Israel and the Arab world. As far as I know, Israel would turn itself into the economic, commercial, financial, and technological hub of the Middle East. So the challenge is to make peace with the Arab world, and to be accepted in the Middle East like a biological tissue.

If I were prime minister, immediately I would develop a twofold policy vis-à-vis the east and the north. Vis-à-vis the east, I would declare immediately that the government of Israel views with favor the establishment of a national home for the Palestinian people alongside Israel, following two principles. Principle number one: We are ready to recognize the Palestinians' right for self-determination, not because they are pious, but because they are there. Principle number two: In order to enable them to accomplish their right for self-determination, Israel is basically ready to evacuate the West Bank and Gaza and negotiate the items with any Jordanian or competent Palestinian representation, including the PLO, not because I like the PLO. I hate the PLO. They are our enemies. But if you think about establishing peace, usually you do it with an enemy. And usually you hate your enemy, you despise your enemy.

As far as I know the facts, should Israel take this kind of initiative, immediately the Jordanians would rush to negotiate, and as far as I know, the PLO—half of them—would rush to negotiate.

Vis-à-vis the Syrians, I would tell them, "Israel is ready, basically, to evacuate Lebanon and even most of the Golan Heights. Let's make peace."

Now, let's go to the Americans. I think that if the American government considers itself a friend of Zionism, of the Jewish people, of Israel, they should adopt the same policy. If the Israelis won't make peace, I would like the Americans to do it, by manipulating the Israelis to do it. So the idea is to manipulate Israel, to pressure Israel, and to develop a mass media campaign to try to convince American public opinion,

Israeli public opinion, Jewish public opinion here. Because a real friend is not someone who just flatters his friends. A real friend is one who is ready to criticize his fellow man, and here and there even to kick him in the ass. And it's about time that the Americans would kick Israel—its existing policy—in the ass, or somewhere else.

**EIR:** Israel can play a key role in the development of the entire region. Could you comment on that?

**Pa'il:** Israel is now, no question about it, the strongest military community in the Middle East. Israel is also the most technologically advanced power in the Middle East. It is the most economically developed state in the Middle East. Israel has quite a lot of know-how, technological and scientific. We have excelled in the military sphere, but we can be excellent in other areas. Israel has developed very interesting agricultural innovations. If Israel would establish itself in the Middle East in some kind of a peaceful situation, Israel has a good chance of becoming the economic, technological, scientific, medical, and transportation center of the Middle East.

**EIR:** Do you think that because Israel has not been pursuing these policies of development, this has led to the brain drain, both on the Israeli and the Arab side?

**Pa'il:** If the existing policy continues, the brain drain will get worse. More Jews will emigrate from Israel than immigrate to Israel. Palestinian intellectuals will leave, and more and more Jewish intellectuals and others will leave. This would gradually lead to the fading away of Zionism. Israel would become an intellectual desert.

**EIR:** The irony of the situation is that the Christian fundamentalists here in the United States are actually attempting to hasten the destruction of Israel by trying to unleash Armageddon.

**Pa'il:** You are right. That is the main reason why these fundamentalists—I won't say all of the Christian fundamentalists, but too many of them—have found themselves lately cooperating with Menachem Begin and Ariel Sharon. What is terrible is that Ariel Sharon and Menachem Begin and Yitzhak Shamir and these leaders don't understand what they are doing, because the very idea of the Christian fundamentalists is to hasten the process of destroying Israel, because according to their faith, it would hasten the era of Armageddon, of the Last Days.

**EIR:** Henry Kissinger and his Kissinger Associates have been implicated in a rather elaborate scheme to purchase land on the West Bank in order to preclude settlement of the West Bank problem. In late June, he visited Israel to meet with top Israeli officials. He seems to have insinuated himself back into the center of Middle East policymaking. Do you think that his return bodes well or ill for the Middle East and for Israel?



**Pa'il:** Basically, I didn't like Henry Kissinger's policies from the beginning, since the time he started being important. I don't like his concepts. He's a pragmatist. Here and there, some Israeli nationalists and some Israeli chauvinists like him. I don't like him. I don't think we should ask his advice. I didn't like him in those days when he tried to manipulate Israel into fighting against the Syrians in 1970. I wasn't happy with the outcome of the talks with Kissinger and Yitzhak Rabin when Yitzhak Rabin was here as ambassador. They tried to manipulate Israel into concentrating forces in the Golan Heights to threaten the Syrians, who were poised to invade Jordan. I was against the Syrians, too.

I don't like Israel to perform the duty of a dirty dog. Kissinger and others in Washington have all too often used Israel as it would use a dirty dog. Usually, when a dirty dog is ready to serve his master, the master won't pay him in the long run. He will pay him in the short run with some meat. In the long run he will kick him.

**EIR:** The Israeli economic situation is a shambles. Yuval Neeman's and Moshe Arens's solution is to transform Israel into a world-class arms producer, under the rubric of the Lavie project, supplying weapons to warring factions in Central America and Africa.

**Pa'il:** Yuval Neeman and Moshe Arens are two dangerous people. They are trying to seduce the American administration more or less like this: "Give us money and some raw materials, and we'll manufacture armaments and sell them to many places all over the world which the American Congress is not ready to allow your administration to do."

So the Israelis are ready to do these kinds of dirty jobs indirectly for the Americans—no, not for the Americans. It's not for American interests, really, because if I were the President of America, I would establish very good economic and commercial relations with Nicaragua, for example, and this is the best way to manipulate Nicaragua out of the Soviet orbit, instead of sending armaments. But Israel is ready to perform this kind of a dirty job.

You know, Israel is a Jewish state. It is not Belgium or Holland. Holland can sell armaments to Honduras or to the rebels in Nicaragua and Chile. It won't be nice; perhaps some Dutch socialists or progressive people would make some noise. But Israel is a Jewish state. The more you are helping these kinds of dictatorial, unsympathetic states, we have problems, Jews all over the world have problems, confronting anti-Semites. They say, "What kind of a state is your Israel?" This is the most important aspect of the problem.

I would prefer that the United States push Israel into a peace system in the Middle East rather than its current policy of pushing the Israelis into adopting the behavior of a crazy dog, which will hurt totally the interests of the state of Israel. I don't like the behavior of Israel in Latin America and South Africa, not because I am that kind of an ethical, naive person. Here and there a state can maintain these kinds of relations.

But if Israel had excellent relations with all the countries of the world, including the whole spectrum of the Third World, then okay, you can maintain different kinds of relations, even with those who are not that much respected. But in the existing situation, Israel is a member of what I call the Less Respectable League of Nations, the Leper League of Nations.

**EIR:** Throughout the course of history the Jew has survived by developing his potential for making contributions for the general advancement of all of civilization. This is the "genius" of Jewish survival over the centuries. It seems that the Jew in Israel can play a most important role in uplifting the Middle East and, in particular, the Arab population there.

**Pa'il:** The real challenge of Zionism is how to continue this Jewish tradition, this Jewish uniqueness, while maintaining an independent Jewish state. Until now, we have succeeded to be unique in our military performance. And regretfully, too many Jews all over the world are very much proud of the Israeli strength, and they think that the most important phenomenon of an independent state is being strong. But being strong is just an instrument. It's not the main destiny, the main role of a state. For me, for Zionism to continue Jewish tradition is first of all to turn Israel into an excellent social system, in which, whatever one may say, more equality would be established.

Secondly, this state should be some kind of a cultural state of which every Jew and everyone would be proud.

The third aspect is that Israel should turn itself into the most important economic and social phenomenon in the Middle East, so that every neighbor of Israel would look towards Israel with some kind of astonishment and satisfaction with this kind of a state, a state that can help them and support them economically, socially, technologically, in peace. This is the third challenge.

And the fourth challenge is that everyone would say, everyone, "Israel is the best country in the world for me," so that more and more Jews, and perhaps even others, would like to come and join us.

The terrible phenomenon now for me is that we have lost our desire to be "a light unto the nations." They claim, "We just want to be a normal state!" I say, "If you want to be normal, you must be abnormal! If you want to be a genius, maybe you'll be normal! But if your idea is just to be normal, like others, they say, like the Turks, like the Egyptians, like the Italians—I don't want to be normal, I want to be the best! The best, not the strongest!"

So they have lost their honor. In putting "just to be normal" as their ideal, basically they're acquiescing to being very subnormal.

I watched here the Fifth Avenue parade on May 1 celebrating Israel's independence, and I was terrified. I was terrified. You could see that the Jews in the diaspora are maintaining a cult to the god of war, to Mars. It's real idol worship. They are not moving to Israel. They idol worship Israel as

the god of war. This is why for many of them Ariel Sharon is important. His image is very interesting. For me, it's terrible. To turn Zionism into this kind of an idol of power—I call it a Goliathic Samsonite modern Jew—for me it's terrible. So they are disrupting the very idea of a Jewish state. And I think it cannot continue. It is doomed to be eliminated, because it is totally against the vision and the tradition—spiritual, moral, and ethical—of Jewishness.

I use the term “idol worship” because I really felt it, when I saw these people from the JDL [Jewish Defense League]. And from the Flatbush Yeshiva! It's a typical diaspora yeshiva. They are marching in the streets, some of them with weapons, and crying, “Flatbush for Israel!” You should have seen them! Very nice Jewish youngsters, Orthodox ones, are courting an idol of power! And if Jews don't understand that this is a real danger, they will find themselves very much disappointed after some generations, and even shocked, not only disappointed.

I am a Jew who spent 28 years of his life as a military man, so I know the military profession inside out. And I know that the military profession is important just as an instrument, as a means, not as a destiny unto itself.

I think that Israel is sufficiently strong to be moderate. This is my formula. We are sufficiently strong to offer the Arabs a nice deal. If we weren't that strong, maybe I would be a fanatic, too. But we are sufficiently strong to make a deal. We shouldn't wait for Mr. Arafat or for Mr. Assad to take the initiative, nor for the United States President to pressure us. We should take the initiative on our own. If we are not sufficiently smart to do it, let our friends do it for us, or help us to do it. It's a *mitzvah*. You know, in Yiddish we say *mitzvah*. It's an obligation for a friend to do something for his fellow man. So for those for whom the state of Israel is important, either from the Jewish point of view, which is important, or from the Western point of view, which is important, or from the American point of view, which is important, it's quite time for those who are friends of Israel to understand that if you don't push Israel into a peace rapprochement, you are destroying Israel.

**EIR:** What special role do you, as a former military man, think that the Israel Defense Forces can play in saving Israel?

**Pa'il:** In Israel, we are still maintaining the system of a people's army. So a coup d'état is impossible in Israel, thank God. We think that the military circles, especially the high command, are much more rational than people think. They are much more prepared than people think for long-range political and economic adventures—but by adventures I mean positive adventures, that is, to really talk big about political and economic and scientific considerations in connection with all the Middle East and the Mediterranean. You might think that in Israel after a generation or two, most military men have become as square-headed as you in the Western world think military men are. They are not that square-headed, even here in America, because basically most military

people are trained and educated to use their rationalistic, systematic mind to solve complicated problems. And this is why I think that an Israeli peace gesture vis-à-vis the Arabs would be much more accepted in military circles than among the politicians.

**EIR:** To the degree that Israel continues on its present course, it seems that the extremists in the Arab world, such as Libya's Muammar Qaddafi, will have much more maneuvering room to unleash mayhem. Would you agree?

**Pa'il:** Yes. There is an unholy alliance of the fanatics. Mr. Qaddafi and Mr. George Habash and Mr. Assad—perhaps he's not as terrible as Mr. Qaddafi—anyway, the behavior of these kinds of people supports Menachem Begin and Yuval Neeman and Moshe Arens and Geula Cohen and these kinds of people. Their policy, in the West Bank and Gaza and in Lebanon, helps Mr. Qaddafi and the fanatics there, George Habash and others, to fight against those who are trying to find some moderate rapprochement. It's terrible.

For example, Abu Nidal. I don't know who is financing him. But by murdering the first secretary of the Israeli embassy in Paris in April 1982, and by trying to murder our ambassador in London, Abu Nidal directly supported Menachem Begin and Ariel Sharon. He gave them an excellent pretext to invade Lebanon, even if it was a real pretext.

Let's look at the case of Issam Sartawi. By murdering Issam Sartawi—and let's assume Abu Nidal's people murdered Sartawi—they helped the Israeli fanatics to raise their voice. Even if there is no actual, on-the-ground cooperation, they are supporting each other, de facto.

**EIR:** Many people in Israel are disappointed with the peace with Egypt, in that they had thought that extensive economic cooperation between the two states would be forthcoming and would help stabilize the region as well. The Egyptians are also disappointed. How do you view the Israel-Egypt peace arrangement?

**Pa'il:** First of all, I must praise the Egyptians. In June 1982, we—the Israelis—gave them an excellent pretext to break the peace agreement with Israel by invading Lebanon. Egypt would have improved its situation within the Arab world immediately by breaking diplomatic relations. They didn't do it. It means that they have an interest, a real interest, in maintaining the peace. So I have hope. But I know that a full-fledged peace agreement won't develop between Israel and Egypt—by full-fledged, I mean economic relations, technological relations, transportation relations, etc.—before another breakthrough is established vis-à-vis some settlement of our eastern question, the Palestinians and the Jordanians, at least.

I respect the Egyptian president, President Mubarak, for keeping the peace. If nothing develops between Israel and its eastern problem, sooner or later, I think, Egypt will spring out of the peace process. That would be terrible. Israel would be pushed a whole generation back.

# Guatemala coup: Kissinger tightens his grip

by Dolia Estévez Pettingell

Guatemalan dictator Gen. Efraín Ríos Montt was deposed Aug. 8 in a coup orchestrated by Henry Kissinger, who heads the new U.S. Bipartisan Commission on Central America. The man chosen to replace the religious cultist is his former defense minister, Brig. Gen. Oscar Humberto Mejía Victores, who describes himself as a "close friend" of Ríos Montt.

No one among leading Ibero-American journalists and political figures considers the Ríos Montt overthrow a change for the better; on the contrary. "The sad thing about the change is not that Ríos Montt went but that he is replaced by someone similar," commented the Mexican daily *Excelsior*. For the influential Mexico City paper *El Dia*, the coup was nothing but a "face-lift." "And the affable Kissinger decided to inaugurate his term as head of the Bipartisan Commission by changing the government of Guatemala," stated *El Dia*.

Former Venezuelan President Carlos Andrés Pérez told reporters in Caracas on Aug. 9 that "Ríos Montt did not deserve our respect or our confidence . . . he was an ayatollah-like dictator. . . . But the information that we have on General Mejía is that he surpasses Ríos Montt in his desire to participate in a regional, a Central American war."

It is not that the killer of Chile's Salvador Allende and Italy's Aldo Moro disliked Ríos Montt. The "born-again" dictator had successfully contributed to regional instability by making Guatemala the site of violent religious warfare during his reign, warfare threatening to spill over into Mexico.

But in the context of Kissinger's plans for expanding regional warfare and having full control over the unfolding of that process, Ríos Montt had to go—he was too "kooky" and ultimately too unreliable. Mejía, a Roman Catholic who maintains ties to factions of the U.S. military close to the evil Vernon Walters, is Kissinger's man for the job.

## Top-down coordination

Observers characterized the American embassy's involvement in the coup as "blatant." The U.S. State Department officially admitted that U.S. deputy military attaché in Guatemala was in the National Palace with a walkie-talkie at the time of the coup but, the State Department spokesman defensively added, "He was not directing the coup."

Forty-eight hours before the coup, General Mejía met in Tegucigalpa with the defense ministers of Honduras and El Salvador and the head of the U.S. Army Southern Command

based in Panama. He reportedly got the final approval for the coup at that meeting.

Ríos Montt was not jailed following the Aug. 8 coup and continues to draw his salary as an active-duty military officer. Mejía announced that the ousted dictator was not being stripped of his military duties. "This is not a coup d'état but a transition of power," he explained.

In his first statement to the press, making an effort to gain popular support, Mejía issued a call for early elections and eliminated the secret tribunals created by Ríos Montt. He claimed that he had taken power in order to end the "use and abuse" of the government by a "fanatic and religious group"—a reference to Ríos Montt's fundamentalist cult, the California-based Church of the Word.

## The beginning of the end

The countdown of Ríos Montt's days in power began last March during the visit to Guatemala by Pope John Paul II.

In a stunt that gained him notoriety throughout the world, Ríos Montt ordered the execution of six Guatemalan prisoners—said to be "subversives"—only a few hours before the Pope's arrival, and after the Vatican had specifically requested that Ríos Montt grant clemency to the victims as a gesture to the Pope. Since the Pope's visit to Guatemala, the Vatican had made known its interest in a change of government in this Catholic country.

But General Mejía's takeover will not bring an end to the chaos and bloodshed in Guatemala and the rest of the region. The new dictator openly opposes the Pope's efforts to stabilize Central America.

Only 24 hours after he had taken power, General Mejía called a press conference to announce that the Contadora Group—Mexico, Venezuela, Colombia, and Panama, which have undertaken intensive diplomacy to prevent a widening military conflict in the region—"has nothing to do in Central America. Central America's problems should be resolved by the Central Americans." Mejía also supported U.S. military maneuvers in the region and covert operations directed against the Nicaraguan government.

Venezuelan President Luis Herrera Campins, a leader of the Contadora Group, told reporters in Caracas that the Guatemalan coup d'état had "alerted" the group to step up its peacemaking efforts. "Every coup brings a change, and now we must find out the motivation behind this one," he warned.

# Sri Lanka riots threat to India's stability

by Uma Zykofsky

Provoked rioting in the South Asian nation of Sri Lanka has increased threats to the stability of India, whose prime minister, Indira Gandhi, is the chairman of the Non-Aligned movement. The rioting follows ongoing separatist destabilizations of the northeast Indian state of Assam and the Sikh separatist "Khalistan" movement in the Punjab.

The riots have claimed the lives of several hundred Sri Lankans of Tamil origin at the hands of the Sinhalese majority. Tamils, who originally emigrated from southern India, make up about 20 percent of the population of this island nation located only miles south of India.

Instead of intervening to restore calm, the regime of J. R. Jayawardene has turned a blind eye to attacks on the Tamil population by the armed forces, creating a situation where ethnic animosity, a legacy of the British colonial period and experience, has resurfaced.

There is a long history of Tamil-Sinhalese tensions in Sri Lanka, a history which can be easily exploited. The immediate danger is that the Tamils, who maintain close cultural and emotional ties to India, will appeal to India, as they have in the past, for intervention and help. The Jayawardene regime appears to be provoking the Indian government, making statements virtually "predicting" an Indian military intervention.

## The Indian response

Indira Gandhi told a special session of the Indian parliament convened to discuss the Sri Lanka crisis that India posed no threat to Sri Lanka and that it supports the "unity and national integrity" of that country. Mrs. Gandhi reported that she had talked by telephone that morning with President Jayawardene and told him that India's concerns over the events in Sri Lanka could not be seen as the views of just "another country," stressing India's ties to its neighbor. Jayawardene has sent his brother, H. W. Jayawardene, to New Delhi as a special envoy for talks with Mrs. Gandhi and other senior Indian officials.

The atrocities against the Tamils are a major issue in India. They have evoked memories of the events in 1971 when Henry Kissinger, then U.S. Secretary of State, used the genocide against the Bengali population of East Pakistan to push for a U.S.-Soviet confrontation in South Asia. In 1971, India was faced with 10 million Bengali refugees,

fleeing to avoid the butchery of the Pakistani military regime backed by Kissinger, and was forced to intervene militarily in support of the Bangladesh freedom movement. Refugees driven out by the Jayawardene government may seek refuge in India, as did the Bengalis during the Bangladesh crisis in 1971. Moreover, the suspicion exists that behind all these riots is a calculated design to set up a military base in Sri Lanka for the U.S. Rapid Deployment Force.

Sources in India suspect that Jayawardene has set up the situation to facilitate secret negotiations with Britain and the United States to set up a naval base in Sri Lanka at the port of Trincomalee. There have been rumors of such a deal for some time, and the Gandhi government has made clear its strong opposition to further creation of any foreign military bases in the Indian Ocean.

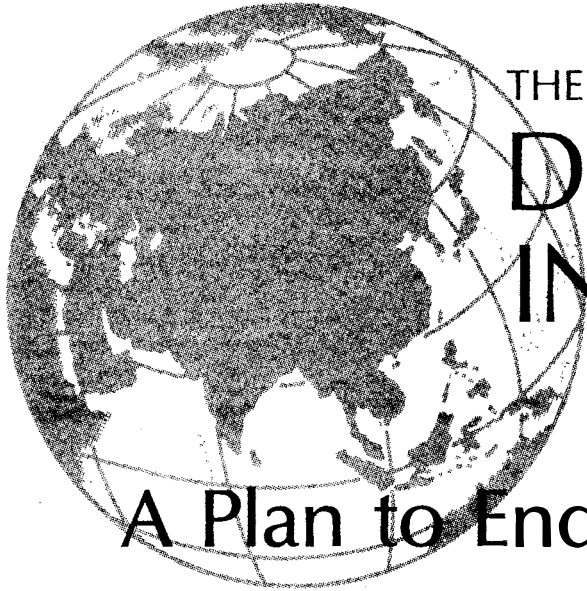
According to reports from India, Jayawardene has stated publicly that he is unable to stop the army from engaging in brutalities against the Tamils. Jayawardene, whose regime is strongly supported by the World Bank and the International Monetary Fund, has reportedly asked for "arms assistance" from the United States, Britain, Pakistan, and Bangladesh. He has also charged that "foreign elements" are behind the violence, including the Soviet Union, East Germany, and, by implication, India.

Mrs. Gandhi told the parliament that she asked Jayawardene about the request for "assistance" but that the Sri Lankan president claimed there were offers only of food and money from the United States and Britain. The Sri Lankan government called the reports of the arms request "untrue" and, in a gesture to India, aimed at "destroying friendship" between India and Sri Lanka. The Sri Lankan trade minister reportedly stated that the government would not allow the country to be used as "an anti-India base," but in the same statement he indirectly charged India with allowing Tamil separatists to mobilize support within India.

The current violence was triggered late last month when Tamil separatist guerrillas reportedly ambushed and killed 13 soldiers of the predominantly Sinhalese army. The army retaliated with attacks on the Tamil community. A large amount of the ensuing violence to Tamils included murders inside the country's jails and extensive damage of Tamil-owned property and businesses in the capital of Colombo.

In Sri Lanka, following the riots, the government carried out a vote on a constitutional amendment in the parliament which demands that all parliamentary members take an oath proclaiming their opposition to separatism. The vote was intended to put pressure on the leading opposition party, the Tamil United Liberation Front (TULF), which represents the Tamil minority.

The ruling United National Party and other opposition parties voted for the amendment, but the TULF boycotted the session, partly out of fear of coming to the capital. There are fears that the government will now move to ban the TULF, provoking new tensions. Several left-wing parties including the pro-Soviet Communist Party have already been banned.



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In late October President Ronald Reagan will be making an extended visit to Asia, including the countries of the Association of Southeast Asian Nations (ASEAN), South Korea and Japan. The President will visit a region spanning the Indian Ocean and Pacific Ocean Basins, where almost two-thirds of the world's population lives. The region includes some of the fastest-growing economies in the world, economies that have continued to grow even under conditions of world depression, and is strategically vital to the security of the United States and the world. This is a region that many people believe will be the new economic and strategic center for the world in the next century.

It is vital that the United States approaches the Indian Ocean/Pacific Ocean Basin area with a coherent policy: a comprehensive strategy for stability and economic development. The *Executive Intelligence Review* will present such a strategy at this conference.

*EIR* founder, Lyndon H. LaRouche, Jr., who has just returned from a tour of India, Thailand, and Japan where he had extensive discussions with political and economic leaders from those nations, will present the key concepts which should guide American policy for the future. The conference will present for discussion detailed plans for large-scale infrastructure development projects, including a new canal across the Kra Isthmus of Thailand, a second Panama canal, and large-scale riparian water-control projects for South Asia, Southeast Asia, and China.

# CERN: profile of a scientific nest of spies

by Jonathan Tennenbaum

Information in the possession of *EIR* indicates that the Neyrin, Switzerland-based Centre Europeen de Recherche Nucléaire (CERN), where research into high energy physics is carried out, is currently functioning as an important center for operations of the Soviet KGB in Western Europe. The objective of these KGB operations is 1) high-level espionage and scientific sabotage, particularly aiming to impede the development of anti-missile "beam weapons" by the United States and its European allies; 2) the manipulation of the activities of the "peace movement" in Western Europe to create actual conditions of civil war; and 3) the activation of terrorist elements against civilian and military targets.

No one is saying that every scientist at the CERN laboratory is involved in such operations. On the contrary, one presumes that the majority of the lab's personnel are in the dark about the nature of the KGB's operations there. However, there is abundant evidence that the CERN *as an institution* is KGB-contaminated.

Among the operations conducted by the KGB at the CERN is the "European Network of Scientists for Nuclear Disarmament" (ENS), which was founded at the July 1982 meeting of the European Nuclear Disarmament group, and is based at CERN. While most of the members of ENS work at CERN, the group publishes a disclaimer to say that its activity is not officially connected to CERN, and does not represent CERN's views.

ENS is presently directed by Toine Van Proeyen of Geneva. Its expressed purposes are coordinating actions by scientists towards the establishment of a nuclear-free world, coordinating actions against weapons of mass destruction, and providing scientific advice and information to other groups working toward the same ends. Under this cover, ENS is the leading scientific agency providing information and advice to terrorist networks and to the Soviets. Among the groups that work with ENS are the European Physical Society, the U.S.-based Union of Concerned Scientists, and the National Academy of Science in Washington, D.C.

But ENS is only a recent case of a process that has been going on for several decades—systematic recruitment to the KGB-controlled "Pugwash movement" of scientists who work at the CERN.

Former CERN director Victor Weisskopf is a founding member of the World Federalist-run Pugwash Conference set up by Bertrand Russell in 1957 as a "back channel" for negotiations on defense-related matters with the Soviet Union. These channels have served for over two decades as the forum

for U.S.-Soviet agreements, consistently to the detriment of the United States. Lord Russell, as is well known, founded the "Ban the Bomb" movement, run in the United States by the Communist Party U.S.A. It is less well known that in 1947 Russell called for a preemptive nuclear war against the Soviet Union. Russell's "anti-bomb" movement spun off the Society Against Nuclear Energy and a series of other groups leading to the creation of the pro-terrorist New Left, which in turn spawned the international environmentalist and peace movement.

This summer, a group of Pugwash veterans, including Bernard Feld, George Rathjens, and Weisskopf of Massachusetts Institute of Technology (MIT), Pugwash international secretary Morton Kaplan of Geneva, Hannes Alfvén of Sweden, and Lewis Sohn of the World Law Association, has held meetings all over the United States and Europe with Soviet political and intelligence officials. These meetings are seeking to force President Reagan to abandon the doctrine of Mutually Assured Survival he announced March 23, and to accept Soviet demands to abandon placement of the Pershing missiles, which is planned to begin in October if arms negotiations between the superpowers fail.

The cited initiatives will culminate in an Aug. 26-31 Pugwash Conference in Venice, timed to coincide with the Soviet-run international "hot autumn" of violent actions against the Pershing deployment.

## The case of Victor Weisskopf

The most recent indication of collaboration between this network and environmentalist terrorists was the participation of Victor Weisskopf, now a MIT physicist, in the July 2-3 Mainz, West Germany conference, "Responsibility for Peace," where he and Swedish scientist Hannes Alfvén were featured speakers. In the same days, in the same city, *in the same building*, at a second conference, terrorist groups openly laid plans for violent disruptions of NATO supply lines and attacks on U.S. military targets. Shocked eyewitnesses told *EIR* of a continuous traffic of participants between Weisskopf's conference and the pro-terrorist event!

Weisskopf took the lead among U.S. scientists in opposing President Reagan's strategic doctrine in April, precisely when 240 Soviet scientists denounced that doctrine in a Soviet government-organized statement.

The Weisskopf-directed MIT grouping earlier came under scrutiny because of Italian Red Brigades terrorist Franco Piperno. In August 1981, Piperno, accused of being a mas-

termind of the 1978 Aldo Moro kidnap-murder, tried to enter the United States from Canada, but was stopped by the U.S. Immigration and Naturalization Service. Piperno was on his way to MIT, where he had secured a teaching post in the nuclear physics department.

### The case of Abdus Salaam

During 1961-66, when Weisskopf was CERN's director, CERN became intimately connected, through exchange of personnel, with the Soviet large accelerator center at Dubna, and with the Trieste Center for Theoretical Physics, which was set up by a joint council of U.S. and Soviet scientists including Weisskopf. The Trieste Center—one of the coordinating centers of opposition to Reagan's new defense doctrine—is run by Pakistani physicist Abdus Salaam. Salaam's Russellite "peace" credentials are established by the fact that he is the reputed godfather of the "Islamic Bomb."

Salaam, a leading theoretical collaborator of CERN, is a member of the zero-growth Club of Rome and is personally committed to indoctrinating Third World scientists with anti-technology and anti-Western ideologies such as "Islamic Science." Salaam is a member of the Pontifical Academy of Sciences, which he joined on May 13, 1981. That was the day of the first attempt against the Pope's life—a hit in which, as subsequent investigation has demonstrated, then KGB chief Yuri Andropov was deeply implicated. A coincidence?

### The case of Professor Zichichi

Another member of the Pontifical Academy and one of the most noted scientists at CERN is Antonino Zichichi, who seems to have cultivated particular influence in Vatican circles. Zichichi directs the Centro Ettore Majorana in Erice, Sicily.

Some months back, police in Paris arrested Bruno Breguet, a Swiss national with a long history of terrorism, and Magdalena Kaupp, a West German linked to the Baader-Meinhof gang. The two were in possession of more than 11 pounds of explosives and plans to blow up the Hôtel de Ville in Paris. Unaccountably, at the time of Breguet's arrest, officials found in his pocket the address of Zichichi's Centro Ettore Majorana.

Zichichi, 53 years old, Sicilian by birth and Genevan by adoption, is president of Italy's National Institute of Nuclear Physics, and is promoted by the Italian media as a great "popularizer" of science. He is famous for an interview in the Italian weekly *Oggi* last February where he was asked to describe the expected uses of the research on the stability of the proton which will be done in the huge laboratory he is having built near the Gran Sasso, the highest peak in the Appennines (Abruzzo). Zichichi replied: "From the results we hope to get, nothing will be useful. Science as such is simply the study of the fundamental laws of nature, not the discovery of the atomic bomb. The great discoveries of humanity are all linked to discoveries obtained without the slightest intention of reaching practical objectives."

The somewhat flabbergasted interviewer then asked if the

new research center would be used for any other purposes. He answered that experiments would also be done on genetic mutations: "I am sure that genetic mutations are useful because living beings are bombarded by cosmic radiation. For this reason in the absence of radiation, as will be possible under the Gran Sasso, it will be possible to reproduce beings with the minimum number of possible genetic variations." We will thus be able to produce human beings that will be all alike, said Zichichi, and requested funds from the Italian state.

### The making of an espionage center

CERN was founded in 1952 as the center of a series of operations intended to create an "European culture" to oppose the technological progress transmitted by the idea of an "American Century." The *dramatis personae* involved in founding CERN were the same ones who turned up in Russell's *Bulletin of Atomic Scientists* and the Pugwash Conferences. In the background lurks the Swiss "Universal Fascism" group gathered around the "*recontres internationales de Geneve*" in which Denis de Rougemont, Emmanuel d'Astier (KGB), Louis Leprince Ringuet (Pontifical Academy of Sciences), Robert Jungk, and others participated. In a 1966 book on CERN, Robert Jungk called the center a "scientists' international," the beginning of a world government by a "planetary elite." From the outset, CERN was linked to UNESCO and similar "one-worldist" operations, like the World Academy of Arts and Sciences of Bertrand Russell, Robert Oppenheimer, Albert Hoffman (the inventor of the hallucinogen LSD), Julian Huxley, Leo Szilard, Linus Pauling, and Frederick Seitz.

Methodologically revealing is the tie between CERN, the growth of reductionist particle physics, and the launching of molecular biology, the basis for new forms of eugenics—the Nazis called it "race science." After the war Szilard founded, together with Weisskopf and others, the European Molecular Biology Laboratory of Heidelberg. In a conference on molecular biology in 1962, funded by the same Ciba Foundation that finances the organizing committee of the Pugwash Conferences, a member of Weisskopf's lab, Francis Crick, proposed that governments should introduce substances into food to reduce fertility and should issue certificates for antidotes to those considered qualified to reproduce!

The founding of CERN itself did not fail to raise a scandal. In a preparatory meeting in 1951 to seek financial and political backing, the presence of Amaldi, already well known for his extremist political sympathies, disturbed more than one representative of the Western countries. Only when Amaldi left was the meeting able to proceed. Nonetheless, after CERN was founded Amaldi became the first director general. Robert Jungk commented thus on the birth of CERN: "Here begins, in daily practice, a first cell of the same '*Pan-Europa*' which the unjustly misunderstood Count Coudenhove-Kalergi proposed at the end of the First World War."

For those who don't know, Jungk is speaking about a fanatical supporter of the Third Reich.

## New Delhi symphony evokes orchestras of Beethoven's time

*After attending the March 7-12 conference of the Non-Aligned heads of government in New Delhi, EIR correspondents Ortrun and Hartmut Cramer remained in India for several weeks. They were able to hear the New Delhi Symphony Orchestra perform Beethoven's Piano Concerto No. 1 and held discussions with members of the orchestra, learning that in the course of the past 20 years, more and more Indian musicians have entered the orchestra—from an 80 percent ratio of Western-trained musicians, that ratio is now less than 20 percent.*

*One difficulty for the orchestra is overcoming the mistrust of "Western" music, which is still widely considered part of the hated British colonial heritage. In the past 20 years, however, no effort has been spared, many concerts have been presented, and an ever-greater audience has been won. The members of the orchestra, all trained in Indian classical music as well, are all seeking to make the language of Western classical music comprehensible to a public which at first finds it very strange-sounding. In the program notes, for example, not only is the particular work elucidated, but also its form—concerto, symphony, and so on—and a short biography of the composer is provided.*

*The Cramers note: "From a technical standpoint, the orchestra does not compare with German ones—these are not professional musicians on the level to which we are accustomed—but in their aspirations to convey the content of the music they play, they are at least up to the standard of German orchestras. They almost seem like the orchestras of Beethoven's time, which performed brand new, never-before-heard music for the first time.*

*"We were delighted to be able to discover the work of the New Delhi Symphony Orchestra and to interview its conductor, Harold Joseph." Excerpts from the interview, which originally appeared in the German-language journal *Ibykus*, follow.*

**EIR:** Could you tell us how the idea arose to create this orchestra, and how it came into being?

**Joseph:** Yes, this will certainly surprise you, but we are the

only symphony orchestra in the world that was founded by a general. In 1964, Gen. J. N. Chaudhuri, at that time the army chief of staff, originated the idea. At a cocktail party in, I believe, Jaipur, he was talking about it with an American who was working here in India, and the orchestra was launched; very soon we had our first concert. As the Chinese say, even the longest trip begins with the first step, and that's exactly how it was with us. I could tell you a lot of comical stories: at our first rehearsal—we were playing Haydn's "Clock Symphony"—I raised my baton and gave the down-beat, but only a few of the musicians paid attention. We began again, with the same result. Nothing happened the third time, either, so I asked what was wrong, and a violinist answered: "We're here to play our music, but what are you doing up there?" It finally dawned on me that most of them had never played under a conductor, or even in an ensemble. So I had to start from scratch, explain the baton beat, and why it must be followed. I should add that we had good support in our early days from a number of foreigners who played very well. Many of them were diplomats, their wives, or their children; a few were businessmen working here. All of them were gifted performers. Mostly they were Europeans, but we had a few Americans as well. Over the years, this helped us to create a truly good atmosphere in the orchestra. We are like a big family, in which everyone helps each other. The better the cooperation, the better the music. That means that, initially, care has to be taken that the right notes are being played.

**EIR:** Are your orchestra members professional musicians, or what other occupations do they have?

**Joseph:** Some of them are professionals, many of them play in restaurants or in the film industry. Others are businessmen and teachers, naturally also many students. They are all talented musicians, and so we just get together and play music.

**EIR:** What motivates them to be in the orchestra? We have heard that there are many sacrifices, especially financial ones, involved.

**EIR:** Most of them don't think about money at all—it is the love of music. Yet of course there are many sacrifices. When we are rehearsing for a concert, many of them lose income from their jobs. Nevertheless, most of them are happy to be members, from the sheer love of music.

**EIR:** How many of your musicians belong to the armed forces?

**Joseph:** For some of the wind instruments, we depend on the military bands for musicians. There are practically no oboists or flautists in civilian life in India.

**EIR:** Can you tell us about the response of the Indian public? So much is always said about how "Western" music "doesn't suit the Indian ear." How many come to your concerts, and how do they react?

**Joseph:** A large following for Western classical music has



developed over the years, not only for my concerts, but for all concerts of this sort. And our public here in Delhi is very critically-minded. I really can't see where the difficulty is supposed to be, it is simply another language. If one loves good Indian classical music, it is not hard at all to take pleasure in a good Beethoven sonata or symphony, and vice versa. All that is required is to try it.

**EIR:** What criteria do you use for your programs, since there are so many different tendencies in Western music? Do you have pedagogical criteria? What role does the technical proficiency of the orchestra play?

**Joseph:** Those are good questions. In the first place, naturally a lot depends on the level of the performers. Then we have other limitations, too; for example, we absolutely can't play Debussy, because we don't have any harps here, and harps cannot simply be replaced by pianos. We can play Beethoven or Brahms, but if we need harps or, for instance, a contrabassoon, it won't work, no matter how good our musicians are. Therefore we have to tailor our programs correspondingly.

**EIR:** Has your orchestra brought young people into involvement with music? Are there many children who come and say, "I want to learn an instrument?"

**Joseph:** I'm not sure whether the orchestra has made that kind of contribution, but we have a music school here in Delhi which teaches classical Western music, and the number of its students has risen a great deal. As everywhere, the guitar is naturally the favorite, but there are also many students studying the piano, string instruments, and woodwinds. The problem is not the will to learn, but whether we have the teachers to educate the students. I get worried when I see how few gifted students can afford to buy a trombone or an oboe, and still have enough money left to pay a teacher. In some of the missionary schools, for example in Calcutta, they are trying to do something about the situation. They have a fine little string orchestra there. We could educate millions of professional musicians, but we don't have the financial resources, it's as simple as that.

**EIR:** We have heard that one of your best flautists is a Muslim, others are Hindus or Christians, and you all rehearse in the Jewish synagogue.

**Joseph:** We represent almost all religions; we have Muslims, Hindus, Christians, Jews, and a few years ago we also had a Russian soloist. One British newspaper put it this way: "The Indian orchestra has overcome boundaries." Our soloists come from every country in the world, every religion, every caste. We play splendidly together.

**EIR:** Do the performers in your orchestra have trouble obtaining instruments? Are they very expensive?

**Joseph:** In this country there is a very large number of old string instruments. There are problems with new instruments, they are not supposed to be imported. For example,

we would love to have a set of new timpani, but there is no chance of getting them or buying them in the near future.

**EIR:** Because they are too expensive?

**Joseph:** No, because there is an import freeze on luxury goods, under which instruments are classified. We have to save foreign exchange.

**EIR:** What is your own background? You began as a pianist?

**Joseph:** My own career began in a remarkable way: I come from a very beautiful city in the south of India, in the famous tea-growing region, the state of Tamil Nadu. I was a month old when an Englishman who was a very gifted music teacher visited my family, saw me, and said, "You look musical!" I was only a month old! "Send him to me when he is five years old." My family was poor, very poor, and my father thought, "Oh, how these people talk." But in fact, when I was five years old, the Englishman came back, and said, "In the morning, send him to me." That was the beginning of my career.

**EIR:** And then you were trained as a pianist?

**Joseph:** Yes, first I learned the piano, but I was always interested in other instruments, too. Later I learned the clarinet at the armed forces music school, where I came into contact with many woodwind instruments. By that time I had already learned something about string instruments.

**EIR:** What was your training as a conductor? Were you primarily educated in "Western" music?

**Joseph:** I went to the Royal College of Music in London, where I studied conducting, but as it is said, no one can really teach conducting or composing, only provide guidance.

**EIR:** Can you briefly tell our readers something about the basic principles of Indian classical music?

**Joseph:** That is very difficult. The point of departure for Western music is the well-tempered scale. The octave is the same in Indian music, but the difference is that it is divided into 22 parts; Indian music has quarter tones. That is probably why it is so difficult for non-Indians to understand at first. . . . It is also interesting that Indian music is never written down, it is always extemporaneous. The same person who plays a *raga* with variations today will play it the next time with totally different ones. There is only one voice or monodic line, as was the case before the 15th century in Europe.

**EIR:** Can you comment on the efforts by Yehudi Menuhin, Ravi Shankar, and others to combine Western and Indian music?

**Joseph:** I myself tried to do it with military music, since only British music was being played, but the result was not very military. I then unearthed Indian folk music and set it as marches; that had greater success. There are a lot of people in India, mostly young people, who are trying to do this. There have to be such blendings, just as there is a blending of the former cultures.

## 'Greens are unconstitutional'

*Mass opposition to the environmentalist-peace movement is emerging as the "hot autumn" approaches.*

The first salvos of West Germany's long-expected explosion of "peace movement" violence have begun, and analysts on both sides of the Atlantic agree that further escalation is "a foregone conclusion." From the parliamentary Green Party (which is wined and dined by U.S. Ambassador Arthur Burns) to the "extraparliamentary left" and the admittedly terrorist Revolutionary Cells, a "hot autumn" of protests and sabotage actions against the deployment of U.S. missiles in Germany is being planned. The survival of the government of Chancellor Helmut Kohl under such conditions is very much in question. But the Greens are not moving unchallenged.

The Greens in the state parliament of Hesse officially launched the mobilization on Aug. 3 at a reception for U.S. Army units stationed near Frankfurt, when Green deputy Frank Schwalba-Hoth poured a bottle of his own blood over the commander general of the U.S. Fifth Army Corps, shouting "Here is blood for the bloody army!" The German Communist Party sent a telegram of congratulations to their Green comrades.

On Aug. 7, two bombs exploded at the U.S. Air Force officers' club near the Hahn air base. An offshoot of the Revolutionary Cells known as "Autumn Begins" claimed responsibility. There were no casualties—this time.

All this has triggered an anti-Green, pro-American reaction of a sort hitherto not seen. Ordinary Germans have generally opposed the fascist, anti-progress Greens, but since every major political party and the trade

unions have bent over backwards to accommodate to their demands, the electorate has found no institution strong enough to change the situation. Of the political parties, only the small European Labor Party has demanded that the Greens be banned as fascists and therefore as unconstitutional under the Federal Republic's *Grundgesetz* (Basic Law).

Notwithstanding the gutlessness of the party leaders—and the anti-American hype of much of the left-liberal news media—a curious mass outpouring of pro-Americanism occurred Aug. 7, at an air show at the U.S. Air Force European Headquarters at Ramstein. Over 500,000 people came from all over West Germany, an attendance that surpassed any "peace movement" demonstration and also surpassed the crowds gathered for the Pope's visit. Police reported huge traffic jams on the roadways leading to Ramstein.

What was intended to have been the first major demonstration of the peace movement against U.S. military facilities fizzled when only 200 showed up to protest. The illegal demonstrators were arrested, to the cheers of the angry citizens, some of whom spat upon and even attacked the Greens before American military police could separate the groups.

This expression of the German "silent majority's" views was amplified in a centerfold spread of articles Aug. 7 in the largest-circulation German Sunday newspaper, *Bild am Sonntag*. Under the headline "Is This Party Still Constitutional?" the paper quoted U.S. military personnel: "These people are totally crazy. Why

does the German population tolerate them?"

The accompanying editorial was titled "The Greens—Just Like the Nazis." Many hoped that the new party would change German politics for the better, it said, but now people are beginning to realize that the Greens are nothing but an anti-American agitational squad. The article quoted Christian Social Union parliamentary leader Theo Waigel stating that the Greens are not fit to work in a parliament or a democracy, and that the other three parliamentary parties should find a common basis to work against them. While it might not be easy to obtain a prohibition against the Greens on constitutional grounds, he said, the outrageous behavior of the Greens in the Hesse parliament could only be compared to that of the uniformed Nazis in the old Reichstag.

The Greens' anti-American policy, *Bild* continued, is conspicuously in line with Soviet interests. And their economic de-industrialization program is not in the interests of the West German population, therefore it violates the oath every parliamentarian takes. "How long will we look on passively while *Die Grünen* destroy our state?" the editorial concluded.

*Bild's* editorial shift is welcome, but it comes late in the day. Around what positive policy will the popular backlash be shaped? A right-left polarization around the issue of the U.S. missile deployment would further the destabilization of Germany. The Ramstein events show that the scenarios of those orchestrators of the green-peace movement who want to split the NATO alliance and establish an independent *Mittleuropa* with Germany at its center cannot be consummated at the snap of the finger, but destabilization will merely fuel the *Mittleuropa* plan.

## The murder of Judge Chinnici

*The mafia took a risky step; they feel freer now that Craxi is the prime minister.*

Palermo, 8 o'clock in the morning of Friday, July 29: the head of the judicial inquiry office of the court, Rocco Chinnici, leaves his house to go to work. Two autos of the carabinieri, Italy's military police, block the traffic in Via Pipitone and the judge starts to get into his armored car, when a nearby parked car filled with TNT explodes, killing the judge, two carabinieri, and the doorman of the building. "Palermo Like Beirut" headline the newspapers, and people ask why the mafia decided to free itself at all costs of Judge Rocco Chinnici.

"A particular pride of mine is a statement made by the Americans, according to which the judicial inquiry office in Palermo is a pilot center of the anti-mafia struggle, an example for the other magistracies," Chinnici had said in a recent interview. His efficient office has a dozen judges in it, such as Giovanni Falcone, who are extremely competent and determined. On the day of the atrocious murder of Chinnici, Falcone had been sent to Thailand to interrogate the controller of the dope traffic of Southeast Asia. The Palermo judges had discovered that the Sicilian mafia was being resupplied with drugs through the Riccobono family, which had long since given up refining the morphine base obtained in Sicily as too risky, and had completely entrusted this aspect to these Golden Triangle services. But beyond the traffickers, Chinnici and his men were beginning to hit the managers of the drug trade, and were about to aim at the upper level, that is the bankers, politicians and the noble families.

In the United States, according to one investigator, the news of the recent verdicts against the Spatola crime family and above all Gambino, a "boss of bosses," reportedly alarmed the Cosa Nostra mafiosi to the point that they decided to kill Chinnici and strangle the investigative activity of the judges. It was also reported to us that recently the U.S. Federal Bureau of Investigation has been cooperating less and less with Italian law-enforcement officials, and that from Italy the war which has broken out between the FBI and the Drug Enforcement Administration was regarded with puzzlement.

It is clear that international cooperation in the anti-drug fight is as important as the support of the government apparatus in one's own country: Chinnici had probably come to lack both. In a speech last July 2 to an assembly of judges in Milan, he had complained that the anti-mafia data bank, so often promised by the government, had never been granted, and the judge added bitterly: "Probably we will never have it."

In Italy judges enjoy particular power. They direct investigations and the activities of sectors of the police forces. Thus it has turned out that a small group of courageous judges, with a small group of police officers around them, decided to launch a no-holds-barred struggle against the mafia, against terrorism, and against the P-2 lodge circles.

These judges are admired, feared, and hated.

On July 24, the journalist of the London *Daily Telegraph* Stephen Vi-

zinczey went to Palermo to interview Judge Falcone. In his article, he had written that judges of that stamp would not be stopped except by assassination—a strange article, as strange as the articles that the *Times* of London dedicated to the magistrate Mario Marchetti (who is committed to a probe of Sardinian separatism and its connections to Libya) and to the Roman magistrate Ferdinando Imposimato (responsible for successful investigations of the mafia). Given that the mafia only kills when it has to, viewing assassinations as dangerous for its business interests, certain articles which tend to profile the judges seem worrisome. We never noticed London distinguishing itself in the fight against drug trafficking.

The murder of Chinnici also represents a horrible warning to all the Italian judges: armored cars and escorts are useless if the mafia has decided to kill.

Now that the leader of the Italian Socialist Party, Bettino Craxi, has become the head of the Italian government, a very difficult period is opening for the judges. Craxi is the sworn enemy of the magistracy, has always proposed limiting their powers. He is also a friend of Henry Kissinger, who fled from Italy to avoid being questioned by the Rome judges.

Above all the judges need concrete collaboration by international law enforcement agencies, above all American ones. Second, they need real coordination between the various magistrates and investigators operating inside Italy: some kind of institutionalization of a group of magistrates and investigators that can work unimpeded. The problem won't be solved with a High Commissioner who coordinates everything, but with a staff moving in a unified and determined way.

## Business mobilizes against IMF

*Faced with disaster, the region's industrialists are exploring an alliance with labor.*

The private sector producers of the Andean region have watched while IMF-induced currency devaluations, inflated interest rates, and deflated markets both at home and abroad have bankrupted their factories and businesses by the hundreds. Backs to the wall, these businessmen are beginning to organize a resistance, even to the point of seeking common cause with the region's labor movements, themselves in the process of uniting against the murderous conditionalities of the Fund.

Peru is exemplary. In recent years it has become a laboratory experiment for IMF debt enforcement. Gross national product this year has fallen 5 percent by official admission. Other observers estimate a collapse of at least 9 percent.

Over the past 12 months, Peru's industrial production has declined 15.2 percent while operating at less than 50 percent of installed capacity. Last month the country's single steel plant, SiderPeru, shut down. The rest of the country's industry is in a state of "deep freeze."

Speaking to a gathering of professional, military, and government leaders last May, Carlos Verme Katz, president of the Society of National Industries, declared, "Latin America's private businessmen should unite in a common front against the creditors of the foreign debt and thus give weight to the power of the debtors."

Several weeks earlier, the outgoing president of the society, Ernesto Lanata Piaggio, had warned that "the foreign debt is the principal pitfall for

Peru and in general for all the Latin American countries." He urged that a consensus be reached for a joint formula for resolving the debt crisis. If such an agreement is not made, Lanata warned, "the very size of the debt will compromise the stability of the creditor banks and their governments as well."

Verme and Lanata were voices in the wilderness last May, but no longer. At the presidential summit of the Andean Pact held July 24 in Caracas to address the region's severe economic crisis, a plea for unity was issued in the form of a powerful "Manifesto to the Peoples of Latin America." That manifesto called for the formulation of "common, global strategies" to address matters of economics, foreign policy, technology, and science and to deal with common threats against their nations.

Days before the summit, the president of the Peruvian Exporters Association, Gonzalo Garland Itugalde, declared that individual renegotiation of the debt only served to "postpone the problem for the next year." He urged the formation of "a single Latin American market" and to facilitate this, called for "new financial institutions . . . to operate on the level of central banks."

In anticipation of the presidential summit, the Pact's newly created Labor Council met in mid-July in La Paz, Bolivia to formulate a joint protest against the destruction of their nations under IMF diktat and to resolve to prepare a continent-wide one-hour labor protest against the IMF.

Their call was not missed by other sector leaders. In Peru, efforts are reportedly underway to forge a unified Business-Labor council around shared concerns for defending the economy. In Venezuela, elements within that country's businessmen's association, Fedecamaras, have asked Venezuelan labor leaders to present them with draft programs for joint action. Similar feelers are being put out by business and labor sectors in Colombia and elsewhere.

In response, forces allied to the banks and the International Monetary Fund in these countries have played on chauvinist tendencies within both business and labor to split them along national lines.

For example, in Venezuela, elements in the private sector have blamed the weakened state of the economy on high wages given to Venezuelan labor, which the businessmen claim is responsible for the flood of cheap goods from other Andean countries.

In turn, the Venezuelan longshoremen's union has threatened not to unload imports from other Andean Pact nations that might undersell domestic goods.

In Colombia, the National Industrialists Association (ANDI) has repeatedly attacked Venezuela for "discriminatory practices" against fellow Andean Pact members and are urging a Colombian withdrawal from the 14-year-old pact. Their counterparts in Venezuela have followed suit.

The economic crisis will worsen, and national business sectors will increasingly discover that, as one Venezuelan industrialist declared recently, "now is not the time for class warfare." It remains to be seen whether the "integrationist" campaign of the July Andean Pact meeting will defeat the divide-and-conquer strategems of the IMF while there is still time.

## One year later

*On Aug. 23, 1982, the Mexican debt crisis blew up. A year later, it's better only in appearances.*

**T**hree events over the next weeks will serve to ratify the Mexican "financial success story" image currently spreading abroad.

First, there is the meeting of Presidents Reagan and de la Madrid at La Paz, Baja California Sur, on Aug. 14. Economic matters will be pretty much in the background; up front should be issues such as Central America and immigration.

Second, Mexico is likely—though not certain—to receive the restructuring of \$20 billion in short- and medium-term public sector principal that it has been seeking since the house of cards first came down a year ago. This is debt which has or will come due between August 1982 and December 1984; the current deadline is Aug. 23.

That is also the deadline on the repayment of \$1.53 billion to the Bank for International Settlements in Basel, Switzerland. The BIS role in Mexico's initial bailout a year ago was one of the "innovative features" hailed as a model by international bankers eager to utilize the world economic crisis to enhance the power of supranational credit institutions, at the expense of the national sovereignty of the debtor countries.

Unlike Brazil, where failure to repay a portion of the BIS "rescue package" has been the center of controversy and pressure, Mexico stands in a good position to make the payment in full and on time.

This is because Mexico has gone beyond its formal agreements in axing imports. Finance Minister Silva Herzog announced Aug. 5 that Mexico

has a trade surplus for the first six months of over \$6 billion. This reflects the policy of keeping imports to roughly \$3.5 billion, while the exports (85 percent oil) brought in close to \$10 billion.

That level of imports is economic (and political) suicide. It is 60 percent below 1982 levels (when the economy dropped from an 8 percent growth rate to a -1 percent growth rate).

The enormous trade surplus has been sufficient to meet monthly foreign interest payments of roughly \$1 billion. This has left the inflows coming from multilateral institutions like the IMF and a \$5.0 billion "jumbo" from commercial banks to cover repayment of arrears on debt and suppliers' credits as well as build up reserves.

The next okay from the IMF, releasing \$433 million of the next quarterly tranche, is a foregone conclusion for the middle of the month. The IMF nod in turn will release another \$1.1 billion in the disbursements of the March jumbo loan. All this cash, added on to \$600 million that Mexico has not yet drawn down from its previous jumbo disbursement, should keep the gnomes of the BIS happy, and will probably pay a big chunk of overdue suppliers' credits at the beginning of September.

However, the situation is like that of a person who can successfully hold his breath for 60 seconds—earning the applause and admiration of the spectators—but who eventually has to inhale.

During the remaining four months

of the year, an increase in imports will be unavoidable. But, because of the BIS payment, Mexico will have less "new outside cash" to cover the additional cost. Further, the fourth quarter is when the current dual exchange rate is scheduled to be merged into one—and the central bank wants a maximum of reserves to withstand any attempts to stampede a new maxi-devaluation of the peso at that time.

Externally, Mexico faces the danger of new international interest rate run-ups and possible renewed shakiness in oil prices.

The interest rate question in particular is gnawing at the minds of many economic planners here. The refinancing of the \$20 billion debt is at 1 7/8 percent over LIBOR, while the previous carrying cost of those loans was 7/8 percent. There are additional hefty fees for the renegotiation itself, and LIBOR itself is now on an upward track again.

Mexican financial sources indicate that Citibank demands nothing less than 3 percent over LIBOR on refinancing private sector loans that are part of the government bailout program called FICORCA.

For every one-point increase in international interest rates, Mexico faces roughly \$800 million more in interest payments: 25 percent more than the country is spending each month on all imports.

What's now hitting home is that the enormous sacrifice of this year—including a 40 percent decline in real purchasing power for workers as well as the 60 percent cut in imports—has all been made just to pay interest; not a penny of the \$85 billion in principal has been touched. It does not take a very acute government bureaucrat or leader of the governing PRI party to see that more of this kind of success story will kill Mexico.

# International Intelligence

## *Shagari re-elected as president of Nigeria*

President Shehu Shagari won reelection in Nigeria Aug. 6, by a wider margin than four years ago when the military conducted the election that brought to an end 13 years of military rule.

The Shagari victory foiled efforts to exploit discontent resulting from depression-induced austerity, engineer the president's defeat, and return the country to the regional conflict and chaos of the 1960s. Western press outlets which had been playing up the possibility of violence had to admit that the election proceeded calmly.

Of the six candidates, Shagari won 47 percent of the vote—4.2 million more votes than the runner-up, Obafemi Awolowo, who had 30.8 percent. Shagari's victory puts his party in a good position for the coming Senate, House of Representatives, and state elections.

Analysts in Nigeria expect Shagari to now expand Nigeria's role in pan-African affairs, a positive factor on the grim African scene.

## *Thai daily publicizes LaRouche initiative*

The 200,000-circulation Thai political daily *Baan Muang* gave prominent coverage on Aug. 4 to Lyndon LaRouche's visit to Thailand, where he met with many political leaders and government officials. The daily wrote:

"Leading U.S. Democrat Lyndon H. LaRouche believes that the problem of Kampuchea should be solved as soon as possible, before Vietnam becomes a total Soviet puppet. LaRouche's trip to Asia has the aim of assessing the development potential of the Indian Ocean and the Pacific Basin. His assessments will be reported to President Reagan before the official presidential visit this fall.

"The solution to the problem of Kampuchea and the establishment of stability in Southeast Asia are important to world peace as a whole. LaRouche stated: '... Should a shift in the Vietnamese domestic situation

occur, bringing to power the younger, war-hungry group, this would be extremely dangerous for Thailand. At present the Soviets do not totally control Vietnam because they are not able to give Vietnam real economic aid. . . . Because the southern part of Vietnam is in great need of economic development, negotiations can be opened with Vietnam using this as a leading edge.' . . .

"LaRouche also hopes that in the future, the United States will have a key role to play as the economic partner of Japan, India, and the ASEAN countries, which would not only be policy, but actual concrete implementation of projects. . . .

"Continued conflict in Kampuchea plays into the Soviet gameplan to weaken the West. Countries in this region need advanced technology, qualified manpower, and technological knowhow. The same goes for Kampuchea. . . .

"LaRouche concluded that the above remarks are merely his personal convictions, and are not meant as interference into the internal affairs of Thailand. . . . As an American and a world citizen, Lyndon H. LaRouche wants world economic development. The Kra Canal, the Mekong Water Project, and other such projects will ensure progress for Asia for the next 25 years."

## *P-2's Gelli flies his Swiss coop*

Licio Gelli, the Venerable Master of the Masonic Lodge Propaganda-2, has escaped from a prison in Geneva, Switzerland, where he had been kept pending his extradition to Italy. The deadline for Gelli's extradition was Sept. 14.

Our sources report that an intra-masonic deal had been struck between Switzerland and the new Italian prime minister, Bettino Craxi, to get Gelli free as soon as possible. Gelli was to be sent to Argentina to organize a new regime of Isabelita Perón and her astrologer-controller López Rega, and to help Qaddafi obtain atomic weapons.

Gelli had been arrested in Geneva while trying to transfer a large sum of money. The Swiss authorities never recognized the accusations of the Italian magistracy that Gelli was involved in plotting against the Italian state, and condemned the P-2 boss only for

secondary financial crimes. He was incarcerated in the Geneva prison, reputed to be the most comfortable in the world.

Gelli's lawyer claims that the Italian Mason was kidnaped; another possibility is that the Swiss Grand Lodge Alpina decided that Gelli should disappear—and killed him.

## *Italy: Craxi grabs for secret services*

Socialist Bettino Craxi has announced that as the new Italian prime minister he wants to have personal control over the Italian secret services. A fight is reported to have occurred between Craxi and Christian Democracy (DC) Party Secretary Ciriaco De Mita, who demanded that the DC be given a vice-premiership in charge of secret services. Craxi refused.

In the period leading to Craxi's new regime, a campaign has been unleashed against the magistracy, which has been nearly singlehandedly conducting the battle against the mafia-Mason-terrorist apparatus in the country. The press has raised a loud cry in defense of Enzo Tortora, a famous actor arrested because he was part of the Camorra drug-smuggling network. The magistracy, and especially the public prosecutors, are being called "head hunters, butchers of human flesh, rippers. . . ."

The press is also supporting the famous killer Toni Negri, the terrorist boss arrested in 1979 and now elected to parliament under the Radical Party standard. A special committee of parliament decided that Negri should be sent back to jail, but shortly afterwards the leadership of the Christian Democrats and the Communists had the decision reversed.

## *Hashemi to revive suit against EIR*

A notice of appeal has been filed by Iranian banker and gunrunner Cyrus Hashemi, following the dismissal of his \$100 million libel suit against this news service and associated publications. Hashemi's suit was dismissed by a federal court in Atlanta, Georgia last month after he repeatedly failed to

appear for court-ordered depositions. Hashemi had filed his spurious libel suit after being named as a principal financial conduit for covert funds entering this country from Iran to finance pro-Khomeini propaganda and terrorism in the U.S., activities conducted with the protection and approval of the Carter administration.

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### ***Britain, France near fast-breeder agreement***

The British and French governments are on the brink of reaching agreement on a \$3 billion-plus project to build a "high-technology, next-generation nuclear reactor," the *Times* of London reported Aug. 7. The arrangement would involve joint efforts to build a 1,200-megawatt fast-breeder reactor in the United Kingdom.

The arrangement is being consolidated by the Electricité de France and by the U.K.'s Central Electricity Governing Board, whose head, Sir Walter Marshall, was appointed to his post by Prime Minister Margaret Thatcher from his previous position at Britain's Atomic Energy Commission "with a brief to accelerate Britain's nuclear program." The *Times* reported, "Mrs. Thatcher is an enthusiastic supporter of nuclear power, which now meets 14 percent of Britain's electricity needs. She regards it as a safe, reliable, and cheap energy source, as well as a means of reducing the nation's long-term dependence upon increasingly expensive and potentially unreliable coal and oil supplies."

The article stated that British electricity officials are concerned that a start must be made now in developing the new reactor, which won't come on line for at least a decade, so that Britain will "have the necessary technology in place in the next century."

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### ***Separatists heat up Mexican elections***

The National Action Party (PAN) of Mexico is attempting to grab its first-ever governorship in the state of Baja California Norte when voters of that state go to the polls in

state and local elections Sept. 4.

The state is one in which the neo-fascist, separatist party has a substantial local following and powerful connections across the border to boost it into power. Many of these connections tie into the "Hollywood mafia," asserted the Mexican Labor Party (PLM) in a well-attended press conference in Baja capital Mexicali on Aug. 11. The PLM further demonstrated PAN links to the drug and arms-running networks infesting the region.

To highlight the importance given to the elections by the ruling PRI party, president Miguel de la Madrid made a special tour of the state Aug. 3-4 and spoke to large crowds in the three largest cities: Mexicali, Tijuana, and Ensenada.

The PLM has thrown the hardest punches so far, however. One PLM poster shows a picture of Hitler and Hitler's finance minister, Hjalmar Schacht, reviewing a parade of Nazi stormtroopers. The caption says "Let us remember," and cites a famous quote by PAN leader and former party president José Angel Conchello, who published an article lauding Nazi slave labor policies as the appropriate model for Mexico.

The PAN's attempts to dodge the charges that it is plotting to remove the northern border states from Mexican central government control, are hampered by statements of some of its leading candidates in the current elections, who have stated that ceding Baja California to the United States would be an appropriate means to liquidate a good portion of Mexico's foreign debt.

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### ***Currency warfare against Ibero-America***

This month has witnessed a wave of forced depreciation of currencies in Ibero-America.

In Brazil, during the single day of Aug. 12, the dollar parity of the cruzeiro on the black market dropped 5 percent. In Peru, in the same period, the sol dropped 6 percent. In Argentina, speculation against the peso on the black market is rampant. In Venezuela, because of the scarcity of dollars, in the first two weeks of August the bolivar plunged 50 percent. In Mexico, a new round of devaluations is rumored to be afoot.

## ***Briefly***

### ● **BRITISH PRIME MINISTER**

Margaret Thatcher will keynote a London conference of industrialists and scientists on the "application of science to industry" in mid-September, according to a London financial source.

● **SCANDINAVIAN** customs authorities are reportedly upset about Spain's newly liberalized drug laws—especially since so many Norwegian and Swedish youth vacation in Spain during the summer.

● **BARRY DUNSMORE**, who is supposed to cover the State Department for ABC-TV, announced Aug. 11 that he was taking a vacation because "When you start going on the air with reports on strategic places like Faya Largeau, for God's sake—lumps of camel s—t, it's time for a break."

● **PETRA KELLY**, the German Green who objected to being called a political whore, has taken refuge at a spa in Lower Bavaria, suffering from a kidney infection.

● **MIKHAIL KAPITSA**, the Soviet vice minister of foreign affairs, will visit China Sept. 8-16

● **SHAMANISM** has come into vogue in Austria, where the press is full of reports on transplanted practitioners of the American Indian art of obtaining magical powers from the dead.

● **THE KURIER** of Wiesbaden, West Germany, reviewed the Aug. 5 Humanist Academy/Club of Life performance of *A Midsummer Night's Dream* under the headline "Reason Instead of Magic: Against Deceptive Certainty." The LaRouche-founded Academy's sister organization in the United States, the Lafayette Foundation, produced *Macbeth* in New York City the same weekend.

# The secret supporters of Walter Mondale

by Richard Cohen

In the first weeks of August, powerful forces initiated an intense effort to revive the presidential hopes of former Vice-President Walter Mondale. On Aug. 9, the executive board of the AFL-CIO, after several days of meetings in Boston, voted 23-6 to advance the target date for their executive board recommendation on an AFL-CIO endorsement of a presidential candidate from December to October. For months, Mondale strongholds within the labor federation had been waging an overtime effort to secure the change. Fearing the momentum of the John Glenn campaign and the consolidation by the Cranston campaign of that wing of the Democratic Party moving around the "nuclear freeze" and related issues, sources report that Mondale insiders viewed the change of date as essential.

At the same time, the Catholic bishops responsible for the pastoral letter supporting the nuclear freeze—supported by the dangerous replacement for the late Cardinal Cody of Chicago, Joseph Bernardin—have launched an all-out effort for Mondale's nomination, as part of an attempt to pull peace movement-allied churches behind Mondale. Reportedly, Bernardin and the bishops have also plunged into the AFL-CIO internal situation, using Secretary-Treasurer Tom Donahue, a controller of the organization's International Division, as their point man. These bishops will unite behind a soon-to-be released pastoral letter rebuking Reagan's economic policies and endorsing the Mondale corporatist approach.

These two developments have led Mondale insiders to believe that a Mondale "October Surprise" will reverse the Glenn momentum and force Cranston, who relies on the

peace movement, to falter.

On Sept. 29, the large non-AFL-CIO teachers' union, the National Education Association (NEA), will meet in Washington to recommend a presidential candidate. Mondale, who brought the NEA in behind President Jimmy Carter, is sure to get the endorsement. On Sept. 30, the NEA board of directors will meet to confirm the recommendation.

Then, on Oct. 1, with the support of the Bernardin-led Catholic and Protestant peace faction behind him, Mondale will confront Cranston in the important Maine Democratic convention straw vote.

On Oct. 1-2, the General Board of the AFL-CIO will meet in Hollywood, Florida, to recommend an endorsement, as decided at the Aug. 9 executive board meeting. The Glenn and Cranston camps now concede that the choice will be Mondale. Then, some time between Oct. 3 and 7, the General Board's recommendation will be voted up on the convention floor. Again, all agree Mondale will be the choice.

Finally on Oct. 6, all six of the announced Democratic candidates will speak before a New York City Democratic Party forum. This will be the first serious nose-to-nose collision between them, and Mondale insiders expect a revived Mondale to stand out, particularly against Glenn, who many are convinced will crumble under the public spotlight.

The revival of Mondale requires one additional development, in the view of Mondale strategists. Throughout the summer, Mondale campaign operatives and agents among black organizations have been concentrating pressure on "Operation PUSH" leader Jesse Jackson to cancel his threat



to run a black candidacy in the Democratic primaries. Such a candidacy would reportedly reduce the expected Mondale vote by 5 percent in many states.

This sudden revival of Mondale, following his unexpected defeat by Cranston in the Wisconsin straw poll and the emergence of Glenn as a more formidable challenger to President Reagan in the polls, has to do with the extraordinarily powerful secret supporters of Walter Mondale.

Indeed, the impending AFL-CIO early endorsement and the Mondale coup in the peace movement would not have been possible without these supporters.

### **Who owns Mondale?**

The backers of Walter F. Mondale are part of a covert web consisting of organized crime and its closely related U.S.-based Israeli-sponsored Anti-Defamation League (ADL) of the B'nai B'rith, the Soviet KGB apparatus, and a powerful alignment of U.S.-based Anglicans and Jesuits.

When Mondale left the vice-presidency in 1981, his promoters, knowing he would be a leading presidential contender in 1984, provided him with corporate credentials. Mondale was appointed to the board of directors of the organized crime-riddled Columbia Pictures. One of Mondale's longest-standing and closest political intimates, corporate consultant Jim Johnson, already sat on Columbia's Board. When Mondale announced for president in early 1983, he named Johnson as his campaign manager.

Mondale also joined the Chicago-centered law firm of Winston and Strawn in early 1981. While he merely lent his name to the firm and did not practice law, the firm's Washington offices would become the center of his campaign activities. The senior partner at Winston and Strawn (whose chief client is the AFL-CIO) is John R. Reilly—now the pivot of strategic thinking in the Mondale campaign. Reilly was a graduate of the Kennedy Justice Department, having come there after he rose in Iowa state politics by affiliating himself with the Kennedy machine there. That liberal apparatus is dominated by the influence of the Cowles newspaper chain, owner of the *Des Moines Register* and papers in Minneapolis. The founder of the chain was himself an operative associated with the "left faction" of the OSS (Office of Strategic Services—World War II intelligence), a faction with reputed long-established relations to the Soviet KGB. Indeed, the Cowles chain, with numerous links to Mondale, funds the IPS-run left anarchist Pacifica Radio Network, as well as other IPS operations—like the IPS/KGB confab recently celebrated in Mondale's home base of Minneapolis.

In 1981, Winston and Strawn set up adjoining Mondale's offices a Mondale front called Public Strategies, run by former Assistant Secretary of State for Far Eastern Affairs Richard Holbrooke, who prior to his tenure in the Carter administration edited *Foreign Policy* magazine. Joining Holbrooke was Bert Carp, long-time Mondale aide and chief assistant to Carter domestic affairs adviser Stuart Eizenstat. Functioning as ostensible consultants to corporations, Public Strategies'

first client was Columbia Pictures. Other clients included Winston and Strawn clients Cummins Engine and Beatrice Foods.

The importance of the interrelationship between Mondale, Columbia Pictures, and the Mondale front Public Strategies is evident when the other board members at Columbia Pictures, which so quickly welcomed Mondale, are identified. Mondale joined Carl Lindner, the Cincinnati-based multimillionaire associated with the ADL and Meyer Lansky's organized crime networks. Lindner is the major shareholder in United Brands (formerly United Fruit), previously directed by Detroit businessman Max Fisher, a close associate of former Secretary of State Henry Kissinger and linked to Caribbean drug and gun running. Indeed, law enforcement officials have privately identified United Brands' operations in the Caribbean and Central America as the principal cover for trafficking illegal drugs and arms to both sides of the conflict in the region.

Lindner is also a 14 percent partner in another firm—Rapid American—whose origins are traceable to some of Mondale's closest friends. The major shareholder in Rapid American is Meshulam Riklis, also associated with Lansky organized crime networks, and a controller of the crime networks associated with former Israeli Defense Minister Ariel Sharon. Rapid American owns Schenley, a firm with which mob defense attorney Roy Cohn is associated.

Most important, Riklis and his operations were first promoted by long-time Mondale supporter Burton Joseph. Joseph's mother was a top aide to Mondale's mentor, the late Sen. Hubert Humphrey, and the Joseph family owns the Minneapolis-based company I. S. Joseph Grain Company. In 1977-81 Joseph, a leading figure in international Zionist circles, served as president of the ADL. Now Joseph is a full-time campaigner for Walter Mondale.

### **The Lansky circles and Emprise**

In addition to Lindner, Herbert Allen welcomed Mondale to the board of Columbia Pictures in 1981. Herbert and his brother Charles Allen run the New York-based Allen and Company, where they handled all of mobster Meyer Lansky's business operations while becoming deeply involved in the organized crime-run Resorts International.

Mondale was no newcomer to the circles connected to the ADL-organized crime apparatus which ran Columbia Pictures. In fact, in the late 1970s, following the inauguration of the Carter administration, a marriage of the secret backers of Carter and the secret backers of Mondale was consummated when the Carter-connected Coca Cola Company bought substantial shares in Columbia Pictures.

Retained in the financial operation was the former controlling shareholder in Columbia Pictures, Matthew Rosenhaus, closely associated with Lansky and a primary figure in the ADL. Rosenhaus was a percentage shareholder in the Nabisco Company, chairing one of the firm's subsidiaries. We will find it important later that a large shareholder in this

grain/food-products company remains the Moore family of New York. Representing the center of New York's Episcopalian elite, the Moores are intimately associated with the Morgan financial interests.

Mondale's intimacy with the ADL-organized crime forces is further revealed by way of his ties to Emprise, a sports-related conglomerate dominated by Max Jacobs, a Buffalo-based multimillionaire (and important figure in ADL circles). Emprise was exposed in 1971 in the *Washingtonian* magazine for monopolizing concessions at Washington, D.C.'s National Airport and at Robert F. Kennedy Stadium. By 1972, a federal court ruled against Emprise for using \$700,000 to help purchase a Las Vegas casino for the mob, leading to the loss of concessions nationwide and millions of dollars in legal fees for the firm. Following this conviction, Emprise changed its name to Sportsystems—but not, apparently, the nature of its activities.

Emprise's crime connections were so glaring that even *Sports Illustrated* ran an exposé on May 24, 1972, and Arizona congressman Sam Steiger and others initiated an investigation into its operations through the House Select Committee on Crime. Later in 1972, Sen. Robert Dole (R-Kans.) publicly protested the House Select panel's decision to terminate the hearings on Emprise, revealing that the decision had followed a private meeting between Jeremy Jacobs of the firm and then-Democratic National Committee Chairman Larry O'Brien. (O'Brien, a strong pusher of the Watergating of Richard Nixon, whose administration was gearing up a major effort against organized crime, was subsequently given a lucrative job as president of the National Basketball Association—an organization with heavy representation by the Jacobs family.)

On June 2, 1976, moments after a bomb exploded in his car inflicting fatal injuries, dying Arizona investigative reporter Don Bolles, who had been working closely with the Steiger investigation, whispered three words: "Mafia—Emprise—Adamson."

Following the *Washingtonian* exposé in 1972, Max Jacobs used a close friend, Al Eisele, then a reporter for *Ridder* newspapers who had begun his career working for the Cowles chain, to channel information to columnist Jack Anderson, charging the *Washingtonian* author of the article with attempted blackmail of Jacobs in 1971. Bernard Ridder, Eisele's boss, owned the Minnesota Vikings football team, whose stadium had Emprise-run concessions. And the Washington Senators baseball team, which would later move to Minneapolis, used Robert F. Kennedy Stadium, with Emprise concessions. Washington Senators owner Bob Short, a Minnesota millionaire, later hired Eisele as his PR man. Short also was the largest financial backer of Walter Mondale. Then in 1975, Mondale hired Eisele as his press secretary!

Shortly after assuming office in 1977, the Carter administration pressed hard for a pardon of Emprise; not obtaining the full pardon, they managed to engineer an outcome allowing the firm to renew its concessions.

## Control Data

Early in 1981, Mondale was also brought onto the board of directors of the Minneapolis-based Control Data Corporation, one of the largest and most advanced high-tech firms in the United States. As such, it has been high on the list for Soviet KGB efforts to secure access to U.S. computer and other advanced technology. The board of Control Data took the lead during the 1970s in promoting technology transfer and trade with the Soviet Union, while encouraging KGB-supported efforts at spreading the environmentalist movement throughout the United States.

Indeed, Control Data meets repeatedly with the KGB-sponsored front group the U.S.A.-Canada Institute, headed by Georgii Arbatov, a favorite of Soviet President Yuri Andropov. Control Data also participates in the so-called Dartmouth process, an offshoot of the Pugwash conferences on disarmament which have done so much to create the U.S. military disadvantage; and the firm played an important role in the U.S.-Soviet Trade Commission established by George Shultz in the 1970s.

Recent reports suggest that the Jesuit-linked New York-based Maryknoll Fathers own substantial shares in Control Data. This order has received recent notoriety for its on-the-ground role in KGB-supported destabilizations in Central America; it is associated with the bishops who most adamantly pushed the pastoral letter in support of the nuclear freeze.

Finally, Control Data is a leading member of the International Institute for Applied Systems Analysis (IIASA), which has on its board top-level KGB operative Djerme Gvishiani, son-in-law of the late Alexei Kosygin. (Gvishiani also works closely with Occidental Petroleum's Armand Hammer, whose other links to the Soviet leadership are a matter of record—as is the fact that Democratic National Committee Chairman banker Chuck Manatt's law partner John Tunney is a business partner of the same Gvishiani.)

Control Data's KGB connections surfaced anew in late April when Arbatov met in Minneapolis with the firm's board. At that time, Arbatov was also meeting with former Ford National Security Adviser Brent Scowcroft, Shultz special consultant Helmut Sonnenfeldt, and a third former Kissinger aide, his Soviet hand William Hyland. The purpose of the meeting was to lend support to Kissinger's effort to scrap President Reagan's anti-ballistic missile beam weapons defense program and strategic modernization program—a program Mondale staunchly opposes.

Several weeks after Arbatov's departure from Minneapolis, the Washington-based Institute for Policy Studies (IPS) launched a nationwide series of meetings with a high-level delegation of KGB agents, holding their first meeting in Minneapolis on May 23. In attendance at this May 23 meeting was Episcopalian Bishop Paul Moore of Saint John the Divine Cathedral in New York City. Moore, one of the leading Anglican representatives in the United States, is a crucial figure in the KGB-directed "peace movement"-nuclear freeze

network. In 1982, Moore traveled to Moscow to enhance the "dialogue." Bishop Moore is from the Moore family of the Nabisco Company.

But the Moore family relations to those behind Walter Mondale go far deeper. The Moore family maintains its strongest connection to the Episcopalian families of Minneapolis that dominate the U.S. grain distribution conglomerates. Foremost among those is the Pillsburys, who maintain, along with the Moores, the remarkably close relations between the New York and Minneapolis Episcopal churches. In addition to the Episcopalian Pillsburys, the Minneapolis grain magnates also include the likes of the ADL-centered Joseph family.

Indeed, Mondale's Minneapolis is a center for two jewels—grain and computer-related technology—which KGB planners need from the United States. Mondale and his friends have been more than eager to open access to these prizes.

### Mentors and advisers

Next to Hubert Humphrey, Mondale's most important mentor was Orville Freeman, the former governor of Minnesota and Johnson administration Secretary of Agriculture. Maintaining a populist cover, Freeman always operated on behalf of the large Minneapolis-centered grain distributors.

In fact, it was Freeman who became the strongest early proponent of grain deals to the Soviet Union. Freeman currently presides over the "risk-analysis" and consulting firm Business International; the role of this firm as a cover for political operations can be seen from a glance at its board, on which sit, among others, Sol Linowitz and the Club of Rome's Aurelio Peccei.

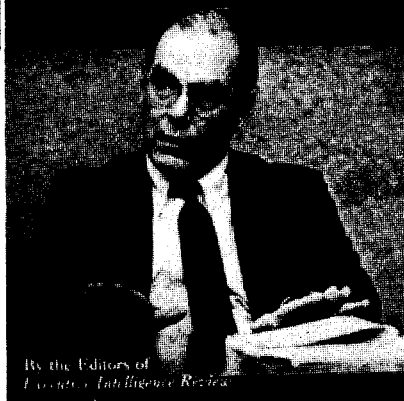
Mondale's ties to these forces were evident after Carter's impotent gesture of enacting a grain embargo against the U.S.S.R. in wake of the invasion of Afghanistan. Inside the White House, Mondale openly opposed the President's embargo.

It is also relevant that former Deputy National Security Adviser David Aaron was responsible for leaking to the Soviets and the U.S. press details on "Operation Trignon"—the highest-level U.S. penetration of the KGB, an operation that was destroyed by the Aaron "indiscretion." Prior to his appointment as Brzezinski's deputy, Aaron was Senator Mondale's chief foreign policy aide; today, even after the Trignon affair, Aaron is presidential candidate Mondale's chief foreign policy adviser.

In a future installment, *EIR* will demonstrate how Mondale's policy stances as a presidential candidate reflect these supporters and mentors.

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# Soviet agents, witches, and 'peace' forums: strange happenings in the Democratic Party

by Graham Lowry

The drive by Soviet chief Yuri Andropov and the KGB to bring down the United States from within has produced a bizarre new phase of direct intervention into the 1984 U.S. presidential election. Democratic candidates Walter Mondale, John Glenn, Alan Cranston, Gary Hart, and Ernest Hollings were put on display for the national media Aug. 13 at a "peace" forum in Des Moines, Iowa, organized under the direction of Democratic Party assets of the KGB.

The Iowa candidates' forum, restricted to discussion of arms control and disarmament proposals, was sponsored by People Encouraging Arms Control Efforts (PEACE), an umbrella group for 65 Iowa organizations active in the KGB-backed "nuclear freeze" movement.

Established in February, PEACE is headed by Rep. Berkeley Bedell (D-Ia.), and is intended specifically to centralize efforts to dominate the 1984 Iowa presidential preference caucuses with the KGB's agenda for disarming the United States. According to an aide to Bedell, "he recognized the unique opportunity Iowans have in terms of the Iowa caucuses to highlight the arms control issue. The party leadership is committed to getting the influence of the peace movement into the caucuses."

## The Moscow-IPS circuit and Peace Links

The Iowa presidential candidates' forum, however, is more significantly the outcome of a series of KGB interventions into American politics this year, beginning with the May 24-29 U.S.-U.S.S.R. Exchange Conference in Minneapolis, Minnesota. Jointly sponsored by Moscow's U.S.A.-Canada Institute and the left-wing Washington-based Institute for Policy Studies, the conference featured more than a score of Soviet and Russian Orthodox Church officials and, among their American counterparts, key figures involved in subsequent events on what amounted to a nationwide roadshow for the KGB.

The next major stop was the June 1-3 Women's Leadership Conference on U.S.-Soviet Relations in Washington, D.C., sponsored by the Committee for National Security. Besides four Soviet participants from the Minneapolis conference, the personnel overlap with the Washington event

included Richard Barnet of IPS and the Committee for National Security; the committee's director Anne Cahn; and Betty Bumpers, president of Peace Links and the wife of Sen. Dale Bumpers (D-Ark.). Peace Links is a "sexual politics" organization which includes among its members the wives of at least 40 congressmen and governors across the country.

Evidence of Peace Links' connections to the KGB was presented on the floor of the U.S. Senate earlier this year by Sen. Jeremiah Denton (R-Ala.). Denton pointed out that two of the member organizations of Peace Links' National Advisory Council—Women's International League for Peace and Freedom and the Women's Strike for Peace—have been identified even by the U.S. State Department as Soviet-controlled front groups. The advisory council also includes the Committee for National Security.

If one peers more closely now at the Aug. 13 Iowa forum, something more than acres of corn meets the eye. The keynote speaker was Admiral Gene Larocque of the Center for Defense Information, the military adjunct of Minneapolis conference cosponsor IPS. Larocque was paraded before a Soviet television audience in June to denounce the Reagan administration's "warmongering" attitude toward arms control.

In workshops preceding the arms control panel with the presidential candidates, the Iowa forum featured one on the psychological effects of nuclear weapons on children, led by the wives of Iowa congressmen Bedell and of Jim Leach, the nominal Republican who has been a leading figure in congressional efforts to stop President Reagan's defensive antiballistic beam weapons program from being implemented. Destroying that capability's potential for reversing the strategic and economic collapse of the United States was the constant and strident demand of the KGB and Russian Orthodox Church leaders on tour in the United States, as it has been from Moscow since President Reagan announced the new strategic doctrine on March 23.

Participants in the Women's Leadership Conference stop on the KGB tour included two Iowa members of Betty Bumpers's Peace Links: congressional wives Elinor Bedell and Elisabeth Leach, workshop directors at the Iowa forum.

Another participant in the Women's Leadership Conference was Laurie Daschle, the executive director of Peace Links and the wife of Rep. Tom Daschle (D-N.D.).

Daschle himself has ties to environmentalist Jay Epstein, an attendee at a conference in Hanoi where Soviet officials mapped out a campaign of environmentalist sabotage against the United States. Shortly after his return, Epstein launched the dioxin scare which was used to virtually close down the town of Times Beach, Missouri. Daschle is also the number-two Democrat on the Albosta subcommittee in the House that launched the congressional investigation into "Briefinggate," a campaign to destroy the Reagan administration initiated with KGB complicity following Averell Harriman's return from meeting Andropov in Moscow in early June.

Something was rotten in Des Moines—besides the candidates who appeared.

The KGB "peace" offensive in the United States is working on a timetable for a "hot autumn" here and in Europe.

Mass civil disobedience is to be a cover for terrorism around the issue of the scheduled U.S. deployment of Pershing II and cruise missiles in Europe at the end of the year. The buildup in the United States is already under way, in collaboration with the Green Party in West Germany, which is backed by the KGB.

### 'Women's encampments'

Prime KGB assets for pulling off a "hot autumn" in the United States are the radical feminist groups currently staging "women's encampments" at military installations and defense research centers at such locations as Missoula, Montana; Kent, Washington; the defense technology complex in the Silicon Valley in California; Lawrence Livermore Laboratories in San Francisco; and the Seneca Falls Army Depot in upstate New York, where 3,000 encamped women have engaged in repeated acts of civil disobedience and infiltration runs designed to profile military security procedures.



*A witch's coven at a 1979 anti-nuclear encampment—the precursors of today's KGB-run 'peace' movement.*

The Seneca Falls encampment was organized by Donna Cooper, a national leader of the Communist Party's Women's International League for Peace and Freedom, further belying the FBI's claims this spring that it could find no evidence of KGB control over the U.S. peace movement. The Women's International League for Peace and Freedom is also a member organization of the National Advisory Council of Peace Links, and has been identified as a Soviet front group by even the U.S. State Department. The Soviet tour of the United States included a trip by some of the delegates to Seneca Falls as a final stop. A number of other organizations involved in Seneca Falls, such as the Fellowship of Reconciliation, are part of the base of support for Peace Links as well.

What is being unleashed with the KGB "peace" offensive is exemplified by the Seneca Falls women's encampment, where internal discipline is run by a lesbian organization called "Sinister Knowledge." Also participating in the camp are lesbian members of the terrorist American Indian Movement. One AIM grouping active there, Akwasasne Notes, is known to be involved in Wicca, a witchcraft cult which has been linked to the 1979-81 Atlanta child murders.

Radical groupings at the Seneca Falls camp are also believed connected to a U.N. "International Feminist Network" headquartered in Geneva, Switzerland, and Rome. Its quarterly magazine *Isis*, besides promoting lesbianism and witchcraft, devoted its spring issue this year to "Women for Peace," including a plug for the Women's International League for Peace and Freedom in the United States and coverage of the "model" for women's peace camps internationally at Britain's Greenham Common. *Isis* is perhaps unique in having a numbered Swiss bank account printed on the back of the magazine to which "readers" can send money.

The same issue of *Isis* included a participant's account of the Women's Pentagon Action in the fall of 1981, an attempt to surround the Defense Department Pentagon and block its entrances. "Slowly the four stages of our action emerged—mourning, rage, empowerment, defiance." For the "rage" element, "the drum tempo changed and the majestic rage puppet, in red, moved to the center. The next stage of the action began and we raged and chanted 'We won't take it,' 'No more war,' 'Take the toys from the boys.' . . . I wasn't prepared for how I was transformed by that ritual. It felt as if something reached down inside me, grabbed my tears and pulled them out of me. The feelings inside those other women touched the feelings in me and our rage built together."

As a state-level director for Betty Bumpers's Peace Links put it, "Betty concentrated particularly on women. She felt that women, as mothers and nurturers, could make people understand how dangerous the nuclear arms race really is, where other people with their statistics and their megatons and so forth could not."

### **Target Seattle and the senatorial trip**

The KGB's "educational" offensive is also set to gear up

during the "hot autumn," with Soviet peace propaganda events up to two weeks long already set for a number of cities around the country. The model for many of these was first organized last year by "Target Seattle," an effort at mass manipulation of fears of nuclear war which brought 20,000 people into Seattle's Kingdome stadium last fall. Betty Bumpers made a special trip to Seattle to set up the personnel and staff organization for the project.

Target Seattle is staging a mammoth program entitled "Soviet Realities" from Oct. 29 to Nov. 6, prepared in consultation with Moscow's U.S.A.-Canada Institute. Featured speakers include this summer's KGB-tour coordinator Richard Barnet of the Institute for Policy Studies and Donald Kendall, chairman of Pepsico and a leading figure in the Council for New Initiatives on East-West Trade. The event's planners expect that Georgii Arbatov, head of the U.S.A.-Canada Institute, will head the list of Soviet speakers.

Target Seattle's program summary includes a series of forums with such titles as "Can We Live with the Soviet Union?," "What in the World Does the Soviet Union Want?" and "Who's Planning to Fight a Nuclear War?" After a day of workshops on Russia's "blood and soil" literature, the event concludes with "small-group discussions in 1,000 living rooms, churches, and other places." Seattle's schools will also be provided with "special curriculum units with emphasis on Soviet art and culture."

The entire Washington congressional delegation serves on the advisory committee of Target Seattle. The wives of three of the six representatives—Democrats Mike Lowry and Al Swift and Republican Rod Chandler—are members of Betty Bumpers's Peace Links.

For the last two weeks of August, Betty Bumpers will be in the Soviet Union, where she will meet with Yuri Andropov and other Soviet officials, as part of a delegation of nine Democratic senators and their wives, led by Claiborne Pell (R.I.). Her husband Dale Bumpers (Ark.), Pat Leahy (Vt.), Howard Metzenbaum (Ohio), Don Riegle (Mich.), Paul Sarbanes (Md.), James Sasser (Tenn.), Dennis DeConcini (Ariz.), and Russell Long (La.) will spend Aug. 15-31 in the Soviet Union, discussing "a wide range of issues including East-West trade, human rights, relaxing regional tensions, and arms control."

Will Andropov issue new marching orders for the "hot autumn"? He can certainly expect some attentive listeners. In addition to Betty Bumpers, Senate wives Marcelle Leahy, Shirley Metzenbaum, and Lori Riegle are all members of Peace Links. And given Andropov's instigation of the Briefing assault on President Reagan during his June meeting in Moscow with Averell Harriman, another of his guests on the current Senate junket deserves special attention. Senator DeConcini has been the leading voice for initiating a Briefing investigation in the Senate. Although thwarted in an attempt to gain committee approval before the August recess, DeConcini has vowed to press for it again in September—after he has conferred with Andropov.

# International call to 'Draft LaRouche' to stop Kissinger, Volcker, and KGB Democrats

by Molly Hammett Kronberg

In the midst of the current maneuvers among Democratic presidential hopefuls, a draft movement is now emerging that may well upset the Mondale-Glenn-Cranston chessboard.

On Aug. 1 Warren Hamerman, chairman of the National Democratic Policy Committee, opened an effort to draft Democratic political figure Lyndon H. LaRouche, Jr. as a presidential candidate in 1984. According to Hamerman, a central reason to inaugurate this draft movement now is the growing dominance of the Soviet KGB and its "peace" movement within the Democratic Party leadership around Averell Harriman and Democratic National Committee Chairman Charles Manatt. To clear this KGB influence out of the party's officialdom and its present selection process is one of this movement's immediate concerns, Hamerman says.

The NDPC, which Hamerman and LaRouche collaborated in founding in fall 1980, is a political action committee (PAC) within the Democratic Party and, according to published NDPC membership-rates, is the fastest-growing PAC in the party. LaRouche himself has served as chairman of its advisory board. LaRouche has indicated he might not be unavailable to run for the presidency, particularly in the circumstances of strategic crisis and economic collapse the United States presently faces, but has so far made no decision. LaRouche is arguably the best economist in the world today.

The Hamerman draft call, now circulating in tens of thousands of copies in almost every state, from its opening words reflects the NDPC's characteristic approach to calling political phenomena by their right names:

"The forced re-entry into government of the notorious Henry A. Kissinger in an official bipartisan coalition with Lane Kirkland, and the reconfirmation of Paul A. Volcker as Federal Reserve Chairman, have plunged the American republic into the greatest political crisis in our history, at precisely the moment that the world financial system threatens to burst at the seams. Had it not been for the outright traitors, and abject fools duped by traitors, in the Democratic Party's KGB-controlled leadership under Harriman, Chuck 'Banker'

Manatt, and Kirkland, Henry Kissinger would not now again be running U.S. foreign policy and Carter-appointee Paul A. Volcker would not now be raising interest rates again at the Federal Reserve.

"It is a measure of the corruption within the KGB that they would resort to buying up a right-wing mobster like Chuck Manatt to be their principal control asset in the Democratic Party.

"Millions of American citizens urgently require an effective way to fight back at the 'Benedict Arnold Alliance' of butcher Kissinger, Volcker, and the Andropov-Democrats under Harriman, Kirkland and Manatt who have all been pushing the KGB line against President Reagan's March 23, 1983 television announcement of a new strategic doctrine to develop and deploy laser and other high-energy beam defensive weapon systems.

"If you despise Kissinger, Volcker, and the Andropov Democrats, don't moan or become an alcoholic; instead join with us in building an unstoppable political movement to draft Lyndon H. LaRouche, Jr. for President in 1984. The National Democratic Policy Committee (NDPC), whose Advisory Committee has been chaired by LaRouche, is sponsoring a round of emergency conferences in 50 cities before Labor Day under the theme: 'Kissinger is a Butcher, LaRouche is a Democrat . . . Draft LaRouche for President in 1984'."

## Three crucial priorities for 1983

Hamerman has had a good deal of experience in organizing national movements. At the beginning of 1983, LaRouche established as priorities for the NDPC the defeat of the quota increase scheduled from the United States for the International Monetary Fund, which he identified as a genocidal institution; the organization of a debtors' cartel among developing-sector nations against the IMF's austerity; and the adoption of beam weapons technology programs as the policy of the United States and other nations.

In the intervening eight months, the NDPC has held three

major conferences in Washington, D.C. bringing in hundreds of supporters to lobby Congress against the IMF and for the beam weapons program—which President Reagan in fact announced as U.S. policy a little over a year after LaRouche-associated organizations began to make it a mass political issue. Hamerman himself, testifying against Paul Volcker's renomination to the Fed in July, was the only representative of a national institution so to testify. He brought with him telegrams not just from American labor and constituency leaders, but from European and Latin American political and labor leaders. He explained to a Volckerized Senate Banking Committee that his organization spoke for millions of people internationally.

The international focus has always been a unique feature of the activities of the LaRouche political action committee. Hamerman is bringing it into play in the draft movement and, if LaRouche were to declare his candidacy, it is certain that international issues and international support-networks would figure in his campaign in a way which had already destabilized Democratic hack-politics when LaRouche in 1980 made a bid for the Democratic nomination against Carter.

For example, LaRouche and his wife, European Labor Party chairman Helga Zepp LaRouche, have just returned from a tour of Asia which took them to India, Japan, and Thailand. In Thailand, focusing on the Great Projects in which the U.S. could collaborate in the development of that area and simultaneously put its own economy back on its feet, LaRouche appeared on Thai national television and was the guest of honor at a banquet sponsored by Thai Deputy Prime Minister Admiral Sonthee Bunya Thai. Perhaps better known is LaRouche's special relationship to Latin America, where his "Operation Juárez" program for a debtors' cartel has become a dominant theme in the politics and financial negotiations of the whole continent.

In his statement Hamerman gave this area particular emphasis:

"Of all the prospective presidential candidates only Lyndon H. LaRouche, Jr., a co-founder of the Club of Life, has a documented political record as a true friend of nations on five continents, because of his relentless campaigning against the racist and genocidal austerity and population reduction programs of Global 2000, the IMF, and Club of Rome.

"On Sept. 15, *Executive Intelligence Review* magazine, founded by Lyndon H. LaRouche, Jr., will hold an extraordinary policy seminar in Washington, D.C. to unveil an ambitious program designed by LaRouche for the United States to play a leading role along with the nations of Asia in stimulating an economic development renaissance centered around four "great projects" for water management, transport, and energy. In LaRouche's thinking, since Asia has 2.5 billion people, it must form the crux of reviving the world economy from its current depression. The LaRouche program for the Pacific Basin-Indian Ocean region will stimulate the creation of millions of jobs and revive the decimated agricultural sector in the United States, providing the basis

for a real economic boom.

"The LaRouche program for Asia complements LaRouche's widely circulated development program packages for Ibero-America—*Operation Juárez*—and Africa, which shall succeed as part of the reorganization of the unpayable debt structures of the 'Old World' economic order into a 'New World Economic Order'."

### **Manatt's fear of LaRouche**

The strength of the NDPC worries DNC Chairman Manatt; so much so that, for the past year, Manatt has not opened a single local Democratic Party meeting (the same is true for the most recent DNC meeting in Detroit) without indulging in a programed tirade against the NDPC and LaRouche. Since Manatt is having a tough time holding the Democratic Party together, and is a vastly unpopular chairman, every attack he mounts on LaRouche tends to generate more enthusiasm for LaRouche at the base of the party.

One of the most relevant recent demonstrations of NDPC strength came when the IMF quota bill floundered on the floor of the U.S. House of Representatives in the week before the summer congressional recess. It was scarcely covered in the U.S. press, but the U.S. Congress rejected appropriations for the IMF quota increase by an overwhelming voice vote. Early the following week, the Congress, after violent arm-twisting from IMF-supporters George Shultz, Donald Regan, Paul Volcker, et al.—but also after eight months of lobbying by the NDPC among other groups—voted authorization for the IMF funding by the barest of margins: 217 to 211. A four-vote switch could kill the IMF bill for good, and Hamerman reports the NDPC is mobilizing throughout the recess to try to do just that.

Immediately the NDPC is also undertaking the organizing of 50 emergency meetings between now and Labor Day, one per state, to pull local and state activists into discussion of the strategic and economic crisis. Hamerman expects tremendous response to the Draft LaRouche call from those meetings; he says that within the first few days of the call's issue, hundreds of Democratic (and some Republican) organizers around the country had signed onto the call and volunteered to put their resources into building such a draft movement. As of about Aug. 8, 45 emergency meetings had been scheduled. The first on the calendar, in Houston Aug. 14, will be addressed by Mel Klenetsky, a longtime LaRouche Democrat who made New York State political history in his 1981 campaign for mayor of New York and in his 1982 campaign against Sen. Pat Moynihan for the Democratic senatorial nomination.

The potential for immediate and profound response to a draft call lies especially, Hamerman believes, in LaRouche's role as a "leader among world leaders." The core question which such a draft movement poses to the American population, Hamerman stresses in his call and in conversation, is whether or not the citizens of the United States can still mobilize the qualities to "become once again a great people."



## Primary time comes around again

The Democratic national chairman, Volcker-backing California banker **Chuck Manatt**, was heard babbling loudly to Lyndon LaRouche-hater **Mike Steed** on a shuttle flight from New York to Washington. Manatt, with the couth of a Hollywood motion-picture gangster, was instructing his flunkies on dirty operations against the Democratic opposition in Detroit and Boise, Idaho. It seems that Sidney Korshak's man Manatt is losing his grip on the national party machine, and may end up spending all his time working for his buddy, Soviet KGB official **Djerman Gvishiani**.

Tokyo television featured the rhesus-monkey grin of **Jimmy Carter** stepping down from the plane at Tokyo airport. Carter announced he was in Japan as the guest of the YKK Zipper Company; we didn't know Carter had ever qualified for a zipper-operator's license. Carter talked a lot about the famous briefing book, which must have included that top-secret strategic planning by Amy.

During the trip Carter announced that he was establishing an office of the newly founded Carter Reasearch Institute in Japan. It was learned later that this awesome brains trust will include, in addition to Carter, Senate Majority Leader **Howard Baker** and **Gerald Ford**, the only President to use his head to descend a full flight of stairs.

The perennial Rev. **Jesse Jackson** is among the latest Democratic presidential possibilities making the pil-

grimage to Moscow. Since Libya's Col. **Muammar Qaddafi** began napping the population of black Africa, Jackson may be seeking a new source of financial backing.

Don't blame the President too much if he makes a few mistakes. Among recent developments, the John Birch Society's kooky congressman from Georgia, **Larry McDonald** of **John Rees** and Western Goals, reportedly received a significant sum of money not long ago. So far we haven't been able to secure copies of the check stubs, but we have confirmed that McDonald dissolved his anti-Soviet organization in Europe and is rebuilding the organization there in collaboration with one of the most notorious fronts for the Ukrainian section of the Soviet KGB, the NTS. This was confirmed by undercover operatives operating an anti-KGB watch over the NTS.

The finger of suspicion is now pointing from several quarters against both Lt.-Gen. (ret.) **Daniel Graham** and the Christendom College circles of Dr. **Paul Marx**—who may turn out to be a peacenik sort of Marxist, after all. Graham admitted last summer that his opinions are for hire—which is why, he explained, he opposed the LaRouche specifications for strategic ABM beam-weapons defenses. From high-level intelligence sources abroad, we learned recently that Graham supplied the cover story the Soviet leadership is using to organize against President Reagan's March 23 strategic doctrine. It appears that the State Department used Graham in an April 4 broadcast to discredit President Reagan's policy. It was Graham's USIS broadcast which the KGB has used to mobilize against the President's strategic doctrine, by arguing that the President's policy is based on Graham's demand for a High Frontier flying junk pile in space. It was also Graham who led the campaign to prevent beam-weapons development from

being included in the federal budget! Whether Graham is witting of the treasonous implications of his actions or simply a bumbling fool, the fact is that he admitted directly to *EIR* representatives that his mouth was working for hire. A general officer who puts his pocketbook above his country's vital strategic interests sets himself up for KGB covert operations of the sort indicated. No wonder Mr. Reagan seems to have some difficulty distinguishing friend from foe. All the same, it is urgent that he catches on, and fast.

We hesitated to believe the confidential insiders' report that AFL-CIO president **Lane Kirkland** would be secretly working to ensure Reagan's re-election. Now that Kirkland appears dedicated to locking up the Democratic nomination for born-loser **Walter ("On The Fritz") Mondale**, we are forced to take that report seriously. Our guess was that Kirkland would prefer **Mrs. Pamela Churchill Harriman's** current choice: **John ("Space For Rent") Glenn**. Right now, the Democratic nomination seems pre-rigged for Glenn, a political intellectual giant in the tradition of Millard Fillmore, Gerald Ford, and Jimmy Carter. It's probably just as well. Mondale might get so full of Valium under stress that he could be hijacked to Havana. Right now, Mondale seems to have the gay machine-vote, but a Glenn-Cuomo ticket might be in the making, judging from New York Governor **Mario Cuomo's** recent "New York Today, Sodom Gomorrah," political weather forecast this month. Besides, Harriman owns Glenn's ambitions, and now Cuomo's too, which means a Glenn-Cuomo ticket would have enthusiastic Moscow backing.

The reassuring thing about political democracy in the United States these days is that we have overcome past uncertainties of the electoral process, by fixing the results of elections well in advance of election day.

# Kissinger Associates' conflict of interest in Central America

by Joseph Brewda

He stands to make a killing in Central America. His resumé of current financial dealings with that region show him to be in violation of the "conflict-of-interest" ethics treasured by U.S. Senators and Watergaters. Henry Kissinger's policies of genocide aside, the wealth he will gain for himself by imposing those policies as appointed chairman of the President's Bipartisan Commission on Central America make him ineligible for that position—by all standards of American political propriety.

At present, Kissinger, who was required to formally disaffiliate himself from his corporate holdings while Secretary of State, retains the following paid positions with agencies with vested interests in Central America:

- Kissinger Associates—partner;
- Chase Manhattan Bank—counselor and former chairman, International Advisory Committee;
- Goldman, Sachs & Company—adviser;
- National Broadcasting Company—special consultant, world affairs and;
- Rockefeller Brothers Foundation—trustee.

Aside from these often lucrative positions, Henry Kissinger is the official agent of each of the following organizations which orchestrate policy affecting Central America, including debt collection policy, providing him with financial benefit:

- Foreign Policy Institute—director;
- Aspen Institute—senior fellow;
- New York Council on Foreign Relations—member, former chairman;
- Trilateral Commission—member, former chairman, and;
- Center for Strategic and International Studies—counselor.

## Kissinger Associates

It is by examining the consulting firm Kissinger formed last year that the conflict of interest in Kissinger's appointment becomes most obvious. Kissinger Associates partners have admitted that the firm specializes in Ibero-America and maintains particular expertise on questions of the debt crisis. While Kissinger Associates keeps secret the list of its clients—who reportedly pay \$250,000 for the prospect of being considered—the consulting firm does business on behalf of its

partners who, along with Kissinger, include:

● **Lord Peter Carrington**—chairman, The General Electric Company, Ltd.; former foreign secretary, Great Britain; former chairman, Australia and New Zealand Bank; former director, Barclays Bank, Rio Tinto Zinc, Hambros Bank, and British Metal Corporation.

● **Pehr Gustaf Gyllenhammer**—chairman, Volvo; chairman, Swedish Ships Mortgage Bank; director, Skandia Insurance; member, Chase Manhattan International Advisory Committee.

● **Robert O. Anderson**—chairman, Atlantic Richfield; chairman, Aspen Institute.

● **Thomas Jefferson Cunningham III**—secretary, Kissinger Associates; former president, Orion Bank's London branch. (The now disbanded Orion was a consortium of Chase Manhattan, Royal Bank of Canada, National Westminster, Mitsubishi Bank, Credito Italiano Holdings, and Westdeutsche Landesbank Girozentrale.)

● **Gen. Brent Scowcroft**—chairman, Scowcroft Commission; International Six, Inc.

● **William D. Rogers**—partner, Arnold and Porter; former assistant secretary of state for Latin America; former undersecretary of state for Economic Affairs; attorney for Kissinger Associates; attorney for Henry Kissinger; good-offices-agent of U.S. Senate on Panama Canal treaty negotiations; President Carter's 1980 emissary to El Salvador.

## Arnold and Porter

The leading law firm of the Harriman wing of the Democratic Party, Arnold and Porter, is more than counselor for Kissinger Associates and Henry Kissinger himself. The Washington-based firm has admitted its close financial ties to Kissinger Associates, whose clients, Arnold and Porter has acknowledged, are many of the same which are serviced by Arnold and Porter.

In 1981, Arnold and Porter was the registered foreign agent, under the provisions of the Foreign Registration Act, for the Sandinista government of Nicaragua. According to the Department of Justice, and as acknowledged by Arnold and Porter, the law firm "advised the principal [Nicaragua] on U.S. laws, regulations and policies, arms exports [not imports], and trusts and estates. Registrant represented the principal in connection with U.S. legal proceedings against

Nicaraguan nationals and negotiations over a disputed contract." For the period of employment from January to August 1981, Arnold and Porter was paid \$126,765.

It is not clear whether Kissinger Associates partner Rogers was formally involved in representing the Sandinistas, although it is likely since representing Latin American states is his expertise at Arnold and Porter. During the same period, Rogers was an attorney for Israel, for which the firm also had to register with the Department of Justice. Rogers represented the Israeli Corporation for Economic Development; Arnold and Porter was paid \$77,000 for Rogers's work—allegedly for advising the Israelis on irrigation and television development. Israel is known to have supplied 100 percent of the arms reaching Nicaragua immediately prior to the Israeli-orchestrated overthrow of Somoza.

Among Arnold and Porter's other clients are:

- The American Jewish Committee of **Max Fisher**. Fisher is former head of United Brands (previously known as United Fruit), whose policies gave Central American nations the "banana republics" epithet. United Brands has repeated been accused of massive smuggling of illegal drugs from Central America into the United States.

- The government of Venezuela. In 1980 William D. Rogers and two of his partners at Arnold and Porter represented Venezuela as external bond counsel. Rogers secured a \$1.8 billion syndicated Eurodollar bond offering to Venezuela, and in 1982 Rogers secured another \$600 million from the same sources. The firm also represents the Venezuelan government on tax questions and Petroleos de Venezuela, the state-owned oil firm.

- The finance ministry of Brazil. Arnold and Porter partner Joseph Guttentag represents the ministry on tax and related questions. Chase Manhattan, which Kissinger advises on international loans, holds more than \$5 billion in loans to Brazil, Mexico, and Argentina.

- The World Bank, sister agency of the International Monetary Fund, whose austerity conditionalities are imposing genocide on Ibero-America.

- The government of Switzerland and leading Swiss banks involved in Ibero-American finance. Bank Julius and Baer and Co., Switzerland's largest private bank, and Banque Populaire Suisse, Switzerland's fourth largest bank.

- The government of Panama.

- Xerox, whose former board chairman, Sol Linowitz, also has extensive investments in Panama and is close to Kissinger.

- The London *Sunday Times*. Rogers negotiated for the *Times* with the Argentinian government following the Malvinas War for the release of three British nationals arrested for espionage while in Argentina during that war. The *Times* claimed that the nationals were its correspondents.

- Fairchild Camera, a military-related subsidiary of Schlumberger, Ltd., involved in Israel's Lavie Project to enable Israel to militarily secure domination of African resources.

## Ginsburg, Feldman, Weil & Bress

This firm was represented by Arnold and Porter when charged with securities fraud. **David Ginsburg**, senior partner of the firm, is a frequent attorney for Henry Kissinger.

Arnold and Porter client **Myer Feldman** of Ginsburg, Feldman et al., a mover on the Democratic National Committee, has been the long-time attorney for Armand Hammer and Occidental Petroleum. He introduced Hammer to Lyndon Johnson, when Feldman was LBJ's special counsel. Feldman later represented Hammer when Hammer was successfully prosecuted for giving Richard Nixon an illegal contribution through Bebe Rebozo. Like Ginsburg et al., Arnold and Porter is also the law firm for Occidental Petroleum. Kissinger Associates partner William Rogers personally handles the Occidental account, which provides ties to the Qaddafi Libyan government and perhaps the Hammer-linked Charter Oil of Billygate fame.

Ginsburg and Feldman attorney **James Hamilton** is special counsel for the Albosta subcommittee investigation of Reagan in the U.S. Senate which was instrumental in getting Kissinger back in power. Hamilton was formerly the attorney for Marina Oswald.

Ginsburg, Feldman, Weil & Bress was the registered foreign agent for the government of Morocco at least as late as 1981. During 1981 Ginsburg et al. was paid \$250,000 for "advising the principal on U.S. policies affecting Morocco and on potential U.S. investors, discussing foreign investment in Morocco with representatives of the Overseas Private Investment Corporation and the Department of Commerce and meeting with a State Department official on the status of U.S.-Moroccan relations and U.S. economic assistance programs."

During 1981, Kissinger intimate and case officer on Central America **Vernon Walters** was paid \$300,000 by Environmental Systems Inc. of Alexandria, Virginia for his arranging the sale of tanks and laser tank rangefinders to the government of Morocco. According to various sources, these tanks were bound for Morocco only as a transshipment point. It is known that Israeli arms for Central America frequently are shipped through Morocco. Walters has long had close ties to the Moroccan government and King Hassan. Walters left his position with Environmental Systems and the Nicaraguan-based Basic Resources to become U.S. ambassador-at-large with assignments in Central America.

Although not ultimately controlled by the Rockefeller interests, Henry Kissinger has long been in the pay of those interests, who are known to view Ibero-America as their backyard. Aside from the other positions he holds as a result of David and Nelson Rockefeller's patronage, Kissinger is trustee of the Metropolitan Museum of Art in New York, which is chaired by former Treasury Secretary D. Douglas Dillon. The museum, along with the Rockefeller Brothers Fund and Chase Manhattan, is a long-term owner of the Carlyle Hotel of New York. Certain transactions in the rooms of that hotel have furthered Kissinger's financial and other positions.

## Congressmen debate bank bailouts and IMF austerity policies

*The House of Representatives voted down appropriations for the International Monetary Fund for this fiscal year, and approval of increasing the U.S. contribution to \$8 billion, on July 29, but on Aug. 3 gave formal approval to the IMF bailout by a vote of 217 to 211. The seesaw voting, and the excerpts from the House debate which follow, gives some indication of the potential for the U.S. Congress to repudiate an institution which well may come to be known as the most genocidal in history.*

### July 29 debate: For

**John LaFalce** (D-N.Y.)—"Paul Volcker has recently said that 'Failure to manage and diffuse these strains [on the world economy] could deal a serious blow to the United States and the world recovery.' It is in this context that I support the IMF."

**Stephen Neal** (D-N.C.)—"The IMF does not impose austerity on debtor countries. IMF borrowers are at the end of their ropes, essentially bankrupt; for them, austerity is inevitable. IMF adjustment programs are often bitter medicine. . . . Many times the IMF is scapegoated, but governments lacking political will for belt-tightening use the IMF as an excuse for doing what must be done. . . . The IMF has a remarkable record of success."

**Stewart McKinney** (R-Conn.)—"If we do not have the IMF, we do not have order, and if we do not have order in the international financial markets, we are going to deal from crisis. . . . Every newspaper, every economist, the President, Secretaries of the Treasury, everyone has said that if we do not do this, the world faces international financial calamity. There is never constructive political change in a revolution. It takes a body that is organized. . . . and we need the IMF to keep that order."

**Jim Leach** (R-Iowa)—"A cloud over this vote today is whether we are dealing with a banking bailout. Actually, this is a bailout of the monetary system, not the banking system. . . . It is a very conservative deal to conserve the world economic order. It should be supported."

**Chalmers Wylie** (R-Ohio)—[On the "compromise" package] "This amendment was drafted out of a realization that the general perception of the House was that the com-

mittee package was politically difficult for some members to swallow, given seeming widespread public misunderstanding of the IMF and the need to respond to pressing domestic problems."

**Leon Panetta** (D-Calif.)—"[This bill includes] an amendment . . . which requires the U.S. Executive Director of the IMF to consider whether a country seeking out an IMF loan has detonated a nuclear device, is not a party to the 1968 Treaty on Nonproliferation of Nuclear Weapons. . . . The practical effect of the amendment is to provide leverage that could be used by an administration as a means of advancing nonproliferation efforts . . . to persuade any country in need of an IMF loan and which is also pursuing nuclear capabilities not to move in that direction."

### July 29 debate: Against

**Frank Annunzio** (D-Ill.)—"A Member's political future may well ride on how he or she votes on the IMF bill. There has been a great deal of armtwisting, but I suggest that the real twisting will occur in November 1984 when voters twist the levers of the voting machines, and if you vote wrong on the IMF bill, you may well be twisted right out of the House. . . . You can believe the Paul Volckers of the world, you can believe the Donald Regans of the world, and you can believe all of the economists of the world, and I only hope that enough of these people live in your districts to reelect you. But if you believe in the American people, then I suggest you vote 'No' on IMF, because if you do not the American people may well vote 'No' on you in November 1984."

**Henry Gonzalez** (D-Tex.)—"[N]ot only is [this bill] not going to produce one job for Americans, it is going to continue to lose jobs. . . . Consider Mexico, where we have had a 7-to-1 ratio of favorable balance of trade dealings. In the past 11 months, Mexico has curtailed 80 percent of its imports. . . . This \$8.4 billion infusion will compel the other countries to do the same as Mexico to our imports. It will lose American jobs. . . ."

"We should discharge our obligation . . . to review the whole policy of IMF and its continuation, and our nature of participation, because it now has been perverted. The IMF is now being looked upon as a sort of super-global FDIC . . . ."

It cannot function in that capacity without grievous adverse impact on our monetary system. . . .

"There is not one bank that is going to be saved. The banking system . . . is doomed. Some of us have been speaking out on the need to review this, as well as the Federal Reserve."

**Buddy Roemer** (D-La.)—"Those of us who are opposed to this bill . . . are not opposed to world trade, not opposed to world growth, are not opposed to jobs in America, Nigeria, or Venezuela. What we are opposed to is taking our once-every-five-years opportunity to look at IMF and refuse to look at it.

"What we are opposed to is to pass this legislation that does not deal with any of our six major complaints about IMF, the major one of which is the IMF practice of austerity rather than growth. If you are for jobs, you are against the IMF bill."

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*'If jobs are at stake, the stated goal of the IMF is to impose austerity on every economy on Earth, and the first priority of that austerity is to reduce their imports. That means the exports of Americans will be reduced.'*

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**William Patman** (D-Tex.)—"What we are doing, in effect, by endorsing the policies of the IMF with the new program that the IMF has embarked upon, is to export the policies of the Federal Reserve to other countries. We have already seen what those policies have done to this country.

"Testimony was presented before our subcommittee to the effect that the last recession imposed by the Fed cost the U.S. \$1 trillion. . . .

"During the 40 years that have elapsed since the Bretton Woods Agreement the IMF served for 30 years as a remedy for situations of temporary illiquidity that nations experienced on the world market. . . . Now we have new policies of the IMF to these countries and extend what is in effect long-term credits, not only the credit of the IMF, but that of our banks in the United states. . . .

"The situation will never change from here on out. There will be a continual rollover of debt, and the United States will finance a major portion of that. . . . We have a dangerous situation here which we must stop. . . . We need new approaches that offer promise of solutions, not debt piled upon debt."

**Esteban Torres** (D-Calif.)—"The IMF should not grant credit to support—and thereby sanction—a government's headlong rush to improve financial figures when trade union rights are trampled in the process."

**Ed Bethude** (R-Ark.)—July 29 [On the "compromise" package] "I know that it is important to rush the matter through today because a fig leaf has been constructed for those Members who wish now to honor their loyalty to the administrator and vote for the bill or for those Members who are concerned about some proposition of the bill politically and want to vote for it. . . .

"When you have a fig leaf like this one, it is important to get it on the floor and get it voted on and get it out here in a hurry, because if you do not, pretty soon people begin to see through the fig leaf and then it does no good anymore. . . .

"When it comes to the big banks . . . we just stand by and let them pass through Congress anything they come in here and ask for. . . . I say to my colleagues on the Republican side of the aisle that you are being hoodwinked on this particular bill. The big banks are getting a bailout and they are going to line their pockets with the money."

### Aug. 3 debate: Against

**Buddy Roemer** (D-La.)—" [I]f jobs are at stake, the stated goal of the IMF is to impose austerity on every economy on Earth, and the first priority of that austerity is to reduce their imports. That means the exports of Americans will be reduced. . . ."

**Robert Mollohan** (D-W.Va.)—"The IMF does play a significant role in the international financial crisis, for the granting of an IMF loan is similar to receiving the Good Housekeeping seal of approval. . . . Only the IMF is in a position to impose conditions on the loan, forcing countries to reduce their product subsidies or take other measures to reduce their national debt. . . . Developing nations are staggering under the weight of too many loans carrying high interest rates and austerity measures imposed upon them by the IMF. . . .

"I contend that a healthy U.S. economy will do more to aid developing countries than this IMF quota increase. A quick-fix on an international debt crisis is simply not enough. We need first to take care of our own economic troubles. . . .

"The IMF quota increase may well have a negative impact on American jobs because the IMF imposes severe austerity measures on developing countries, causing these countries to decrease their demand for American goods. In 1981, this country lost over 200,000 jobs dependent on our trade with Mexico alone."

**Byron Dorgan** (R-N.D.)—"Where are we headed? . . . Is the ultimate contribution [to the IMF] going to be \$18 billion in a two-year period, or \$20 billion? . . .

"This bill is asking the American taxpayers to bail out the big banks. You could dye that money purple and the Walk Street bankers would have purple pockets a month after the IMF gets the money because that is the circle the money is traveling in."

*The following are some of the most important bills that will see floor action when Congress reconvenes in September. The Congressional Closeup will appear next after the new session opens.*

### **IMF faces tough appropriations vote**

Chances of the U.S. bailout appropriation for the International Monetary Fund (IMF) being approved in September are rated difficult at best. Appropriation failed July 29, 213 to 165; and authorization itself passed Aug. 3 by only a 217 to 211 vote.

Lead editorials the second week in August in the *Washington Post* and the *New York Times* lamented that the IMF faces another bruising fight after members will have spent a month and a half among their anti-IMF constituents.

Working out the differences between the House and Senate versions of the authorization will be another hurdle. To win House approval, a number of anti-bailout, anti-big bank, and other changes were added to the House version but did not appear in the Senate version.

Additions to the House version include instructions to the U.S. director of the IMF to consider whether a nation applying for a loan has signed the nuclear non-proliferation and the nuclear test ban treaties. He would also have to oppose loans to nations that practice apartheid; encourage practices that promote greater exchange rate stability; and encourage the restructuring of loans of developing nations as outlined in Felix Rohatyn's proposal for stretching debt payment schedules.

The House version also curbs further lending by U.S. banks if outstanding loans exceed the banks' capital base. Banks would be forced to pay into the U.S. Treasury any excess

of profits they have made in foreign lending above what they would have made on domestic loans. The bill mandates a study on the impact of export subsidies by IMF borrowers on U.S. steel exports.

Under the House version, the IMF would not be able to draw upon the General Agreements to Borrow funds from the U.S. Treasury until the Treasury Secretary certifies that the funds "are needed to forestall or cope with an impairment of the international monetary system." The "anti-bailout bailout provision" also states that the U.S. director must oppose a loan if it is determined that the loan will be primarily used to simply repay an older commercial loan.

The House-Senate conferees on the IMF bill will not be named until after Congress returns from recess. The Senate conferees will be under tremendous pressure from the Senate leadership and the administration to accept the House version for fear that any changes will lead to House defeat of the measure.

### **Last chance for immigration bill?**

The Simpson-Mazzoli immigration restriction bill, a throw-back to the worst days of anti-immigration legislation of the Harriman eugenicist lobby of the 1920s, may come up soon after Congress reconvenes. If it is given a rule and brought to the floor of the House quickly, its chances of passage improve (it has already been passed by the Senate). Last year it failed in the last days of the Special

Session in December, when a large number of amendments tied it down.

A failure of its backers to force the House to act upon the Simpson-Mazzoli immigration bill this fall will make it unlikely that they can get this legislation through for several more years. The press of other business and the elections would likely dissolve the tenuous coalition backing the politically volatile legislation.

The reason for this volatility is easy to see. The bill sets a climate for witchhunts against "illegal-looking" members of minority groups, especially Hispanics; points toward sealing the border with Mexico; and sets up U.S. employers as enforcers of this legislation, under threat of civil, and, in some cases, criminal penalties. It also establishes the principal of a universal work card which, under continued depression conditions, could easily lend itself to programs of regimented labor reminiscent of Nazi Germany; but this has not fazed Lane Kirkland and the leadership of the AFL-CIO, which is fully lined up behind the bill on the grounds it "keeps American jobs."

Simpson-Mazzoli, which has now been marked up by four House committees—Judiciary, Education and Labor, Energy and Commerce, and Agriculture—is pending before the House Rules committee. Each of the four committee chairmen must submit rules pertaining to the bill in writing before the bill goes to the floor. Of these only Kiki de la Garza (D-Tex.), chairman of the Agriculture Committee, has done so.

Since the last session, when the legislation was killed, changes have been made in the proposed legislation. These include: funding increases for the Immigration and Naturalization Service; adding a three-year transitional agricultural worker program

providing for a gradual decrease of temporary foreign farm laborers; advancing the cutoff date for granting permanent legal status to all immigrants who have lived in the United States illegally, from 1980 to 1982; and making optional rather than mandatory employer paperwork on employees, until the INS informs an employer that he has hired an illegal immigrant, whereupon the paperwork is mandatory for everyone he hires. While the bill specifically states that it provides no mandate for a national identification card system, it demands that the President study and report to Congress on alternative systems within three years.

## **Agriculture policy decisions pending**

Agriculture Secretary John Block's efforts to freeze agricultural products' target prices, which set government subsidies and loans to American farmers, were defeated by a filibuster led by farm state Senate Democrats in the last days of the summer session. The administration and its supporters on Capitol Hill are still intent, however, on forcing through a freeze in the fall session.

The issue has lined up the free-market ideologues of Block's USDA and the U.S. Senate, whose policies threaten to destroy the few remaining independent farmers, against those "prairie" Democrats who realize that farmers must at least receive prices equal to the cost of production if they are to stay in business.

Leading the filibuster against Block's effort to freeze target prices on wheat and other grains have been John Melcher (D-Mont.), David Borien (D-Okla.) and James Exon (D-Neb.). This group forced H.R.2733,

the Critical Agricultural Materials Act, off the floor during the last week of the session.

While they intend to continue to fight the policies of Block and his allies when the issue is raised again in September, the farm belt Democrats will not be able to wield the filibuster weapon as effectively at that time, because of the lack of pressure to conclude the session. At best, the senators will be able to ameliorate Block's policies.

S.24, a bill sponsored by Walter Huddleston (D-Ken.) mandating a debt moratorium on loans extended to farmers by the various federal farm credit institutions, may be brought up in the September session if farm state Democrats choose to raise it as an amendment.

A spokesman for the Senate Agriculture Committee indicated that constituency pressure for the debt moratorium bill has now lessened because the demand for credit for spring planting had passed, and credit extensions for next year are too far in the future. The committee's majority members, reflecting administration policy, opposed the bill, but another Senate source indicated that the proposal may indeed be brought up in the looming battles between administration free-market agriculture policy and supporters of policies to maintain food production.

## **MX and beam weapons dominate military agenda**

Despite the numerous supportive congressional votes on the President's MX proposal during 1983, the issue is not settled for this year. The FY84 Defense Authorization bill, which includes funding for the MX, passed the House and Senate in differing ver-

sions in July and went to a joint conference assigned to work out the differences. That now-completed conference report will have to be passed by both houses when they reconvene in September.

It is customary for a conference report to pass with little discussion or opposition. However, opponents of the MX missile have indicated that they will band together with opponents of the resumption of funding for chemical and biological weapons and try to kill the conference report. The MX passed the House by only 14 votes and the chemical and biological weapons provisions passed the Senate by a narrow margin.

Opponents of the MX continue to use the issue as a bludgeon to force the administration into further concessions on arms control and to lock it into continued near-term acceptance of the doctrine of Mutually Assured Destruction (MAD). However, supporters of the President's efforts to establish a new strategic defense doctrine, based on space-based defensive beam technologies, may again attempt to put the Senate on record favoring the new doctrine.

Sources on Capitol Hill have indicated that S.J.R.100, a resolution supporting space-based beam weapons authored by Sen. Malcolm Wallop (R-Wyo.) may be brought up in some form during the debate on the defense appropriations bill.

Wallop may bring up either that resolution or an amendment which specifies particular funding- and mission-orientation for certain categories of these weapons systems in an effort to push the administration beyond the research and development phase and into a more aggressive program on these weapons. In July, Wallop brought up a similar amendment which lost by a 63 to 27 vote.

# National News

## Poll shows beam weapon support

The results of Rep. Frank Wolf's (R-Va.) recent constituent poll on President Reagan's policy of developing directed energy weapons for strategic defense, showed strong support from Virginia's 10th Congressional District, which often elects ultra-liberal Democrats to Congress. Fifty-two percent favored the President's strategy while only 29 percent were opposed. Nineteen percent remained undecided.

In his poll, Wolf outlined that the President proposed "to counter the Soviet missile threat based not on a build-up in offensive weapon systems, but instead through the development of defensive weapons to intercept attacking missiles in flight. During the next two decades, the President has called for an all-out effort for the U.S. to use its technology to construct and base an antiballistic missile system in space." Wolf then asked if his constituents favored, opposed, or were undecided about the policy.

## AFL-CIO leaders back Rohatyn corporatism

The AFL-CIO Executive Council on Aug. 9 endorsed a corporatist "new industrial policy" put forth by banker Felix Rohatyn as its domestic economic program.

The council endorsed vague wording calling for a corporatist business-labor-government "national planning apparatus" to design a new industrial policy. In private session, the council was briefed by Sen. Edward Kennedy (D-Mass.) on the progress of a "bipartisan committee for a new industrial policy," which is co-chaired by AFL-CIO President Lane Kirkland and DuPont's Irving Shapiro. Kennedy reportedly told the AFL-CIO leadership that the committee would be ready to introduce corporatist legislation in late fall.

The group has the full backing of the Harriman wing of the Democratic Party and party chairman Charles Manatt. While the Kirkland-Rohatyn-Kennedy crew cloaks its

scheme in talk of reindustrialization and the need to revive depressed basic industries like steel and auto, Rohatyn and others in the group have stated that the need for austerity and contraction is primary. A specially constituted AFL-CIO study group, which has reported to the council, supports this concept. Basic industry is to be "revived" through quick fixes using existing outmoded technologies. The group additionally concluded that "sunrise" industries like computers and "revived" basic industries will not provide enough jobs to make up for losses due to "necessary" retrenchment. What is required, the study group said, is that blue-collar workers be retrained for the service industries, especially in technetronic offices.

## New York's Leichter drafts euthanasia bill

State Sen. Franz Leichter has authored a new bill to legalize the Nazi practice of euthanasia in New York State.

Leichter's Senate Bill 2401, titled the "Natural Death Act," would encourage contracts ("living wills") signed by hospital patients and others which would make it legal for doctors, and other health care providers to cut off "life-sustaining procedures" when the person becomes defined as "terminally ill."

Leichter drafted the bill in February 1983 for the fourth year, using model legislation from the Right-to-Die Society. Leichter's bill is now before the Senate Health Committee, which is not expected to act on it until January 1985.

The "living will" is opposed by both Orthodox Jews and the Catholic Church, and has only four co-sponsors in the Senate and none in the Assembly.

While promoting the concept of "a life not worthy to be lived," which the Nuremberg tribunals found to be "the small beginnings" of the Nazi holocaust, Leichter and the assemblyman who shares his constituency, Brian Murtaugh, conducted a "fear and smear" campaign this spring, terrifying constituents in their Upper West Side Manhattan districts with tales of "Nazis and anti-Semites in our neighborhood." Their targets were LaRouche Democrats running for school board on a platform of classical ed-

ucation and a war on drugs. (Leichter has also introduced legislation to have marijuana sold in liquor stores.)

Assemblyman Murtaugh believes in euthanasia; unlike Leichter, Murtaugh says he is too afraid of the clout of the Orthodox Jews in his district to push it. Murtaugh, who is working on a bill redefining "brain death" as a step toward legalized murder of the terminally ill, said recently, "In terminal circumstances, a person should have a right to say 'I don't want to have extraordinary measures taken.' Why go through emergency measures to keep the whole body alive when someone is terminally ill? We all have to die sometime. . . . Why do we spend enormous resources on these cases? I won't say it publicly, because you might get stoned, but if resources are limited, what is the best use of those resources? . . . The most expensive place to treat people is in the emergency room."

## 'Community control' kills in Chicago

The people of Chicago got an object lesson in "community control" of urban services when four elderly nursing home patients died of complications from the late-July Chicago heat wave. The killings occurred at the best-known community control experiment in the city, the Christian Action Ministry-run nursing home, the Center for Human Development.

The nursing home, reportedly \$400,000 behind in mortgage payments, was unable to spend \$15,000 for routine maintenance of its two air-conditioners. Two days before the public assistance recipients' deaths, which the medical examiner attributed to temperatures inside the home up to 105°, health inspectors found filth and vermin, as well as patients covered with bedsores.

The Christian Action Ministry, a Lutheran ministers group formed after the mid-1960s West Side riots, opened the \$5 million, 220-room Center for Human Development in 1979. By 1981, the home was losing \$250,000 a year, partly because Illinois Medicaid payments are among the lowest in the nation.

The *Chicago Sun-Times* and *Chicago Tribune* have treated the deaths as the out-



come of "corruption" and called for "reforms" that would force more nursing homes to close. Illinois has only 16.

Urbanologist Stanley Hallet of Northwestern University's Urban Affairs Institute said, "CAM has probably done a better job of keeping community control and making ideas work in the neighborhood than anyone I know of."

## NASA telescope sights new solar system

A swarm of particles has been discovered by NASA's IRAS (Infrared Astronomical Satellite) telescope. The Aug. 10 discovery at the Jet Propulsion Lab verifies that Vega, the brightest star in Lyra and only 25 light years from Earth, has its own solar system.

The IRAS infrared telescope "sees" low-temperature heat. An infrared telescope's temperature must be lower than the object it is observing. In space, temperatures can be kept near 0° Kelvin.

Vega radiates much more in the infrared than any star of comparable size because of the bodies around it, which extend about 7 billion miles and appear to be at -300°F., much higher than that of empty space.

An optical space telescope soon to be launched will later be able to take pictures of the Vega solar system, which is within the traveling capabilities of potential fusion powered rocket technology and could be reached within a few years time—relative to the passengers' time.

## Gelber mayoral campaign shakes up Boston

Boston's Mike Gelber for Mayor campaign has enlivened politics in that enclave which the Harriman-Kennedy wing of the Democratic Party mean to embroil in race riots over the austerity they are imposing.

The League of Women Voters (LWV) exclusion of LaRouche Democrat Gelber from its debate has backfired, and is becoming the hottest issue in the election. WBZ radio, the most listened-to station in Boston,

has asked Gelber to be on for one hour before the upcoming League of Women Voters TV debate (from which he is excluded). At a rally in front of the LWV offices, Gelber's supporters carried signs reading "New Sex Scandal—LWV in Bed with KGB" and "What does the LWV have in common with Henry Kissinger?—They both believe in free elections!"

Ruth Saris, director of the LWV Debates '83 (which Gelber has renamed "Debacles '83"), noticing her home phone number on a leaflet, called Gelber to request that he please see to it that only her office number be published, since she does have a private life, and has been getting calls, late and early. She was told that 50,000 leaflets were out and that Gelber was not responsible for what people think of the LWV.

Gelber dominated a one-hour debate on Chanel 56 to be aired 10 p.m. on Aug. 14. With topics such as "Racial Conflict" and "Housing," every question was slanted for racial polarization. Chicago Mayor Harold Washington helped that effort Aug. 7 by campaigning for the black radical Mel King, who is backed by Communist and Socialist Worker Party fronts.

The other candidates conceded that Gelber has won the bumper sticker campaign with "Up Yuri's!"; "Honk if You Hate the *Globe!*", the Boston daily; and "Before Hitler there was Harvard!"

Gelber was the only candidate to dare ask King a question: "How can you say your campaign is for racial harmony, when it's run by a vice-president of the State Street Bank who was a top official in the Carter Democratic National Committee, controlled by Harriman, the leading racist today . . . and you have brought Harold Washington here, who has succeeded in preventing Chicago from functioning?" King only said that he is "happy when a banker gets religion."

On WBZ television for a half hour on Aug. 7 as the weekly interview guest, where he discussed Operation Juárez, beam weapons, and re-industrializing Boston, Gelber was attacked by the *Globe* reporter. He responded by saying, "Well, you know what I think of the *Boston Globe*," and holding up his "Honk if you hate the *Globe*" sticker. The *Globe* reporter, kept repeating "Very funny," while the camera zoomed in on the sticker.

## Briefly

● **DON EDWARDS** (D-Calif.), chairman of the House Judiciary Committee Subcommittee on Civil and Constitutional Rights, wrote in a *New York Times* op ed Aug. 9 that Congress's "most effective check" against the waging of an "illegal war" in Central America is to "weigh impeachment" of President Reagan.

● **ED KOCH**, who has presided over the destruction of the nation's once-foremost city, announced on Aug. 8 that he will conduct a national speaking tour to warn that the Democratic Party as presently led is heading too much towards the left, and towards "special interest groups," and must pay more attention to the middle class. Otherwise, the New York mayor said, the Democrats will be clobbered in 1984 as they were in 1980.

● **THE NEW YORK TIMES** Science Section Aug. 9 reported on the human craving for salt, which "may also help explain the ritual acts of cannibalism once practiced by tribes in the Amazon jungles, the highland regions of New Guinea, and elsewhere."

● **THE CATHOLIC WAR** Veterans in its early August Philadelphia national convention passed a resolution condemning the U.S. Catholic bishops' pastoral letter which endorsed the nuclear freeze.

● **RUSSIAN ORTHODOX** patriarch Pimen, at the recent Vancouver conference of the World Council of Churches, held a press conference to denounce a letter issued on the letterhead of the World Council of Churches (WCC), a letter which purportedly said the Patriarch was an agent of the Soviet KGB. The Patriarch astonished the press by denouncing the letter as scurrilous while acknowledging its truthfulness.

## Editorial

# *The massacre of Guyana, 1983*

Some people might think it unimportant that a small Caribbean nation, Guyana, has been threatened with the cut-off of U.S. loan aid that had been promised. In fact, the announcement made July 27 by the U.S. State Department that three loans totaling some \$59 million will be canceled, loans that had been targeted to increase rice production, is one of the more atrocious signs that U.S. foreign policy under Henry Kissinger has come into the genocidal hands of the "Global 2000" crowd that Americans voted out of office along with Jimmy Carter in late 1980.

The facts of the case are stark, as is life in Guyana, a former British colony bordering Venezuela. With 70 percent of the Guyanese suffering from malnutrition, according to the World Health Organization figures, the withdrawal of these credits will lead to higher food prices, shortages, and starvation.

It is not irrelevant that Guyana's population is 96 percent black and Indian in origin.

"Global 2000" was named after a commission and a pair of reports issued in Carter's last year in office, but the policy was concocted much earlier by Carter's controllers in the Council on Foreign Relations, the Trilateral Commission, and the Harrimanite "eugenics" gang in the Democratic Party. Global 2000 calls for world depopulation by at least 2 billion people before the end of this century through the deliberate sabotage of high-technology industry, agriculture, and nuclear energy.

The ensuing mass deaths by starvation, disease, and war will strike first the black, brown, and yellow-skinned people in the developing sector and very soon the racial and ethnic minorities in American cities. Here, a number of black mayors have recently been installed to sugar-coat this racist genocide. The oligarchs who conjured the ideas behind Global 2000, chief among them those Swiss "gnomes" who invented fascism and Nazism in the twilight of the last century, are often candid about their aims. Such populations are "excess"—i.e., they threaten the scarce resources of the white race.

Guyana, a country whose income depends on bauxite and rice exports, has been under International Mon-

etary Fund surveillance since 1979. Imports have decreased rapidly and the currency has been devalued. Under IMF direction, Guyana banned wheat consumption and moved to substitute less nutritious rice. It was to increase rice productivity that the U.S. AID and IADB loans were originally approved. But Guyana has not been in the good graces of the IMF and State Department.

First of all, last March, when the IMF demanded that Guyana devalue its currency by 50-60 percent, Prime Minister Forbes Burnham refused. Secondly, the U.S. had put conditions on the IADB loan—reduction of subsidies on rice, an end of milling operations in the rice processing, and an end of marketing by the government. This would have meant total surrender of Guyana's food staple to the "free market" neo-colonialists, and Guyana refused. Peter McPherson, the director of AID in the State Department, has said his goal is to administer "painful" measures to the "less developed countries." He demands removal of the state role in production, of the state role in keeping prices within citizens' purchasing power, and of "excessive aggregate demand." The last can only be interpreted as reducing those who demand the products—the people of the targeted country.

Let us underline again that none of this is necessary. Under the kind of New World Economic Order Lyndon LaRouche has proposed in his "Operation Juárez," the U.S. and other industrialized economies can launch the biggest boom in history by an orderly renegotiation of the Third World debt and by issuing credit for huge infrastructural projects in developing countries. The United States must be committed to the principle that human life is sacred.

Guyana is the latest target of the anti-life policy Kissinger institutionalized when, as secretary of state, he set up the Office of Population Affairs in the State Department. Now Qaddafi, the protégé of Kissinger's protégé Bettino Craxi, has unleashed a war of extermination against black Africa. If Americans tolerate Kissinger's continued presence in government, we will have lost the moral fitness to survive.

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