

## 'The Iranization process is on schedule in Mexico'

by Lyndon H. LaRouche, Jr.

For nearly six years, I have been regularly updating my warnings to leading Mexican patriots, that the same U.S.-based forces which were responsible for the destruction of Iran are engaged in a master-plan for the "Iranization" of Mexico. Now, with developments of recent weeks, all the preconditions for a 1983 destruction of the Republic of Mexico have been successfully emplaced.

My first warning of the threat to Mexico came in 1975, following a visit of Willy Brandt to the Republic. The warning came, ironically, from official representatives of the government of Iran, who had acquired intelligence concerning this plot from U.N.O. circles. I caused this information to be made known through various channels, including my friends in Mexico, and participated in directing an investigation to determine what Socialist International and U.S.-based circles must be placed under special investigation in uncovering the enemies of Mexico and its people.

I next brought the plot against Mexico into the open on Nov. 1, 1976. In a half-hour, nationwide U.S. TV debate estimated to have reached over 20 million viewers that election eve, I warned that former Undersecretary of State George Ball was among the circle of evil plotters publicly committed to genocide against at least half the population of Mexico during the course of the medium term. Later, I personally updated my warnings to Mexican officials including former minister Reyes Heróles, and, together with my immediate associates, have worked for the effective defense of the sovereignty of the

Republic of Mexico in every place in the world I might exert some influence for this purpose.

Now, I fear, I have failed. I fear that Mexico will begin to be destroyed from within during the course of 1983, and that there remains no bastion of patriotic forces in Mexico with the combined knowledge, will, and objective power to mobilize effective resistance to what the friends of George Ball, Roy M. Cohn, and Henry Kissinger have now succeeded in putting into place. As Mexico falls, then the chaos in Mexico will spill into the United States, enraged Mexican-Americans and refugees from ruined Mexico reenforcing the command-centers of Hispanic terrorism around San Antonio, Galveston, Houston, Denver, and Los Angeles. The "population war" which United Brands, the Jesuits, the World Council of Churches, and Socialist International have created and are stimulating in Central America will become a genocidal "Thirty Years War" of homicide, hunger, epidemics and pestilences, boiling over the borders of ruined Mexico to lay waste to the southern borders of the United States.

Could the Republic of Mexico be saved from what the Socialist International, the Club of Rome, and the friends of Roy M. Cohn intend for 1983? Objectively, such a rescue is possible. What must be tested is whether the institutional system of Mexico, centered in the election-reform-undermined PRI, still has the subjective capacity to undertake the kind of leadership required? Stripped of the margin of financial leverage of Mexico's

petroleum-exports, and under monstrous financial and political pressures from the highest levels of Manhattan and Houston, do those institutions still possess the subjective qualities required to overcome such admittedly monstrous pressures of threatened "arm-breaking" and other penalties?

Can I perhaps aid in shocking some of my friends in Mexico into seeing at last the reality of what the allies of the Schlumberger-Neufelize-Mallet oligarchic rentier-financier interests have immediately in store for Mexico?

Therefore, I have taken two steps of emergency action.

Attached to my memorandum are studies which compare the warnings and proposals of my friends with both actual developments and with the measures which my associates and I have recommended. The comparison proves that my warnings and recommendations have been correct on every critical point. Perhaps if my friends in Mexico examine this record in that form, comparing it with their own assumptions and policy-actions at corresponding points, they will draw a conclusion of great usefulness.

Secondly, in the remainder of this present memorandum I shall outline summarily the nature of the monstrous strategic crises now scheduled to begin to erupt by no later than the April-May period of this present year. I include in this report, summary evaluations of an important personal consideration which my friends in Mexico must take into account.

### **The strategic crisis**

As I warned first in October 1979, the Nazi-modeled austerity measures which President Carter's Paul A. Volcker introduced that month have now brought the United States into an accelerating depression, a depression which, unless stopped now, will be deeper, more prolonged, and more horribly devastating than the depression of the 1930s. Anyone who compares the analysis of this process published by myself and my associates with those of all other economic-analysis institutions must conclude that I am the only competent economist (together with my immediate collaborators) in the world during the recent period. Everyone else, especially including the Wharton School, Chase Econometrics, and the UNITAR-linked Cambridge group has been fully as incompetent as the publicly confessed drug-lobbyist Milton Friedman.

Through continuation of the wittingly genocidal "conditionalities" policies of the International Monetary Fund, the World Bank, and the Swiss bankers, the monetarist policies imposed upon the developing sector are already beginning to produce genocidal effects in terms of hunger, epidemics, pestilences, and homicidal by-products of desperation. If present austerity policies of the IMF are continued under depression-conditions,

the scale of deaths caused genocidally in the Third World will approach the billions of deaths demanded by the proposals of the genocidal association known as the Club of Rome.

The depression could be stopped now, but only if the President of the United States fired Paul A. Volcker, and the Congress and Executive forced down interest rates and created gold-reserve-based low-cost credit for loan-participation in credit extended to production of tangible agricultural and industrial goods and to certain crucial infrastructural projects. Unless the President and Congress of the United States take precisely such action, nothing can stop the present U.S. depression from exploding into a world depression worse than that of the 1930s. Anyone of influence who argues that this is not so is a dangerous fool.

This ongoing economic collapse is the general setting and added source of energy for the various strategically-crucial crises about to erupt beginning the April-May 1982 period.

The most obvious crisis otherwise facing the world is centered around Washington's manifest determination to negotiate nuclear-missile agreements in Europe only after nuclear-tipped versions of the Nazi V-1 and V-2 have begun to be put into place in the Federal Republic of Germany, Britain, and possibly Spain as well. This action is intended by its designers to force a crisis in relations between Western Europe and the United States, and to impel the United States to retreat to a "Fortress America" posture in the Western Hemisphere. This dangerous and foolish game is pregnant with the risk of a European replay of the 1962 Cuban Missile Crisis.

The second major crisis about to erupt is documented in the March 2, 1982 issue of the *Executive Intelligence Review*. Recently, the "black nobility" faction of Europe has linked the Nazi Ustashi forces of Croatia to the bandit-government of that troublesome Venetian colony and pseudo-nation known as Albania, preparing a concerted attack upon the very existence of Yugoslavia.

The third major crisis involves Greece, Cyprus, and Turkey. The Socialist government of Prime Minister Papandreu has set up a military coup d'état against itself, as *EIR* also details the leading features of this arrangement. With aid of the two sovereign British bases on Cyprus, a terrorist atrocity is intended to be unleashed, as if from nowhere, in Cyprus, creating the "bloody shirt" needed to worsen the already Papandreu-worsened relations with Turkey (Papandreu has demanded Turkish coastal waters for the Lesbians of Greece). This is the potential trigger for a monarchist military coup in Greece and the attempted overthrow of the present government of Turkey, and involves the Soviet Union through threats to the Soviet fleet's access

to the Mediterranean.

Defense Minister Sharon of Israel, the favorite candidate of Rapid America Corporation's reputed organized-crime figure, "Meshugennah" Riklis, is preparing early military adventures including an invasion of Lebanon, with genocide against the Palestinians there, a possible armored strike through the Jordan desert for the capture of Damascus, the assassination of King Hussein of Jordan, turning Jordan into an Israeli "Palestinian puppet-state," as Sharon has proposed. Sharon is also reported from a most-reliable source projecting an Israeli military assault upon the Saudi Arabian oil-fields.

The British-intelligence puppet-sodomist, Ayatollah Ruhollah Khomeini, is reported nearing the end of his days of fouling the surface of this planet. A political vacuum is emerging in Israeli-controlled Iran. The Soviet Union will not permit the United States to emplace a U.S.-armed client-state in Iran to succeed Khomeini. The United States is committed to keeping Soviet influence out of Iran. A prolonged crisis-point thus emerges now within Iran.

A sixth crisis centers upon Pakistan. The increasingly unpopular military dictatorship of General Ziaul Haq is threatened by a coup ordered by the 22 ruling oligarchical families of that country. Pakistan is being prepared for armed war with India. The British, working from London and Trieste, have delivered a nuclear "Islamic Bomb" to Pakistan, reportedly assembled with assistance from associates of Israel's Yuval Neeman. This bomb is announced to become operational by the end of April. Meanwhile, elements of the U.S. State Department have embraced the cause of a Sikh insurrection in India, part of a project for carving war-torn India into four separate nations and also carving up the present nation of Pakistan into several parts. If Pakistan accepts U.S. proposals to aid in the cause of a Sikh particularist insurrection in India, both Pakistan and India threaten to be destroyed as early as sometime this year or during 1983.

Meanwhile, Peking China is collapsing in a manner pre-figured over more than two thousand years of perpetual "dynastic" collapses in the hideous Yin-Yang process of rise and collapse intrinsic to the rural social policy inherited from Han dynasty book-burning. This means an inevitable collapse of Washington's always illusory "China Card," but a dying China portends dangerous adventures against its neighbors.

This brings us to the special case of Central America. The Jesuit Liberation Theologists, in concert with the Socialist International and the World Council of Churches, have been collaborating with the notorious, Houston-based "banana-republic multinational," United Brands, in preparing bloody destabilization of Central America, at the same time that the same forces

have been preparing the internal "Iranization" of Mexico from Houston, Texas and other oligarchical rentier-financier centers where the clients of Roy M. Cohn of New York and Acapulco are to be found. Roy M. Cohn and his cronies are complicit in an attempt to sodomize all of Mexico, with certain Houston-based interests influential in exerting relevant pressures upon frightened Mexican leaders.

The ugliest part of this process in Central America is the importation of Argentinian and other death-squad specialists into the region. These death-squads, biologically and politically connected to the fascist-socialist Propaganda 2 (P-2) Scottish Rite Freemasonic Lodge of Italy's Licio Gelli and his crony López Rega, commit atrocities which serve to recruit enraged members of families and friends of the victims into guerrilla units, while death-squad atrocities against anti-guerrilla population-centers heat up the rage of the guerrilla's opponents. Enter the Israeli drug and gun runners, operating in part out of Mexico, and through Costa Rica and Honduras, using plantation facilities owned by United Brands, and drugs which destory U.S. youth on the streets of New York provide the revenues to pay the Israeli Mafia gun-merchants for the guerrilla's arms.

My friends in Mexico City have but to trace out the financial and corporate directorate overlaps of United Brands and Schlumberger to prove to themselves what influences are pressuring the United States' government to "look the other way" where the real architects of war in Central America and destruction of Mexico are involved.

It is sometimes easier to blame Moscow, than for the United States government to admit that powerful financier networks intersecting Houston and Galveston, as well as Manhattan and Boston, might actually be the culprits. Naturally, Fidel Castro's foolish (perhaps desperation-inspired) dealings with the Socialist International and the Jesuits explain the reasons for Castro's follies in these matters, but follies they are, follies sufficient to give the pretext for an OAS-U.S.A. military intervention into Central America.

Those are but the highlights of the situation into which we are entering now. If the U.S. State Department and Fred Iklé of the Defense Department succeed in their present conspiring to overthrow Chancellor Helmut Schmidt of the Federal Republic of Germany, it is to be feared that the coming strategic showdown between Washington and Moscow will be a collision between two inalterable impasses. There is no political figure in Western Europe capable of approximating the indispensable role of Chancellor Schmidt under most-acute "crisis-management" circumstances.

### **My own role**

Precisely because I am the only visible candidate

actually qualified to be President of the United States, the Morgans, Moores, Harrimans, and Rockefellers will work to ensure that I never come close to receiving the Democratic Party nomination. If I were elected, I would probably be assassinated long before my inauguration. My enemies know me better than many among my friends.

If there is still a constitutional republic in the United States in 1984, and if the friends of the Moores and so forth have not succeeded in arranging my assassination before then, I shall most probably be a candidate for the Presidency that year. I have no personal ambition for that or any other political office; I know that there is no one else visible adequately qualified for the position at this juncture. Personally, I am more of the stuff of Plato and Augustine than of one briefly a head of government or state. I live more for the future generations' cause than for the present, but to reach the future, the world and nations must survive the present.

Toward nations, my policy is that of Friedrich Schiller, to be at once patriot of my own nation and also world-citizen. During the 14th and 15th centuries, the predecessors of my particular faction, including Dante Alighieri, Nicholas of Cusa, and Leonardo da Vinci, resolved that mankind's affairs must be ordered by dividing the human race into sovereign nationstate republics, each ordered internally by general assimilation of a common literate language, each a language as literate for its own nation as Dante Alighieri's *Commedia* is the measure of the power to think consciously among Italians, or Miguel Cervantes's *Don Quixote* a standard of literate speech and writing for Spanish. Each among my faction must be a patriot of his own nation, and yet the advancement of each other sovereign republic is essential to create the kind of community among nations most advantageous to each and every other republic.

In the case of Mexico, since Benito Juarez was of my faction, and since a republican heritage was reformed under the leadership of the great Obregon, the United States has on its southern border a nation with the established political heritage to become one among the noblest republics in the world. For that reason, I have adopted the cause of Mexico's progress as a truly sovereign republic as a matter of inalterable principle. I have conducted myself toward Mexico according to that policy. That shall remain my policy as long as I live, if the leading circles of Mexico itself do not fail my hopes for the future of their nation.

Leaders and people of Mexico, know this. Recent history has demonstrated that whoever is my enemy is also the enemy of your republic. I hope you must not belatedly discover that truth through the bloody future the friends of Roy M. Cohn have in store for Mexico now.

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## DOCUMENTATION

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# Past warnings and proposals

*The following are selected statements by Lyndon H. LaRouche, Jr. and his associates concerning Mexico over the past seven years. Criton Zoakos is EIR's Editor-in-Chief; David Goldman is Economics Editor; Richard Cohen is the EIR's Washington Bureau chief; Uwe Parpart is research director for the Fusion Energy Foundation; Marivilia Carrasco is the Secretary-General of the Mexican Labor Party, a co-thinker of LaRouche organizations around the world; and Cecilia Soto de Estévez is director of the Mexican Association for Fusion Energy.*

**Lyndon LaRouche, January 1975:** The stories in the American press that "foreigners" and immigrants take jobs away from this country's workers are nothing other than hysterical lies. The truth is that our country needs many more workers to be able to turn out huge quantities of farm tractors, to perfect advanced technologies, including those essential for using fusion energy, for building homes, schools and improving mass transit. . . .

**Lyndon LaRouche, nationally televised address, Nov. 1, 1976:** Carter's advisers . . . are resorting to methods of extreme austerity, auto-cannibalistic austerity, in the effort to squeeze out . . . sufficient wealth to roll over some of the bankrupt debt holdings of certain financial interests. These measures are bad enough in the advanced sector . . . but in the developing sector, these austerity measures mean genocide.

George Ball is very explicit on this in his book, *Diplomacy in an Over-Crowded World*. Ball proposes . . . what he calls triage. That is, we must decide what portion of the present world population must die, and manage food supplies and development in such a way. . . .

This is also the policy of William Paddock, whom Ball cites as an authority. . . . Ball illustrates his policy and Carter's policy by citing the case of Mexico. Ball endorses Paddock's proposal to reduce the population of Mexico, our neighbor, from 58 million to 28 million. He proposes to do this, and Paddock is very explicit on this, by methods used by Hitler . . . by a forced, labor-intensive, slave-labor system in which those no longer suitable for this process of slave labor will be allowed to die.

**Lyndon LaRouche, on the 'Paddock Plan,' Nov. 8, 1978:**

This plan is part of an intolerable escalation by the most reactionary sectors in the United States who, by completely sealing the border, seek to sabotage the Mexican government's forced-march industrialization programs, thereby pressuring Mexico to abandon its support for the European Monetary System and the credit advantages which it offers the Third World, especially for obtaining abroad the most advanced technologies. If I were President, we would tear down all the barriers. We can't have barriers among friends. The humanist leadership in Mexico should be our country's closest ally.

**Lyndon LaRouche, televised address, March 20, 1979:**

Obviously, we are one of the candidate industrial nations from which Mexico desires to . . . increase its purchase of capital goods. That means manufacturing, machine tools and equipment to modernize their agriculture. This means for the United States a potential of billions of dollars a year in new high-technology capital goods exports. But our government to date has refused to accept the Mexican offer. In fact, some representatives of our government have threatened the government of Mexico with destabilizing the country, and have held up the example of Iran, saying: "We will make another Iran of you, if you do not abandon this policy of trying to buy industrial goods from the United States, from France, and other industrialized countries for your development. We want to keep you poor. We want to keep you backward. We want your oil, but we don't want to permit you to use your oil sales as a way of developing your agriculture, of developing your own industry." That is the Brzezinski policy. That is the Schlesinger policy. That is the Carter policy.

**Criton Zoakos, *EIR*, July 1, 1980:** The current scenario for the destabilization of Mexico has been in existence for 15 to 18 years. The reader will be reminded that the case of the destabilization of the Shah of Iran was similarly the product of long-term planning. . . . The public signals for the eventual destabilization of Mexico were first issued by the Aspen Institute and the Rockefeller Foundation around 1973. During that year, Rockefeller-sponsored William Paddock, a close associate of George Ball, made a statement calling for the reduction of the Mexican population by 50 percent by the year 2000. During 1979 and 1980, Amnesty International, the International Association of Democratic Jurists and the P.E.N. Club started the international "human rights" propaganda cover on behalf of the Jesuit-run destabilization networks inside Mexico. The Society of Jesus is to Mexico what the Muslim Brotherhood is to Iran.

**Lyndon LaRouche, *EIR*, July 1, 1980:** Today forces allied to the Carter administration are in an advanced stage of

deployment of an "Iran Model" destabilization of Mexico. . . .

The psychological "Achilles heel" of the best forces of the Mexican government is that government's misguided toleration of the variety of "Aztec fundamentalism" associated with French fascist Jacques Soustelle, and with such "left-wing" accomplices as Octavio Paz—the García Márquezes of Mexico. Today, as during the Hapsburg genocide of the 16th century, it is Mexican Catholic Bishops' agents of the Jesuit Order who are in the forefront of promoting the pagan cult of "Aztecism" in Mexico. As long as the López Portillo government fails to confront Jesuit-orchestrated "Aztec fundamentalism," the government remains intrinsically more vulnerable to the operations around Ayatollah Méndez Arceo, Ayatollah Carlos Fuentes, et al., than was the Shah of Iran to the allies of Club of Rome genocidalist Bani-Sadr of Iran.

**Lyndon LaRouche, '1980 Draft Democratic Platform,'**

**July 1980:** Carter administration policy against Mexico is reflected in a notorious production of Zbigniew Brzezinski's group, known as Presidential Review Memorandum 41, a policy of forcing Mexico into perpetual underdevelopment and poverty of its people. PRM-41 is but the tip of the iceberg, so to speak. . . . In fact, Brzezinski's National Security Council is at the present moment working with the Acapulco-centered branch of the international drug-running interests to conduct an "Iran model" destabilization of Mexico, with the U.S. military occupation of large parts of Mexico, especially its oil-producing regions, in view as part of the genocidal end-result. . . .

Out of Texas, there is a massive gun-running into Mexico, to arm the "Iran model" insurrection in progress under Brzezinski's auspices. The guns that are run in are paid for largely with the drugs run into the United States in return.

**Uwe Parpart, from *El Heraldo de Mexico*, Sept. 19, 1980:**

The speaker began by refuting the recent Inter-American Development Bank report which warned that Mexico was growing too fast, which would result in more inflation. . . .

He said that inflation in Mexico comes from the economy not developing fast enough, especially the miserable pace of agricultural expansion. . . .

He warned, on the other hand, that following the advice of the IADB, the International Monetary Fund, or the World Bank would cause greater evils, since inflation would increase as a result of the slowdown of the development of basic industries.

He commented that the situation facing Mexico is the result of political actions taken by the United States through the increase in interest rates . . . which have

created a system which forces developing countries and especially Mexico to import high inflation rates.

Then, Parpart again stressed that if Mexico fails to modernize its agriculture and make it productive, the IMF, World Bank, and GATT will use Mexico's pressing need to import food as "a big stick to pressure Mexico and keep it dependent, despite its oil wealth."

**Lyndon LaRouche, Monterrey, March 9, 1981:** Today the major problem of developing nations is the flow of fiat-credit generated by offshore, unregulated Eurodollar banking into refinancing of external debt of nations, as well as into purchases within the national sector. The Eurodollar sums lent are essentially either drug-runners' debits or fictitious money, and do not represent real values deposited with the lending banks. The use of such funds for usurious refinancing arrangements and as leverage for substantial, non-productive categories of purchases within developing economies, is the principal source of monetary inflation. . . .

We require a new international rediscount arrangement, based on the use of reserve gold at parity prices of production for monetary-gold reserves. Such new facilities . . . must bypass and collapse the prevailing, hyper-inflationary usury of the Eurodollar market. . . .

**Lyndon LaRouche, Mexico City, March 16, 1981:** The present situation is such that if the Reagan administration continues its present policy, we will probably be in an irreversible world depression beginning May or June. . . .

Therefore, at this time it is extremely important that I, in my capacity as a representative of a current within the U.S. Democratic Party, strengthen the solidarity between my forces and the republican forces in Mexico. . . .

Apart from all the practical economic considerations, GATT would mean an invasion and liquidation of the sovereignty of Mexico, in the form of the 1976 IMF conditions which imposed automatic inflation upon Mexico. If the peso is tied to the dollar, and the dollar goes up 15 percent in inflation every year, then the peso is inflated automatically by 15 percent.

**Lyndon LaRouche, March 26, 1981, from UPI wire in seven Mexican newspapers:** "The most important characteristic of overall investment during the next decade should be nuclear technology," declared Lyndon LaRouche in a symposium. . . . LaRouche, who is an energetic proponent of his country's exchanging technology for oil with Mexico, stressed that "only the capabilities of nuclear energy could satisfy the necessities" of Mexican development. "Mexico," proposed the economist, "should be owner of nuclear technologies, developing

research and the necessary training programs, just like Pemex did in respect to oil technologies."

**David Goldman, EIR, June 30, 1981:** The most frustrating thing about Mexico's present 30 percent inflation rate is how easy it would be to reduce it, if the right sort of economic relations prevailed with the United States. . . . That is not to say that inflation—and the enormous interest charges that go with it—have not made financial life a headache for most Mexican businessmen. If the country's economic planners fail to carry out the directive of President José López Portillo—to deal with inflation by enhancing output—there will be trouble not much later than the beginning of 1982.

Mexico is leaning hard against economic distortions that arise from its close economic relationship with the United States. These distortions, not the ambitious and well-funded government development plan, are responsible for the inflation problem. . . . Many of the private-sector commercial banks . . . argue that the government will have to scale down the growth rate from the present 8 percent per annum to perhaps 6 percent in 1982—although they admit that this implies a sacrifice of national economic interests in order to compensate for distortions imposed from the outside.

**Maravilia Carrasco and Cecilia Soto, from El Heraldo, July 23, 1981:** They asserted that there is a conspiracy against Mexico because our country represents those who are fighting to develop themselves. They asserted that Mexico must take measures of self-defense, such as exchange controls, lowering interest rates, tying credit issuance strictly to financing of productive projects and a tax reform penalizing speculators. . . . They demanded that the "fatalist technicians" in the service of the International Monetary Fund and the World Bank be thrown out of the Bank of Mexico.

**Lyndon LaRouche, EIR, July 28, 1981:** The July 9 declarations . . . of the Federal Reserve leave nations wishing to avoid the looming new depression no alternative but to institute exchange controls. . . . U.S. interest rates will continue within a band of between 19 and 21 percent for at least the coming two months. . . .

Therefore, nations which choose not to join Paul A. Volcker's pack of Friedmanite lemmings over the cliff are obliged to take virtual economic-warfare measures to defend their nations from the consequences of Federal Reserve System madness. . . .

Exchange controls . . . permit nations to provide credit at lower borrowing costs, probably between 6 and 8 percent, for essential domestic borrowing, but to ensure that funds borrowed in this way do not flow out, directly or indirectly, to high-priced money markets such as those of London or New York City.

Granted, such procedures incur bureaucratic measures. It requires that no money transfers can leave a nation in excess of small personal amounts except that that transfer bear a number identifying a license for such transfer. . . . It requires that all incoming deposits be registered and controlled. . . . To make such controls efficient, various degrees of painful penalties, including substantial presumptive prison sentences and fines, are imposed for violators. . . .

There is no other choice. Bureaucratic, painful, "repressive," or not, such measures are demanded under the conditions created by the madmen of the Fed.

**Richard Cohen, Mexico City, from *Avance*, July 29, 1981:** Third World countries, including Mexico, run the risk of finding themselves under pressures by international financial organizations to force them to devalue their currencies." That assertion was made by Richard Cohen, the chief of *Executive Intelligence Review's* Washington office, who indicated that if interest rates stay high, the world economy . . . would suffer a severe and sudden collapse.

**Mexican Labor Party, Aug. 5, 1981:** If the Bank of Mexico does not implement exchange controls and lower interest rates, the economy is going to collapse. The IMF and the oligarchy are the ones guilty of the conspiracy (against the peso) denounced by the President of Mexico (on July 17).

**David Goldman, memorandum, Feb. 11, 1982:** Between the second and third quarter of this year, the U.S. banking system will undergo a major shakeout. . . . The result will be a shock-wave contraction of credit extension to all dollar creditors internationally. Of these, the weakest sector internationally . . . is *the Mexican private-sector borrowers*. These will be the first sacrificed.

Without an appropriate program of exchange controls . . . the Mexican economy will be characterized by domino-style bankruptcies of private sector financial and industrial firms . . . with corresponding (10 to 20 percent) reductions in private-sector output levels and employment. . . . An effective program of controls could avert such a disaster, but the time left in which an effective program may be started is measured in weeks. . . .

Exchange controls must be adopted that will:

- 1) Ruthlessly prevent flight capital. . . .
- 2) Deny import licenses for all but essential imports, eliminating luxury consumer goods imports in particular.

Simultaneously, the central bank of Mexico must begin to issue long-term, low-interest peso-denomination credits either directly or in combination with private sector banks, on behalf of all projects which contribute to national development . . . [with] concentration of

efforts on major infrastructural projects, including agricultural infrastructure. . . . will enable Mexico to enjoy a leap in productivity . . . Through these measures, Mexico will save sufficient foreign exchange to stabilize the external debt position of both the private and especially the public sector, and to maintain essential imports of capital goods. . . .

Exchange controls can save Mexico more than enough foreign exchange to prevent a financial disaster in the private sector. But those who object that controls are unworkable or undesirable condemn Mexico to chaos. . . .

## Volckerites push new peso devaluation

The initial drop in the Mexican peso on Feb. 17, from 27 to the dollar to 38, was followed eight days later by a new drop to 44 pesos to the dollar. Prominent among other continuing pressures which can be called "Phase II" of the international economic warfare campaign which resulted in the initial devaluation, is a drive for yet further devaluation; some currency traders at Citibank insist that 60 pesos to the dollar would be appropriate.

The overall guidance for the "Phase II" pressure continues to come from Swiss and London financial command centers, in part through their Washington subsidiary, the International Monetary Fund. An IMF official privately confided immediately after the first devaluation that Mexico's step "was just the thing to do, because they need a slowdown in their economic activity."

Contributing to the pressure for a further drop in the peso is the U.S. State Department, which is telling Mexicans who took their money out of Mexico in capital flight speculation, "keep your money in the United States a while longer," instead of repatriating the flight capital to Mexico.

*EIR* spoke to several senior currency traders in the United States the last week in February. This is what they said:

**Lyle Pai, foreign exchange department, Citibank, New York:** The peso should be between 50 and 60 pesos, as I said last year. The international traders will decide what that value should be.

Oil prices keep going down. Even if they spend at the same level they are doing right now, or even if they cut the budget, the amount of expenditure saved will not be near the amount of revenues they will lose because of the oil price drop. With this devaluation, people are going to

be lot more focused on these issues. Previously people would say, "Well, they have enough international reserves." Now they see a 40 percent devaluation and they are going to say, "uh oh, oil prices are dropping . . . let's sell pesos."

I don't think there is anything the Bank of Mexico can do. If people put pesos in a suitcase and fly to Switzerland and give them to the Swiss central bank, and this bank turns to the central bank of Mexico and says "I want dollars or Swiss francs for these pesos," that's it. Capital is going from Mexico mainly to Switzerland and the Southwest of the United States. In the case of Switzerland, people just take one or two suitcases there. And the point is, how long can the Bank of Mexico keep going?

There is a big question mark about more foreign loans to Mexico. The banks are going to be very leery about lending to the Mexican private sector. There may not be a problem with the government. It all depends on how [presidential candidate] De la Madrid proceeds. If he continues to spend as López Portillo did, there may be problems.

The value of the peso to the dollar is still not right. When they devalue to 50 pesos the pressure is going to be completely off relative to prices in the U.S.

This is not over, this is just the first shot.

**Robert Boston, Thomson McKinnon Securities, New York office:** The difference in inflation rates between the U.S. and Mexico caused the devaluation. That trend is not over. We expect the peso to trade lower in the next two to four months. You cannot stop market forces. Flight of capital did not force the devaluation. It's just the result.

In Mexico there is going to be a big increase in inflation due to the devaluation. The new President in Mexico will make no difference. What difference does a President make? What you need is a Paul Volcker in your central bank, that's what you need. That would throw Mexico into a depression.

Inflation is a disease. It's like a vampire. Eventually you can't stop it at all until it brings the government down.

**Larry Young of Thomson McKinnon's Chicago office:** Capital flight was not the cause of the devaluation. The fact is that the dollar is more attractive. A lot of British, Japanese, and Germans are holding their assets in dollars because it offers higher interest rates. In this sense, I would say that Mr. Volcker was behind the devaluation.

[Young outlined three underlying causes for the devaluation: sagging oil revenues, a threat of a loan cut-off from the World Bank and the International Monetary Fund, and nervousness because it is an election year in Mexico.]

The climate here in Chicago is that there's going to be another devaluation.

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## Investigative Leads

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# Red Brigader ran Solidarity support

by Vivian Zoakos, European Editor

A startling picture has begun to emerge around the case of arrested Italian trade unionist Luigi Scricciolo, indicating that the Western support movement for Polish Solidarity may have been connected to the kidnapping of the American NATO General James Dozier. These Italian leads corroborate charges printed more than a year ago in this publication, that Polish Solidarity, nominally a pro-Western oriented "independent freedom movement," is in fact largely controlled by a network of international intelligence agencies led by British secret intelligence and including the Soviet KGB itself.

What the Scricciolo case points to is the way in which terrorist networks have infiltrated the international trade-union movement, often under seemingly opposite "pro-communist" and "anti-communist" labels.

As *EIR* first reported in this column three weeks ago, Luigi Scricciolo is the chief of foreign affairs of the Italian trade union confederation UIL and a close associate of UIL Secretary-General Giorgio Benvenuto, a leading figure in the International Metalworkers Federation. He was picked up Feb. 4 on charges of being a Red Brigade terrorist. Arrested with Scricciolo was his wife, Paolo Elia, who functioned as an unofficial press aide for the UIL. Scricciolo was responsible for maintaining all liaisons with non-Italian trade unions, and has been characterized (since his arrest) by UIL head Benvenuto as having enjoyed his "full confidence."

### Deliver Dozier to Eastern Europe?

As *EIR* reported March 2, Scricciolo was in correspondence with Ernest Lee, the head of the AFL-CIO International Affairs Department at the Paris international headquarters of the American trade union federation. Sources at the AFL-CIO headquarters report that Irving Brown, the director of the Paris AFL-CIO office, who is in charge of conducting American trade-union contributions into the Polish Solidarity movement under orders from AFL-CIO president Lane Kirkland, has had the most contact with the arrested terrorist. U.S. trade unionists could very reasonably now ask the question of whether their union dues are being conducted to pay for terrorism.