

# EIR

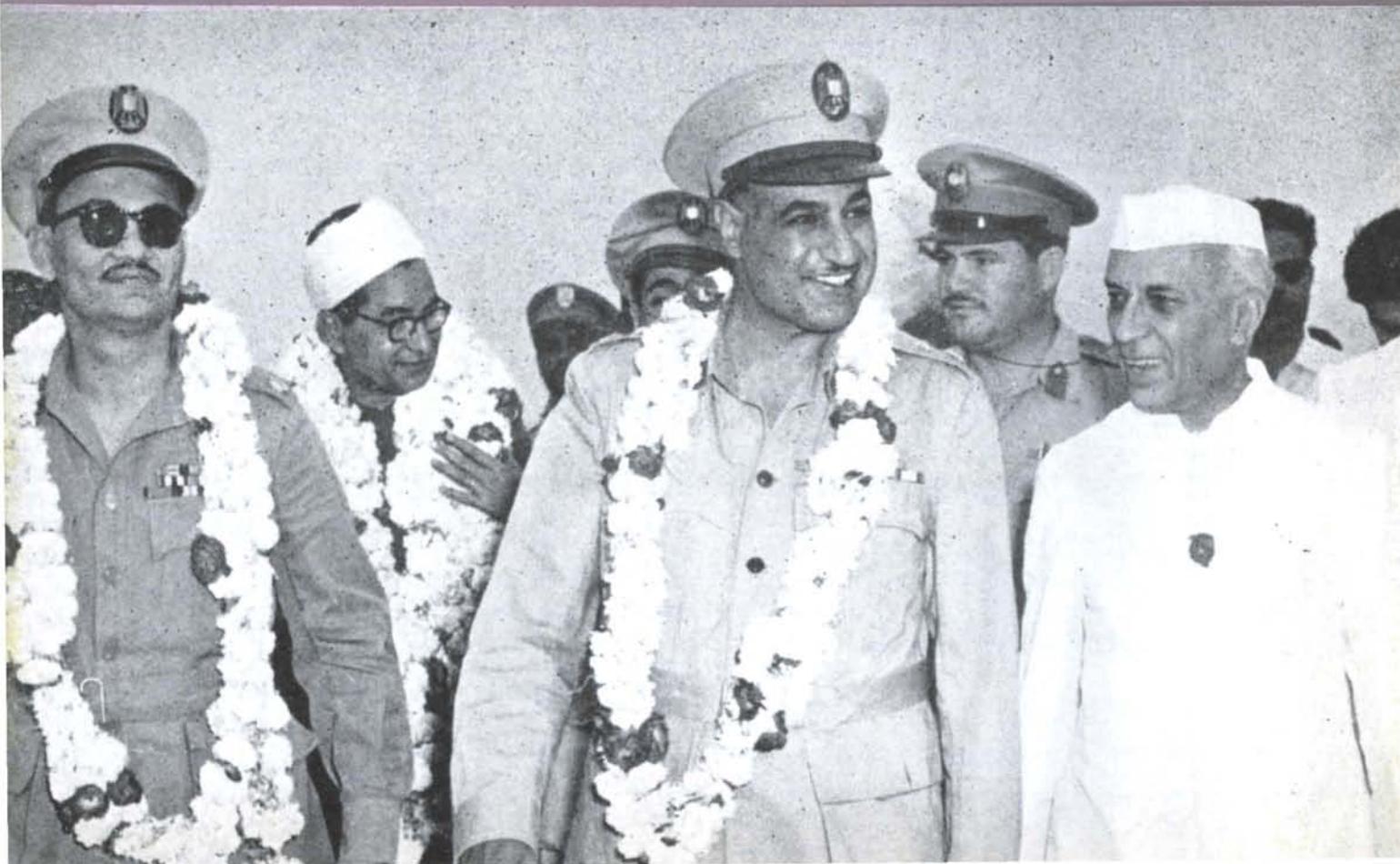
Executive Intelligence Review

February 8, 1983

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# EIR

## From the Managing Editor

*Sneider*

**T**he summit meeting of the Non-Aligned nations to be held early this March sets a deadline—for the rest of the world, as well. The question we pose in this week's Special Report, "Debtor's cartel or IMF dictatorship," is a question of the magnitude that, if answered wrongly, will remove all present branching points away from the road to chaos and war.

Common sense, morality, and historical example prescribe that it is impossible to rescue a financial system by eliminating the means of existence of millions of people, as the International Monetary Fund has begun to do. But the evil dynasties who were allowed to create the IMF as a post-World War II version of the British Foreign and Colonial Office, care nothing about preserving what is ordinarily thought of as international and national economic systems, so long as they retain control over political options and natural resources. These strategists present ordinary mortals with a crisis and instruct them that the only way to survive is to accept "reorganization," i.e. financial dictatorship.

Our Special Report was prepared under the direction of Asia Editor Daniel Sneider by Renée Sigerson, Laurent Murawiec, Susan Brady, Paul Zykofsky, Douglas DeGroot, and Valerie Rush as part of a broad effort to 1) identify the traps ahead of the Non-Aligned leaders, as well as the current blackmail thrown at them; and 2) educate policy makers about the history of the Non-Aligned movement, which, contrary to myths, is neither a "communist front" nor a sanctimonious irrelevancy, but a force able, if it so chooses, to pose to the "North" the question of the latter's own survival. It is in the interests of every nation on earth that the vast, precarious Third World debt be renegotiated on terms providing abundant new credit for capital-goods imports and rapid modernization, thereby not only staving off a hellish banking collapse, but actually regenerating the industrialized economies.

The governments of Spain and France, as we report in our International section, are making extremely important moves to oppose IMF policy. There is very little time left for the rest of the Western world to reconsider its blind stumble into each successive scenario the IMF has prepared.

*Susan Johnson*

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- Correction:** In the article in our Jan. 25 issue entitled "Mitterrand Consolidates Foreign-Policy Switch," it was erroneously reported that President Mitterrand arranged for Egyptian President Mubarak to fly to New Delhi for talks with Prime Minister Gandhi in November. President Mubarak's visit to New Delhi was in fact arranged in advance and quite independently of President Mitterrand.

## World oil prices and the spring collapse

by David Goldman

The shape of the next four months—which may well determine the nature of the world economy for the remainder of this century—is discernible in two leading developments: the marginal drop in spot oil prices following the well-staged breakup of the OPEC ministers' meeting Jan. 24, and the warnings by Paul Volcker Jan. 18 and Donald Regan Jan. 26 that further money-supply expansion would lead to higher interest rates.

Although the present drop in oil prices will not, by itself, be of sufficient magnitude to break the external finances of Mexico and other big debtor nations who pay their bills with oil, British oil industry sources plan a "free fall" of the oil price by March or April, following the end of the winter peak demand for oil—with the disastrous consequences for the world banking system that some world leaders and international press headlines have already indicated. Combined with a rising American interest level (in the context of a still-contracting economy), the stage will be set for a deflationary blowout of the world banking system just in advance of the Williamsburg Summit May 28.

In the interim, the marginal \$2 to \$3 per barrel reduction in oil prices will, according to sources close to Secretary of State George Shultz, considerably weaken the bargaining position of leading participants in the Mar. 7 meeting of the heads of state of the non-aligned nations. Specifically, the State Department believes that even a marginal oil price reduction will force Mexico to renegotiate its current agree-

ment with the International Monetary Fund on terms even more onerous than the present ones, force Venezuela into an IMF agreement as well, and neutralize Nigeria and Indonesia. After the flattening of the Non-Aligned summit—the last effective date by which a group of developing nations might mount effective opposition to the IMF in the form of a unified debt-negotiation front—Shultz's State Department will turn matters over to the worst international monetary crisis in the past century.

### 'Waiting for Henry'

Henry Kissinger's appearance at the White House days of briefings immediately before President Reagan's State of the Union address—supposedly on the subject of his world economic scheme published in *Newsweek*—indicates what is at work beneath the surface of events. As *EIR* reported, Kissinger chaired a secret meeting of the "International Counsellors" of Georgetown University's Center for Strategic and International Studies in early December, which heard proposals for a vast expansion of the International Monetary Fund's powers to the point of dictatorial control over world credit. Chief in the formulation of these plans were the Center's chief of financial studies, Genevan aristocrat Thibaut de St. Phalle, and IMF Executive Director Jacques J. Polak, the IMF's house lobbyist for the conversion of the IMF into a world central bank.

In dilute form, Kissinger's Jan. 24 *Newsweek* spread

reported on the results of these and related secret discussions: Kissinger summarized the nature of the world crisis, concluding, "A blowup is certain sooner or later if debtor countries are asked to accept prolonged austerity simply to protect the balance sheets of foreign banks . . . if pushed too far it risks provoking radicalism that will rally public opinion (and perhaps other debtors) by defying foreign creditors." His proposals together form a plan to put control of the world economy on a supranational footing:

1) "deprive the debtors of the weapon of default" by creating a "global safety net," i.e., vastly expanded IMF resources;

2) "an overhaul of the international monetary system" including "a realistic range for permissible exchange-rate fluctuations," which implies "the coordination of fiscal and monetary policies," and "unprecedented coordination of [leading nations'] national economic policies." At the secret CSIS meeting which spawned the document, this meant IMF authority to dictate budgetary policy to the leading industrial nations, above all, to the United States.

Very quietly, a task force under George Shultz is preparing "options" on the proposed expanded powers of the IMF, while Shultz's close friend, Undersecretary of State for Economic Affairs Allen Wallis, has quietly taken charge of preparations for the Williamsburg summit. Even the internal bureaucratic side of this is nebulous; a senior Wallis aide responsible for summit preparations says, "Shultz is the biggest internationalist in the administration, and we are very open to proposals. But Washington is a bazaar, with everyone hawking his own plan. There are ten different proposals running around." Although the Cabinet economic crisis-management committee, the Senior International Group/International Economic Policy, is assimilating various proposals through Treasury Assistant Secretary Mark Leland, no official reports or discussion minutes are yet in the pipeline on such matters as Kissinger has raised.

Bank of England officials worry that the biggest obstacle to Shultzian "internationalism" inside the Administration is the President himself. In a recent background discussion, a ranking source from the "Old Lady of Threadneedle Street" argued, "Since the Mexico crisis, matters in the United States have been going substantially the way we would like. President Reagan did indeed give the International Monetary Fund a nod of approval during his State of the Union address. But we still have some trepidation about the Administration. The crisis is not yet deep enough such that Shultz, Regan, and Volcker could go to the President and insist that he take action, and spend his scant remaining political capital on behalf of a monetary reorganization. Reagan's political advisors are still able to tell him that ad hoc procedures are enough. However, when it becomes evident that Brazil cannot fulfill the IMF conditions, we will enter Phase Two."

The administration's present efforts are, instead, concentrated on selling the Congress on the proposed \$10 billion

American contribution to a total \$50 billion increase in the resources of the International Monetary Fund. This is the "bailout for the banks" that, as Kissinger himself suggests, cannot work. The banks are warning Congress that a monetary crash will certainly take place if they do not support the bailout; British and Swiss financial sources are just as emphatic that the banking system will crash nonetheless, with the added proviso that an American commitment to defend the indefensible will ruin the Treasury's finances as well.

## The oil crash

However, the drop in oil prices rigged by London has brought the Anglo-Swiss scenario a notch closer to reality. French Foreign Minister Claude Cheysson warned in a statement yesterday that the drop in oil prices would lead to "withdrawals of deposits from the international banks by OPEC nations, and could lead to a chain reaction." A senior Federal Reserve economist commented, "Oil prices are at the top of the list of things that could go wrong with the banking system."

Mexico, whose debt crisis nearly brought the banks down in September, loses \$500 million per year in revenue for every \$1 drop in the oil price, and Mexico's oil price has already fallen about \$2 per barrel. A fall in the oil price from the present \$34 in the Persian Gulf to the \$20 to \$25 range predicted by top British banks, would blow up Mexico's delicate negotiations with the bankers for a debt rollover, bringing down Venezuela, Indonesia, and Nigeria as well. Together, these four countries alone owe over \$200 billion to the international banks.

In addition, a further drop in price and quantity of OPEC oil production would force even the super-rich Saudis to withdraw funds from the banks, squeezing the base of funds in the world banking system at the same time that major borrowers began to default.

## Inside the OPEC meeting

The most likely scenario is a \$2 a barrel drop by Saudi Arabia. Then the pressure would ruin the shaky African producers. Ironically, the African producers were credited with blowing the meeting of OPEC apart yesterday. According to inside sources, when OPEC ministers came to the subject of oil pricing differentials between the Saudi benchmark crude and the North Africans, all hell broke loose. According to the traditional arrangement, the North Africans *should* charge about \$2.00 more than the Saudis because their crude is very high quality (i.e. much less expensive to refine) and it is closer to markets (reducing shipping costs), therefore equalizing the price. But the North African producers have been desperate for markets and, of course, they have been under-selling Saudi Arabia so that the differential is about \$4.00 a barrel.

At this critical point, the British National Oil Corporation (BNOC) put out the word that London will lower its price by

as much as \$2.00 to \$3.00 a barrel. This sent the North African countries into a spin, since their oil is sold in competition with North Sea crude; another British price drop would completely undersell them. Pinned down by the British, the African producers refused to accept export quotas, the setting of which was to have been the subject of the emergency ministries' meeting in the first place.

Saudi Arabia, oil industry insiders say, will now have to lower its price about \$2 per barrel in order to match the British price change. But the African producers will immediately lose a disastrously large portion of their market share. Nigeria's economic development program is premised on oil exports of 2 million barrels per day; even with price-shaving, Nigeria has been able to sell no more than 900,000 barrels per day in the last two months. The inevitable fall in Nigerian output will produce chaos in that country and most of West Africa.

In the case of Mexico, State Department sources close to Secretary Shultz report, a drop in the oil price will push Mexico into a renegotiation of their recent deal with the International Monetary Fund—a deal which has already thrown that country into an economic disaster. With Mexico weakened even further, State Department officials hope, the IMF will be in the position to gain even greater control over the internal Mexican economy, especially over the Federal budget.

Saudia Arabia's Sheikh Zaki Yamani thinks that he has thrown the smaller OPEC producers to the wolves in order to hold the cartel together, with a marginal drop in the oil price. However, London and New York oil analysts insist, this "deal"—brutal as it is—cannot hold past the beginning of March, when production will take another major turn for the worse. OPEC combined output is barely 16 million barrels a day, only half of the group's combined oil production in 1979, before the world depression began. The effect of the spring slump in oil demand will be to throw the oil price into a free fall, and the banking system into an uncontrollable crash.

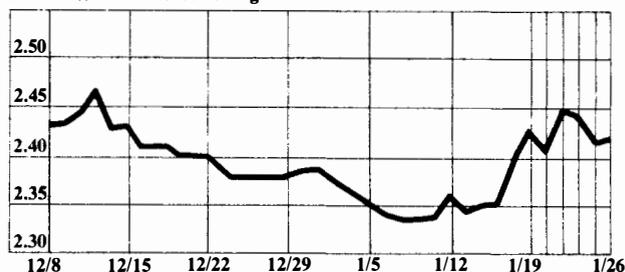
According to a senior London investment banker, Saudi production is now only 3.5 million barrels per day, a level so low that the Saudis would have to withdraw deposits from the banking system or liquidate Treasury securities in order to meet their import needs, i.e. spend their capital. However, the London banker commented, "There is no technical reason why the price of oil should bottom out after the \$2 to \$3 drop we expect during the next few days. It is possible that the price will be \$15 per barrel. That makes international repudiation of debt very, very likely."

At this point, whatever the heads of state imagine they will be able to do at Williamsburg will be pre-empted by a crisis that shakes the foundations of their governments. If it reaches that point, they are expected to sign whatever paper is presented to them by IMF Managing Director Jacques de Larosière.

## Currency Rates

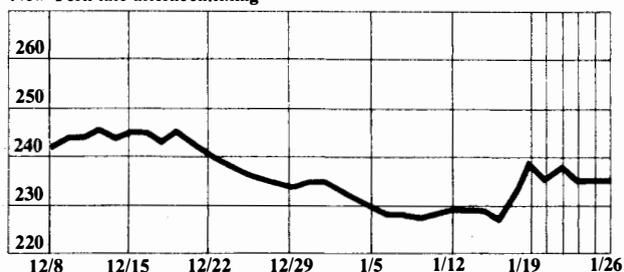
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New York late afternoon fixing



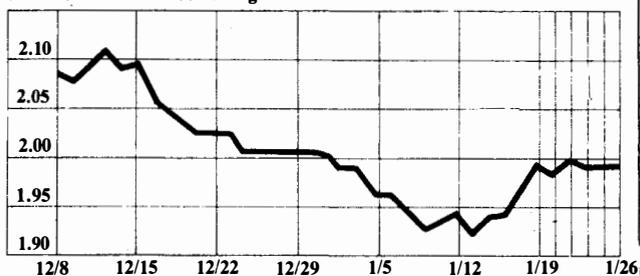
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New York late afternoon fixing



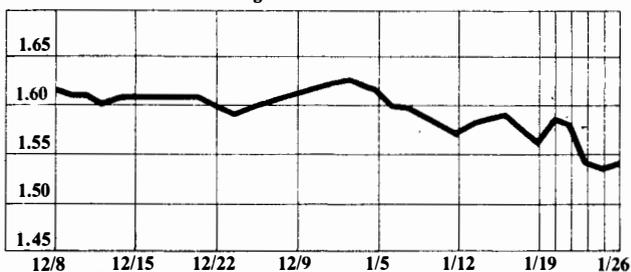
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Chile's economic disaster sets the record straight on Friedmanism

by Mark Sonnenblick

A few years ago, Nobel Prize-winning economist Dr. Milton Friedman lauded the Chilean experience as "a recovery comparable to the economic miracle of post-war Germany. . . . It will be regarded as one of the economic miracles of the 20th century."

Since 1973, Chile has offered Friedman a laboratory for the world's longest controlled experiment in "free-market economics." The results are now coming in.

On Jan. 10, Chile's Friedmanite Economy and Finance Minister Rolf Lüders celebrated the International Monetary Fund's bestowal of what he termed "a certificate of good conduct" on Chile's economic management. The next day, the Bank of Montreal refused to renegotiate a \$2 million debt payment due from a lumber company owned by the gigantic BHC group, despite the loan being guaranteed by the government's Corporation de Fomento (CORFO). Thus, the foreign debt of Chile entered into technical default.

As rumors spread that the banking system would be "nationalized," Lüders declared a bank holiday Jan. 14 and announced the liquidation of three BHC banks and finance companies and the government takeover of five others, amid belated admonitions that they had been "mismanaged."

When the banks reopened Jan. 17, Gen. Augusto Pinochet had to call out the police to impose order on mobs of his erstwhile middle-class supporters desperate to keep their savings from going down the drain.

On Jan. 19, a dozen companies belonging to the BHC and Cruzat-Larrain groups defaulted on another \$1 billion in debts. The president of the Association of Metallurgical Industries, Angel Fantucci, said that since one of these companies, Tecno Industrial "would not be able to pay bills owed to industrial suppliers, it would cause grave problems to the rest of the metal-working industry. Here comes an avalanche effect," he moaned, "and numerous companies will be caught up in financial difficulties." The labor minister announced that these, and all others which crash along with two of Chile's biggest private groups, would be put under government management.

What is bankrupt, however, is not just a few big companies, but Chile itself, and the economic model on which its economy has been based. The Chilean experience reveals that Friedman's "freedom to choose" has meant freedom for the British, Swiss, and Venetian oligarchy to sack a country

which was once one of the most cultured and developed of the American republics. The total deregulation of the Chilean economy has meant "freedom to lose" for the Chileans and "freedom to loot" for the oligarchs.

Behind the bankruptcies stands the wreckage of Chile's industrial capacity and labor force.

Chilean industrial production fell by 17.7 percent during the first 10 months of last year, according to the Industrial Development Society (SOFOFA). As the banks pressed their clients to repay unpayable loans, record numbers of them (almost 800) declared bankruptcy. Since 1973, thousands of factories have closed down, their machinery stripped and sold for scrap.

Unemployment is now 10 times that of 1972 (see Figure 1). Under the "socialist" regime of Salvador Allende (1970-73), the consumption capacity of the Chilean people was sufficient to induce producers to earn high profits by running the plants three shifts per day. Real unemployment now stands at 30.6 percent when the more than 400,000 heads of families employed at around \$24 per month sweeping streets and cultivating public gardens are included. These slave-labor job programs are only the most conspicuous example of the structural shift of employment in Chile from a labor force predominantly engaged in goods-producing activities to one which is pushing around papers on bank desks or in gutters.

There is little benefit to show from the foreign indebtedness, which Lüders put at \$17.1 billion on the eve of his Jan. 25 arrival in New York to renegotiate it. When Henry Kissinger convinced General Pinochet to overthrow his freely elected Commander-in-Chief in September of 1973, that debt was just over \$3 billion.

When he seized power almost a decade ago, Pinochet murdered 10,000 opponents and smashed all national labor unions and political parties, and entrusted his economy to a nest of Friedman's former students, known in Chile as "the Chicago Boys."

As Charles Douglas-Home wrote in the *Times* of London in 1980, the Chicago Boys "hope to minimize the role of the state and realize a Friedmanite dream world, where society subscribes to individualist rather than collectivist principles, while the major technical decisions are kept insulated from the distorting effect of pressure groups working on voters and legislators who are not equipped to judge such things."

Figure 1  
**Unemployment**  
 (percent of labor force)



— Official unemployment

Source: Instituto Nacional de Estadísticas

--- Disguised unemployment (Minimum Employment Program)

Source: Interior Ministry of Chile

The *Times* opines, "The Chilean counter-revolution is of a most radical nature and should not be underestimated on account of the conventional methods of repression which are being applied while more radical measures are worked out and put into operation." The program is called "the seven modernizations," like those of Chairman Mao. "The seven modernizations" concern labor, pensions, health, education, administration of justice, agriculture, and administration. . . . President Pinochet hopes to delay the reintroduction of democracy . . . until 1985, since most of the seven modernizations will need that time to be transferred from social market theory to practical programmes, with a chance to operate long enough for people to appreciate their advantages."

So much for the theory. The practice began in earnest when Dr. Friedman and his sidekick, Dr. Arnold C. Harberger, made a long visit to their students in 1975. They prescribed what they called "shock therapy" to cure an inflation problem. The shock included firing 25 percent of public workers, letting the currency devalue as international speculators saw fit, and leaving Chile's industry at the mercy of dumping from other "free-market" paradises like Hong Kong and Singapore. The Chicago Boys intone the racist Charles Darwin's doctrine, "the survival of the fittest."

Survival certainly became a challenge. By 1978, the total

caloric intake had fallen by over 15 percent per capita and protein intake by over 17 percent per capita. Epidemics spread through the country. Of those who prospered, one group was called "the piranhas," another "the crocodiles," because they prospered by eating other people's flesh.

### The natural history of the piranhas

This species of entrepreneur is exemplified by Mr. Javier Vial, who owns the BHC group. When the Chicago Boys auctioned off the state-owned industries which had been built at great sacrifice by Chilean taxpayers, they sold them for almost nothing. Depressed conditions and scarce credit meant that few Chilean capitalists had any cash to bid, so Vial won the prize public industries for a song. (He boasts that he paid only an eighth of what they are worth.) Vial acted as the Chilean front-man for the European aristocrats who lent to him from their century-old fortunes.

In a few years, Vial was successful in building up an empire of 40 companies, including the biggest lumber and home-appliance companies, mines, metal-processing plants, and a fishing fleet worth over \$1.3 billion.

The government auditors who have seized the BHC group will find the piranhas left nothing but sucked out shells where 40 industries once stood.

The piranhas and related species legally withdrew every asset worth anything from Chile. They sent back to European aristocrats two or three fortunes for every one "invested." The former wealth of Chile is now safely stashed in Swiss vaults and California and Miami sunbelt real estate.

Their endeavor was conveniently eased by the policies of Chicago Boys Sergio de Castro and Jorge Cavas running the Finance Ministry. They permitted the banking sector almost total freedom from government regulation, inspection, and constraint. They froze an increasingly over-valued peso at 29 to the dollar, declaring that the purpose was to deflate the peso price of imported goods and thereby bring down domestic inflation. On this front, they had dramatic success; they were able to announce that 1980 inflation had been lowered to 10 percent, even below simultaneous U.S. levels.

This achievement was used as the proof of the success of Friedman's policies. The Chilean middle class engaged in an orgy of luxury importing and foreign tourism which bolstered the political base of the regime. However, the real reason for overvaluing the peso was that it provided ideal conditions for the piranhas to turn their peso assets into dollars and move them out of the country.

They disguised the looting by bringing in billion after billion of new loans (see Figure 2). Most of this money came from U.S. banks, which "supported" Chile on the ideological grounds that they did not want Ronald Reagan and the American people to discover the real results of "the magic of the marketplace."

Chile's notorious liberality with secret commissions and kickbacks to banks leading loan syndications, probably also contributed to the latter's eagerness to persuade smaller

American banks to puff up the Chilean bubble with money they may have known would never be repaid.

When it became clear that the bubble was going to burst, the Chicago Boys took refuge. Several of them moved over to professorships in Chile, from which they are still running the show, according to a Chicago bank official who recently visited them. Four of them became presidents of piranha banks taken over by the government in January (Banco de Chile, Banco de Santiago, Banco de Concepcion, and BUF bank). They were replaced by Lüders of the BHC, who is eclectic in comparison to Chicago School orthodoxy.

When the first of many devaluations was imposed in mid-1982 for example, Lüders got the government involved in business, by offering one quarter of the state budget (\$1.4 billion) to subsidize the difference in loan-repayment costs for companies with dollar debts. When it became known in November that almost all the banks held uncollectable debts worth far more than their capital and reserves, he ordered government inspection of the private banks.

With the latest intervention, SOFOFA complains that the state now controls 86 percent of Chile's credit. What analysts of the authoritative *Hoy* weekly suspect is that the seizure of private enterprise was in fact demanded by the International Monetary Fund in order to make sure that foreign debt payments are protected and the Chilean depositors and investors are the ones who lose their shirts. It may be that Chile's rulers will once again try to "socialize the losses." But the crisis is such that the government has neither the foreign reserves nor credit to service its own debt, much less the private debt.

After dozens of denials that there was any need to renegotiate Chile's debts, Lüders turned up in New York on Jan. 25 to do just that with \$3.5 billion in amortization due in 1983 and 1984. There is more than meets the eye in the closed meetings with Chile's dozen biggest loan-syndicate bankers. A clue is that the Jan. 24 meeting in Santiago de Chile at which the debt strategy was planned was attended by "biminister" Lüders, four other cabinet members and Thomas Kunkeg and Jackson Gilver of Morgan! In the light of the "theatre" for the "corruption of Congress by the corruption of public opinion" Morgan admits playing through its identical insider role in Brazilian debt renegotiations, (see *EIR*, Jan. 18), funny business can be expected on Chile's debt.

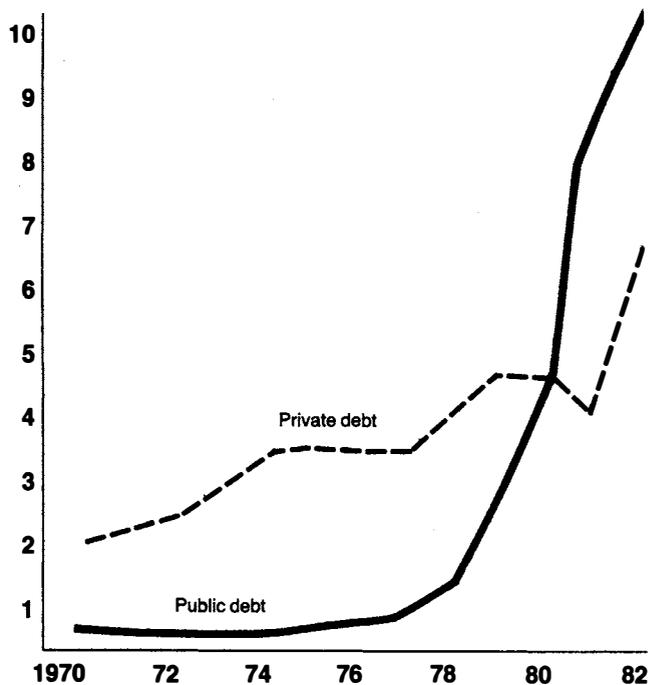
### 'Freedom to lose'

The Chilean people have lost the most from the Friedman experiment. Using a Lloyds of London blueprint, BHC and the other banking groups set up private pension funds. In 1981, the government told wage earners to transfer to the new private funds, while it drained the public social security system on which the retired and disabled depended. Now with the BHC group and the Cruzat-Larrain group penniless, the pensions of Chile's present generation of wage earners have also evaporated.

The middle class, which clanged pots and pans to encourage Pinochet to overthrow Allende in 1973 has begun to

Figure 2

### Comparison of public and private debt (in billions of U.S. dollars)



**Note:** Shows long & medium-term debt as of Dec. 31 of each year. Excludes short-term debt.

**Source:** Banco Central de Chile.

regret its stupidity. While bank deposits may be partly insured by the government, at least half the value of deposits in Chile's bankrupt finance companies are expected to be lost.

Victor Zuñiga, a farm district congressman who declared on television during the Allende regime that "the only good Marxist is a dead Marxist," now says of the Pinochet regime, "Force can inspire fear, but not confidence. The people don't believe in the authorities, because all those of us who believed are today broke or on the edge of going broke." His friend, Carlos Podlech, the head of the Wheat Growers Association, had told his members not to plant in 1972-73 to protest the formation of farm workers' unions. Now, the banks are taking their farms and turning them into migrant workers. Podlech tried to organize a protest. He was deported.

León Vilarín, is the head of the truckowner's association whose members had done Kissinger's dirty work with their famous 1972-73 trucker strikes against Salvador Allende. Vilarín got upset last September because "228 of our members are in debtors' prison and 11 have committed suicide" after they could not meet usury payments on their rigs. He, too, was banished from Chile.

Pinochet retorts, "Let them try a coup and they will see how hard I can squeeze." But his place is no more assured than that of his sponsor, Henry Kissinger.

# The present and future reliability of the LaRouche-Riemann model's U.S. forecasts

by Lyndon H. LaRouche, Jr.

As the accompanying table illustrates, the quarterly LaRouche-Riemann forecasts for the U.S. economy have achieved the highest degree of accuracy ever attained in economic forecasting. During the same period, beginning the last quarter of 1979, that these forecasts have been published, all competing forecasts, those of the U.S. government included, have been consistently wrong to a degree of being outrightly absurd.

Nonetheless, although the LaRouche-Riemann forecasting method is perhaps the only competent approach available anywhere in the world today, we are still far short of the standards specified in our original design-specifications. Since all responsible private and governmental agencies will be turning increasingly to use of our forecasting methods, it is our responsibility to forewarn policy-influencers of the limitations of accuracy of the LaRouche-Riemann forecasts. It was wrong for the policy-influencers to disregard the most accurate forecasting service in existence during the crucial decision-making of the recent three years. It would be only less an error if those policy-influencers now went to the opposite extreme, and wishfully overestimated the accuracy of this forecasting method.

Therefore, this report outlines points on which every government, corporate, and trade-union official should be broadly informed, and on which economists and related professional policy-influencers must develop rather precise knowledge. With only a necessary degree of brief reference to quality of the LaRouche-Riemann forecasts during preceding years, we outline where the matter stands at present, and what improvements may be expected during the near future.

## The principled limits of forecasting accuracy

No man can *predict* the future, whether in economic forecasting or any other feature of life of nations. The best we can do is to forecast the logical consequences of either continuing existing policies or replacing those with rather well-defined changes in policies.

For example, assuming no monetary collapse during early 1983 (a very large assumption today), and assuming that the deficits of governments do not gobble up all increases in money-supply of the United States and other nations, the most optimistic forecast for the first half of 1983 under present policy-matrices, would be a continued collapse at a rate of between 4 percent and 7 percent per annum. In fact, government deficits (and financing requirements) are much greater than is presently admitted publicly. In fact, although a worldwide chain-reaction financial collapse could occur almost any day during the first half of 1983, the probable period for such a general financial collapse is presently during the March-April period, probably a few weeks prior to the May Williamsburg monetary conference.

The forecast of a probable (optimistic) 4 percent to 7 percent rate of continued collapse is based on "objective" forecasting considerations alone. However, there are conditions under which a slight recovery might be construed to be in progress during some part of the first 45 days of 1983. That latter case illustrates one of the general problems of interpretation of "objective" forecasts.

The forecast of the probable collapse of the world's financial system is a trickier proposition. That forecast is objective in the respect that it will be impossible to refinance the portion of the world debt threatened with collapse during 1983, unless that refinancing is accomplished by actions presently strongly rejected by the governments and financial institutions of North America and Western Europe. The present babbling about the possible success of "case by case" management of Third World debt-problems is an instance of outright political lying by the leading governmental and financial institutions issuing such reports. We have been on the verge of a general collapse of the world's financial structures since summer 1982, and the problem has been growing progressively worse since August 1982.

However, since short-term bookkeeping tricks can keep defaulted debts legally assets for a limited period of time, the

dominant financial institutions of the world do have a limited power to regulate the timing of a new financial collapse. They have limited power either to postpone an inevitable financial collapse by aid of such bookkeeping tricks, or to trigger a potential chain-reaction collapse on any morning they choose to prick the financial bubble. Our forecast of the March-April period—preceding the May monetary conference—is therefore based in large part on rather intimate knowledge of the present policies of dominant financial agencies.

Let us examine both instances, to illustrate the two general ways actual developments may deviate for short periods from the most scientifically accurate forecast which might be offered.

It is possible, for example, for the major automotive firms to choose to build inventories from a present 60-plus days' supply to a 75-, or even a 100-days' supply. This can be done on condition that the financial community decides to fund such inventory-building. If such production of inventory surpluses were extended beyond the automotive industry to several other industries, it would be possible to create a deceptive appearance of a slight U.S. recovery in progress over a period of 30 days or so, until the point was reached at which the excess inventory caused the economy to plunge downward much more sharply than if no such short-time inventory-building binge had been undertaken. At the end of 90 to 180 days, firms would be bankrupted which would have survived the period had no misdirected inventory-building binge occurred.

In such a case, the forecaster has committed no error. Any significant deviation from the policy-guidelines indicated by his forecast leads the economy to a relatively increased degree of disaster. It is not the function of forecasting to *predict*; the function of good forecasting is to assist the poli-

cy-shaping processes of government, financial institutions and private institutions generally.

In the second illustrative case, the forecast is premised on the following set of facts.

The best informed circles of international finance, in Venice, Switzerland, London, and so forth, have decided that a general financial collapse, wiping out between \$1 and \$2 trillion of paper values, is inevitable for 1983. We have discussed this in detail and at length repeatedly with the most powerful circles of policy-makers associated with the direction of such institutions. Their opinion is correct, assuming that they continue to reject the only existing alternatives to such a collapse—as they do. Moreover, under present and projected policies of the leading bankers and governments of Western Europe and the United States, the collapse will occur by the end of the second quarter of 1983 or immediately afterward.

In that aspect of our forecasting, our judgement is based on both objective considerations independent of the wills of policy-makers, and upon knowledge that those policy-makers more or less correctly estimate the situation on that account. One therefore assumes that those policy-makers will act to minimize injury to their own special interests under these conditions.

Our knowledge extends further in the matter. We have discovered and cross-checked the particular game-plan for first-half 1983 actually adopted by the most powerful circles of such policy-makers. Moreover, that discovered plan is currently in operation, through aid of such complicit agencies as Secretary of State George Shultz, *Time* magazine's Jan. 10, 1983 issue, and Sen. Charles Mathias (R-Md.) in rigging the climate of panic around the U.S. Congress and administration.

## Per Annum Rate of Change of Industrial Production\*

Date of Forecasts	1980		1981		1982	
	1st Half 3/80	2nd Half 7/80	1st Half 1/81	2nd Half 7/81	1st Half 1/82	2nd Half 7/82
<b>EIR Forecasts</b>	- 7.5	+ 1.1	+ 1.1	- 5.2	- 6.0	- 6.9
<b>Index of Actual Industrial Production</b>	- 14.0	+ 13.2	+ 2.6	- 12.4	- 6.6	- 5.4
Data Resources Inc.	- 1.2	- 12.1	+ 2.0	- 0.1	- 7.7	+ 0.3
Wharton Economic Forecast	+ 0.5	- 11.4	+ 9.8	+ 1.8	- 9.1	+ 1.6
Conference Board	+ 2.0	- 9.6	+ 0.9	- 1.8	- 5.1	+ 1.4
Commerce Department	- 1.6	- 8.6	+ 6.0	+ 1.4	- 4.0	+ 4.2
Morgan Guaranty	- 1.4	- 10.7	+ 5.9	+ 2.6	- 7.5	- 2.7
Evans Econometrics	+ 0.3	- 11.2	+ 4.6	+ 4.1	- 0.8	+ 0.9

The plan of the Anglo-Swiss bankers is to shift the relatively greater burden of the collapse to the United States. This requires a bamboozling of the Reagan administration and the Congress. The intent is to break the will of the Reagan administration by Jan. 28, 1983, and to use administration support for the "bail-out" scheme to ensure total capitulation by the U.S. Congress during the latter part of February 1983.

The nominal policy-objective of this short-term operation is to terrorize the United States and other nations into submitting to the plans projected to be adopted by the international monetary conference now scheduled to occur at Williamsburg, Virginia during May 1983. That plan is currently described most frequently as an intent to establish the International Monetary Fund (IMF) as a World Central Bank at that conference. This plan is sometimes described as a revival of the proposals made by Britain's John Maynard Keynes at the close of the last World War. In fact, it is an intent to use the IMF as a political front for a worldwide financial dictatorship by the Basel, Switzerland Bank for International Settlements (BIS), *a private bank*. Under the proposed arrangement, the BIS would exert greater dictatorship over world trade and the internal economic policies of nations than the Federal Reserve System presently exerts over the U.S. internal economy. *It is the greatest swindle in modern history, transforming the U.S. constitution to a mere dead-letter, and eliminating the last vestige of actual sovereignty of the United States, among other victimized nations.*

If the United States can be induced—during January and February 1983—to underwrite the largest portion of a general collapse of debt-value, the Anglo-Swiss financial interests will escape the worst effects of a general financial collapse. It then becomes convenient for the Anglo-Swiss interests to proceed with their stated plan, to collapse the international financial system during March 1983. Then, after several weeks of the terror such a collapse represents, the nations will "sign anything" the Anglo-Swiss demand at the May Williamsburg meeting.

Overall, this forecast of the most probable timing for a financial collapse is necessary, to forewarn policy-influencers of the most probable decisions to be made. Yet, even our widespread documentation of the plans indicated does tend to cause alteration of those plans. Again, *we are not predicting; we are forecasting*. The difference in character between the first illustration of problems of forecasting and this second condition ought to be more or less obvious.

The most important feature of such forecasting is not the specific sets of figures projected. Such figures do have practical importance, of course. However, the real importance of the forecast is to assist policy-makers and policy-influencers in understanding the most characteristic features of those economic and monetary problems to which their policy-making must be addressed. A forecast is functionally a forewarning of the most probable direction of developments which will ensue unless we act quickly and efficiently to change the

policy-framework determining such probable direction of developments. We are not "predicting the winners of the race"; we are "handicapping" the policies which determine the "probable winners and losers."

The practical significance of these cautionary words of advice on forecasting loses all vagueness once we have shifted our attention from such generalizations, to the internal features of the methods employed for the LaRouche-Riemann forecasting practices in particular.

### **The LaRouche-Riemann method, past and present**

Most broadly, the LaRouche-Riemann method of analytical forecasting is based upon what Treasury Secretary Alexander Hamilton was the first to name officially the "American System of political-economy." This American System, established as the direct adversary to the British political-economic dogmas of Adam Smith, Thomas Malthus, and David Ricardo, was the policy upon which the successful development of the United States was premised, as well as the economic policy adopted by the Meiji Restoration in Japan. The superior performance of Japan relative to the United States today is predominantly a result of the fact that Japan's practice is strongly influenced by the American System, whereas the U.S. economy has been ruined by overdoses of the British system.

The American System was brought into the young United States by the circles around Benjamin Franklin. The principal influence upon the Americans was French mercantilism, but a French mercantilism incorporating the initial discovery and development of economic science (beginning 1671) by Gottfried Leibniz. The American System was therefore congruent in essential features with the political-economy of Lazare Carnot's Ecole Polytechnique, and the economic thinking of Claude Chaptal and Charles A. Dupin. After the disastrous effects of the administrations of Jefferson and Madison, who ruined the U.S. economy (and national defense) with doses of Adam Smith, the American System was revived by Presidents Monroe and John Quincy Adams, under the influence of a close collaborator of Benjamin Franklin, Philadelphia's Mathew Carey. Through channels of the Society of Cincinnati, especially the Marquis de Lafayette, French and German developments in economic science and technology were fused with home-grown U.S. American System political-economy, including the important work of Commandant Sylvanus Thayer at West Point. The German-American Friedrich List, the architect of the German economic miracle of the 19th century, was a close collaborator of Lafayette and Carey, as well as a specialist in the work of Chaptal and Dupin. Later, Henry C. Carey, Lincoln's chief economic adviser and son of Mathew Carey, joined the ranks of Hamilton, Mathew Carey, and Friedrich List as the most famous exponents of the American System. It was chiefly through Carey collaborator Pechine Smith, that the economic miracle



Philip Ulanovsky/NSIPS

*Clockwise from bottom right: Mr. LaRouche discusses a forecast with Economics Editor David Goldman and associates Renée Sigerson, Kathy Burdman, and Elijah Boyd, Jr.*

of the American System was introduced to Japan.

Provided we include Leibniz among the founders of the American System, this writer added nothing to economic science which was not established in principle by the indicated authorities. The LaRouche-Riemann method represents, predominantly, the writer's successful solution of the chief internal limitation of the earlier design of the American System. He discovered, beginning 1952, that an approach based on reference to the mathematical physics of the great Bernhard Riemann permits us to master the previously unsolved problem of exposing the explicit connection between advances in technology and increases in the potential rate of economic growth.

Aided by continued progress in perfecting that method of analytical forecasting, successful forecasts were made during late 1956 into January 1957 (of the arrival, and character of the 1957-59 recession), a long-range forecast of 1958-59 (forecasting the eruption of a post-1964 series of monetary crises leading toward a new depression worse than that of the 1930s), and important supplements to that long-range forecast made during 1971 and 1974-75.

The present LaRouche-Riemann quarterly forecasts for the U.S. economy are the outgrowth of a design developed during December 1978, leading to the publication of the first

regular, quarterly forecast for the U.S. economy 11 months later. The circumstances of that December 1978 design are relevant in several ways to appreciation of the principal internal features of the LaRouche-Riemann forecasting method today.

The decision to proceed with development of a computer-based quarterly forecasting system was made during early December 1978, during the course of two seminars held in New York City. The subject of those seminars was an assessment of the comparative progress of U.S. and Soviet work in relativistic physics research. The proposal to develop the regular economic forecast occurred as a by-product of those seminars' discussions.

The general focus of the seminars was the apparent failure of both leading U.S. and Soviet circles to appreciate the significance of the connection between Riemann's 1854 habilitation dissertation<sup>1</sup> and Riemann's famous 1859 paper on shock-waves<sup>2</sup>, despite the importance of the later paper in the development of the H-bomb.<sup>3</sup> It was in this context that the LaRouche-Riemann forecasting was proposed.

The LaRouche-Riemann method of analytical forecasting involves the assembly of a special kind of potential function, in which all crucial transformations within economic processes are comprehended mathematically as the genera-

tion of "shock-waves," a generation analogous to the generation of "sonic booms" as predicted by Riemann's 1859 paper. The significance of this latter method is properly understood only if the 1859 paper is understood as a product of the program summarized in Riemann's 1854 habilitation dissertation.

In December 1978, it was proposed that applying the LaRouche-Riemann method to computer forecasting would not only provide the most accurate forecasting for the U.S. economy available, but that the success of such forecasting would help to persuade U.S. laboratories of the importance and efficacy of our approach to the connection between the two cited Riemann papers.

The problem within the U.S. science community (and also within the Soviet community, at least to a large degree), is that during the 1860s and later a massive, escalating attack was deployed to eradicate Riemann's influence from the practice and teaching of science. Those attacks came from the followers of LaPlace and Cauchy in France, from Vienna-influenced circles such as Kronecker, Dedekind, and Helmholtz in Germany, and massive attacks from the Apostles' group at Britain's Cambridge University.<sup>4</sup> From the beginning of his career in science, until he dropped out of science during the middle 1920s, Bertrand Russell's work within the nominal bounds of mathematical science was devoted entirely to attempting to destroy the influence of Riemann, Georg Cantor, and Göttingen University's Felix Klein. So, although Minkowski, Einstein and others adopted a somewhat corrupted version of Riemann for relativistic physics, and though the problems of supersonic and space flight, as well as the H-bomb, forced Riemann's 1859 paper back into attention, Riemann's work is tolerated only by exception in university teaching-programs and related areas today. The Newton-Cauchy-Maxwell faction of Riemann's embittered adversaries is relatively hegemonic in teaching and prevailing professional opinion today. This has proven a potentially disastrous impediment to progress in certain branches of work in the United States today, a disaster incorporated in the fanatically anti-Riemannian opinions expressed by Presidential science adviser George Keyworth presently, a product of the "Openheimer Faction" at the Los Alamos Laboratory.<sup>5</sup>

Since the connection between technological advancement and economic growth is central to "impact studies" for scientific research-and-development work today, it was hoped that the demonstrated superiority of the LaRouche-Riemann method of forecasting for such purposes would tend to catalyze fruitful rethinking about the importance of Riemann's work among leading laboratories, thus provoking fresh, fruitful approaches to designing a new set of experiments employing Riemannian hypotheses and breaking out of the bounds of the Newton-Cauchy-Maxwell box impeding U.S. science presently.

To set the development of the LaRouche-Riemann forecasting into motion, during December 1978, this writer pro-

duced a design for the "model," guiding the work of two coordinated teams. The one team was a data-assembly staff under the direction of team-leader David P. Goldman. The other was a scientific and computer-programming team under the direction of Uwe von Parpart and Dr. Steven Bardwell. Parpart did the overall coordination of the development of the "model," and the writer limited himself chiefly to supervision of fulfillment of design-specifications and auditing of quality of forecasting work in progress.

The December 1978 design had two interdependent features-in-chief. The first of these features was the translation of the writer's analytical method into the form of a set of constraints suited for computer operations. The second feature was the specification that all "non-linear transformations" were to be mathematically comprehended from the standpoint of the cited 1859 Riemann paper on "shock-waves."<sup>6</sup>

From the beginning, it was policy that the actual operations would be a reasonable approximation of those design-specifications. The conditions requiring resort to approximations were chiefly these. 1) We were limited by the financial means available, and limitations of staff and computer facilities so imposed. 2) We were limited by the shortcomings of existing masses of data. Important categories of data simply do not exist, except as reasonable approximation may estimate them. Available U.S. government and Federal Reserve data are a mixture of sampling, guesstimates, and dubious outright concoctions. The "garbage" of available official data placed limitations on the possible accuracy of detail in the forecasts produced. 3) There are significant, intrinsic limitations in attempting to use even the best available existing computer systems for processing mathematical functions of the type implicit in the specifications. Economical computer operations required resort to reasonable short-cuts, and ongoing work in developing an improved choice of mathematical procedures. 4) There are significant, obvious improvements in mathematical physics needed to permit the more advanced modes of forecasting the design implies. Several years of research on two continents, including correlation of little-known primary material buried in archives, has been conducted to the purpose of approaching the point at which such more sophisticated considerations could be resolved.<sup>7</sup>

During October 1979, immediately following the introduction of the Volcker policies by President Jimmy Carter and Paul A. Volcker, this writer requested the staff to accelerate the schedule, to test the rate at which continuation of Volcker's policies would lead into a general economic depression. So, the first quarterly forecast for the U.S. economy was issued in November 1979, rather than the previously intended issuance during 1980.

Despite the limitations of approximation incorporated into the computer application, the November 1979 forecast soon proved itself the most accurate short-term forecast which

had ever been made in economic forecasting to that date. The medium-term forecast produced together with the forecast issued during the first quarter of 1980 accurately forecast the sequence and general timing of developments leading from then into the last quarter of 1981.

Important improvements, including improvements in inter-sectoral analysis, were accomplished during 1981. This led into the December 1981 general forecast for 1982, issued together with the quarterly forecast for that time. This forecast that a continuation of administration-Federal Reserve policies during 1982 meant approximately a 7 percent rate of decline in rate of goods-output during the first nine months of 1982, and an accelerated rate of decline, to the 12-15 percent annual rate, during approximately October 1982. That forecast has been accurate to within the range of the margin of error of existing governmental and Federal Reserve reporting-data.

Such accuracy as that December 1982 forecast had never been approached in modern history before then. Certain conclusions must be advanced concerning the competence of judgment of those who continue to rely on discredited, "Brand X" varieties of forecasting.

During 1982, by approximately September 1982, a major further improvement in the design of the computer programs was accomplished. Aided indirectly by important work accomplished in the Federal Republic of Germany in collaboration with this writer, an important advance in the mathematical physics of the "model" was accomplished. This advancement will be reflected in projected forecasts for 1983 quarters, as soon as a rather massive amount of kitchen-work in improving the data-base is accomplished.

Still to be done, the next further step will be to recast the analysis entirely so as to reflect the demographic features of society, together with improved treatments of energy-flux-density. The assembly of that data base and its incorporation will significantly improve the refinement of U.S. forecasting, and is indispensable for both global forecasting and analytical studies of developing-nations economies. Work toward building up to a global forecasting model is making progress, aided by a process of bringing a number of particular countries' economies into regular forecasting practice. In the case of developing nations, much of the data published by agencies of such nations and by agencies of the United Nations Organization, are chiefly rather arbitrary concoctions with little relationship to actuality. The population-model is indispensable for any early competence in forecasting for such cases. The advancement of quality of the data-base in these ways is indispensable for the more advanced quality of analytical studies projected for the period ahead.

So far, the LaRouche-Riemann forecasting method is adequate for policy-shaping of general economic and monetary policies for entire economies and coordination of major sectors of those entire economies. Presently, it permits only broad, if useful indications concerning other important mat-

ters, such as technology impact-studies. Additionally, as we have indicated, even in the best form it could acquire, it would always suffer the limitations intrinsic to forecasting. It can merely predict the impact of policies; it cannot predict exactly what governments and firms will do.

## FOOTNOTES:

1. "On the Hypotheses Which Underlie Geometry." A passable translation by Clifford has been available, reprinted by Dover publications in Smith, ed., *A Source Book in Mathematics*, 1959. A corrected translation has been made by the writer's associates for a book on leading features of Riemann's work compiled and edited, with commentaries, by Uwe von Parpart, planned for publication during the months ahead. The relationship of Riemann's original work to the work of Louis Legendre, the significance of what Riemann named "Dirichlet's Principle" for the general notion of the Riemann surface, and the position of the 1859 paper on shock-waves in this setting are among the leading topics documented and discussed by Parpart in that book in preparation.
2. "On The Propagation of Plane Air Waves of Finite Amplitude," U. Parpart and S. Bardwell, trans., *International Journal of Fusion Energy*, Vol. 2, No. 3, 1980. This translation was commissioned during the December 1978 seminars.
3. This debt to Riemann is openly discussed in the published Soviet literature, but, until recently, Riemann's 1859 paper was treated as virtually a military secret by the United States.
4. Russell's *Lectures on Geometry*, his first book, was devoted to scurrilous attacks on Riemann and Cantor. Later, according to Göttingen archives, Russell travelled to Germany to continue his campaign of vilification against Riemann, Cantor, and Felix Klein. Lord Rayleigh, during the 1890s, certified himself an eternal ass by denouncing the mathematics of Riemann's 1859 paper.
5. Interview with Paul Gallagher, 1981.
6. See, Parpart and Bardwell, "Economics Becomes a Science," *Fusion*, July 1979.
7. Lyndon LaRouche, "What is an economic shockwave," *EIR* Dec. 7-14, 1982, and Dr. Jonathan Tennenbaum, "A topological, shock-wave model of the generation of elementary particles," *EIR*, Feb. 1, 1983. The direct bearing of Tennenbaum's paper on the shock-wave issue is underscored most obviously in the introductory section of that published working-paper. Although the writer demands a conical generation of world-line space, as opposed to the cylindrical version employed by Tennenbaum in that paper, two significances of that treatment of Minkowski's special relativity by Tennenbaum are to be emphasized. First, it is a pedagogical exercise, which makes its point adequately by employing the simpler cylindrical illustration. Secondly, more important, it corrects Minkowski, by eliminating the field-particle paradox from his schema, and relocating Minkowski's conceptions within Riemannian space. The objective of this mathematical work is to arrive at the proper quantum-theory for economic shock-waves, treating shock-wave leaps as leaps from one "Keplerian" harmonic set of values to another harmonic set, as the work of E. Schrödinger and A. Sommerfeld implies for quantum relations. This is consistent with M. Planck's account of his work, a work which has general implications for relativistic physics, by no means limited to microphysics. The question for us is, what are the characteristics of allocation of limited investment-resources to advanced technologies-development, such that we can anticipate with required efficiency how much such concentration of investment is required to generate a desired economic shock-wave effect. This requires, of course, empirical studies of such processes in actual economies; however, we need the general theory the analysis of such empirical data requires.

# Space Shuttle finds a new Yukon in Mexico

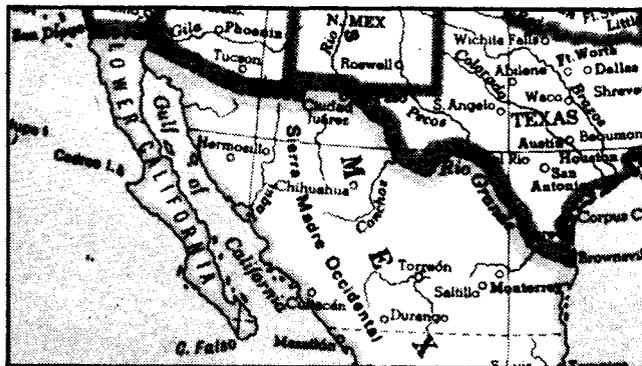
by Marsha Freeman

In a dramatic example of what space technology could do for the developing nations of the world, scientists at the Jet Propulsion Laboratory in California have recently announced that data collected on the second flight of the Space Shuttle orbiter Columbia have helped locate a previously unprospected region containing mineral resources in Mexico. Scientists from the Secretario de Patrimonio y Fomento Industrial in Mexico are now working with the U.S. National Aeronautics and Space Administration to begin exploration leading to development of this new site.

The new results were obtained by the Shuttle Multispectral Infrared Radiometer (SMIRR), flown as an experiment on the November 1981 Shuttle flight. The SMIRR, which was developed at the Jet Propulsion Laboratory, identified the minerals by their reflectance in the infrared portion of the electromagnetic spectrum. Scientists hope that future generations of operational remote-sensing satellites will incorporate the more sophisticated SMIRR technology and help open up whole new areas of the world for industrial development.

The simplest kind of remote sensing is to take photographs of an area from far away—either in an airplane or from space. There are many characteristics of our globe, however, that cannot be seen in visible light, but can be detected in non-visible wavelengths, such as the infrared.

From the Shuttle's payload bay, the SMIRR sampled 50,000 miles of the Earth in swaths 300 feet wide. By chance, it passed over Baja California in Mexico, a desert area that has no roads and has never been investigated for natural



resources.

One of the land characteristics that can be "seen" in the infrared is the presence of hydroxyl molecules (OH). The wavelength which detects whether these molecules are present, which is determined by the crystal structure of the materials, is not covered in the Landsat operational remote sensing satellites that we now use.

The presence of these hydroxyl molecules indicated to the JPL scientists that iron oxide, kaolinite clay, and possibly alunite (a potassium aluminum sulfate) were present in the region. These minerals are indicators of past hydrothermal activity, and were probably formed at this site when volcanic rocks were subjected to hot circulating acidic waters and changed to clays, alunite, and secondary quartz.

Areas in the United States of similar composition and history have been found to contain deposits of gold, silver, copper, lead, and zinc. Therefore, this area is being considered a priority region for further exploration.

The identification made by the Shuttle-borne instrument was verified at the site by U.S. and Mexican scientists. Helicopters were needed to reach this remote undeveloped region.

### Resources for the future

The experimental SMIRR carried on the Shuttle was designed in 1976 and cost \$1.6 million. Dr. Alexander Goetz for JPL has plans to update this infrared equipment and add a new capability to the U.S. remote-sensing program.

According to Dr. Goetz, the technology used in SMIRR has been surpassed by more recent developments. The data from SMIRR cannot be processed into an image, but is transmitted as a radiometer profile. On the ground, instruments called imaging spectrometers give a continuous reading in 128 different wavelengths at the same time.

If this technology could be applied to space-borne instruments, a scientist could produce an image of a piece of the Earth in all spectral bands on a continuous basis. By comparison, Landsat 4, now in orbit, produces images from only seven spectral bands.

This development would require advancements in data handling technology on the ground. At the present time, the capability does not exist to even process the mass of data that reaches us daily from Landsat.

The potential pay-back of further developing this remote sensing technology can not even be estimated. Whole inhospitable regions of the Earth that have not been, and could not be assessed from the ground, could be surveyed for raw materials and minerals.

NASA has not received sufficient funding to develop the next generations of remote sensing technologies. Perhaps developing nations should contact the U.S. administration and the Congress, and tell them that rather than wasting their aid money on debt refinancing and "appropriate technologies," they should give NASA the money to make available space-age techniques that could help bring them into the industrial age.

# Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
	France/Japan	Mitterrand govt. has promoted a Japanese-French robot to revitalize French industry with Japanese high-tech. Yaskawa Electric will provide Cie. Electro-Mecanique (CEM) will large assembly-carrier robots (6 axis, electronic articulation type) for sale to French industry. Plans are to sell 20 in 1983 and 100 in 1984. Yaskawa will sell 200 CEM-built small assembly robots to Japanese auto and appliance assemblers per year.	Yaskawa will help CEM (100% owned by Switzerland's Brown Boveri) build large robots in France and fulfill its official French govt. designation as "specialized robot builder."
	Japan from U.S.A.	Budweiser will be brewed in Japan starting 1984 with production technology and yeast from Anheuser Busch. Suntory Ltd. brewery expects to sell 3 mn. cases per yr.; it sold 1 mn. cases of imported Bud last yr.	A case of U.S. transfer of high technology to Japan?
\$4 mn.	U.S.A. from Japan	Faced with growing protectionism on auto exports to U.S.A. and Europe, Nissan Motor Co. is diversifying its exports into 35-435 hp. industrial engines, with \$4 mn. in sales in fiscal 1983.	Plans to set up 150 dealerships in U.S.A. by April and break into Europe by summer.
	Philippines from U.S.A./Japan	Joint venture between General Motors and Isuzu will assemble and sell Isuzu's 800 cc cars in Philippines.	GM is pressing Isuzu to buy into GM's Australian, Brazilian, and African subsidiaries.
\$1.24 mn.	Jamaica/U.S.A.	Jamaica has signed counter-trade deal with Chrysler for bartering 50,000 tons of alumina for vehicles. Similar deals were arranged with GM and cooking with British Leyland.	It's the only way you can sell cars or alumina these days, despite IMF prohibitions against barter.
\$80 mn.	Brazil from Spain	Tecnicas Reunidas will help build a phosphate complex for Brazil's Sotave at Belem at mouth of Amazon. Output will 300,000 tpy diammonium and monoammonium phosphate; 300,000 tpy super and triple superphosphate; 200,000 tpy granulated potassium chloride. The Spanish firm will provide design, engineering, and start-up services.	Partially financed by World Bank; will help Brazil achieve self-sufficiency in phosphates when on stream in 1984.
<b>UPDATE</b>			
\$400 mn.	Iran from Japan	Iran is only <i>negotiating</i> with Chiyoda and Mitsui for rebuilding 70,000-100,000 bpd refinery capacity devastated by Iraqi bombing raids on Abadan. The Japanese are reluctant to invest more effort into Iran as long as it continues to make war on Iraq.	<i>EIR</i> apologizes for having conveyed an erroneous <i>Wall Street Journal</i> report that deal had been completed.
\$100-\$200 mn.	Argentina from Spain	Spanish contractor Dragados y Construcciones will receive 1-2% of work on the \$10 bn. Yacyreta Dam to be built on Argentine-Paraguayan border "in recognition of Spain's position during the Malvinas War," promised Argentine Public Services minister Conrado Bauer. Dragados lost in bidding on civil construction to France's Dumez and Italy's Impreglio.	Allis-Chalmers of Wisconsin has its anticipated contract for dam powerhouse prejudiced by Kissinger-Haig-U.S. Senate betrayal of Monroe Doctrine.
\$200 mn.	U.S.S.R. from France/Japan	Nigata Engineering and Entrepouse International are negotiating export credit terms on sale of \$200 mn. equipment for secondary recover of crude oil. Talks began 2 yrs. ago.	Would help disprove CIA assessment that Soviets are running out of oil.

# Business Briefs

## **Econometrics**

### **Wharton forecasters: 'We're not economists'**

Spokesmen for Wharton Economic Forecasting Associates, allegedly one of the nation's leading groups in the field of predicting future economic trends, confessed that "We're not economists, we're really scenario spinners". This startling admission was made during a Jan. 27 press briefing held by the group in Washington to announce the results of a new study on the international debt situation.

The Wharton spokesmen admitted that they had been in error when they predicted last year that export receipts earned by the developing sector countries would be of sufficient magnitude to enable them to maintain their debt payments to the commercial banks and IMF. Because of this gross error, a Wharton economist said, many small- and medium-sized commercial U.S. banks are reluctant to extend new credits to the LDCs. "This is a terrible problem," a Wharton spokesman said, "because it is absolutely essential for U.S. banks to increase their level of lending to the LDCs. We have to have a full commitment to lending from both the private sector, as well as an indication by advanced sector governments that they're behind the IMF up to their necks." Without this commitment, the Wharton economist said, the "global economy could quickly go from a crunch to a crash."

Asked by *EIR* correspondent Kathleen Klenetsky why anyone, including the smaller commercial banks, would take Wharton's advice seriously, given that they have been completely off base in their predictions for the past thirteen quarters, as documented in a new *EIR* release, "EIR's LaRouche-Riemann Model versus the 'Brand X' Economic Forecasters," the three Wharton economists giving the briefing, began babbling, obviously distressed, that "We're not forecasters; actually we're more like weather forecasters. So if we predict a 10 percent chance of rain, nobody can get mad at us if the sun doesn't shine." Other defenses which were offered by the Wharton group included: "Steve McNeece at the Federal Reserve Board did a study recently showing that our

predictions were more correct than anyone else's"; and "It's not our fault that the Fed kept interest rates as high as they did. We can't be expected to predict political developments."

Following this performance, the Wharton people started passing a series of notes to one another, one of which read: "The last time I was shown the LaRouche forecast was in Moscow."

## **International Monetary Fund**

### **Banks will force IMF conditions on Venezuela**

Negotiations between New York banks and financial officials of Venezuela, due to begin the first week in February, will be engineered to force Venezuela into accepting terms from the International Monetary Fund (IMF), well-placed New York banking sources revealed Jan. 24. Venezuelan Finance Minister Arturo Sosa is attempting to negotiate refinancing of some \$4.5 billion in government-backed short-term loans coming due in 1983.

"They'll get 60 percent of what they want," an Italian bank branch official stated. "[The Venezuelans] will end up having to accept the IMF framework. They have no choice. Practically, we will impose an IMF agreement. Politically, they will accept an IMF agreement. It's a play of words. But no matter what, they need the IMF guidelines."

When the negotiations are completed, the official said, Venezuela will sign a deal with the IMF as a "bridge" to the credits it wants from private banks—which is exactly what Mexico and Brazil were forced to do.

"Technically, these situations are all very similar," the Italian official said. The policy of forcing Venezuela to the IMF was implicitly laid out in a mid-January *Journal of Commerce* feature that said the only way bankers will consider refinancing Venezuelan debt is on a "global"—i.e., IMF, basis.

The banking official's revelations confirm charges made by Venezuelan OAS Ambassador Hilarion Cardozo the week of Jan. 17 that the IMF is conspiring to "force Venezuela to accept the conditions of the fund," since Venezuela is the only major

Ibero-American debtor that has to date not been forced to do so.

## **Energy**

### **Morocco asks France for nuclear desalination**

Moroccan King Hassan II asked France for a series of nuclear power plants, in an interview on Radio France International on Jan. 26, one day before a scheduled visit to Morocco by French President François Mitterrand.

"I will ask President Mitterrand," said Hassan, "to build nuclear plants. First, because energy costs us a lot, and also because I dream of creating a green band, 30 to 40 kilometers wide, from Tanger [Tangiers] to Dakhla." Hassan stressed that he wanted the plants primarily for desalination purposes; this would allow the agricultural sector to feed the entire population, which he envisions expanding from its present level of 20 million to 70 million in less than a decade.

Hassan emphasized that the project's cost would be low because uranium can be extracted from Moroccan phosphates, "and these reserves will not be exhausted in the next 1,600 years."

## **Domestic Credit**

### **U.S. government debt a time bomb**

The U.S. Treasury's debt could present a more explosive danger to the world financial system than Third World debt, the associate editor of a leading banking magazine reported Jan. 18.

"You can complain about the problem of Third World debt, but the United States has a worse debt exposure," stated Richard Coughlan of the Montreal, Canada-based *Bank Credit Analyst*. "I've done some calculations and the U.S. government will have to finance or refinance three-quarters of a trillion dollars of debt this year," he said. This includes the marketing of \$300 billion

# Briefly

of new Treasury debt and the debt of Treasury-guaranteed agencies, plus an additional \$450 billion worth of short-term outstanding Treasury debt that must be rolled over this year.

"This is a very large amount for any country to come into the credit markets for. Now you can say," Coughlan continued, "that some of this is just rolling over outstanding debt, but when Brazil goes to market, all they're doing is rolling over their existing debt. What if someone doesn't want to roll over U.S. debt? That's where the problem comes in."

At the rate Coughlan has calculated, the U.S. government is going to the credit markets to raise \$15 billion per week.

## Free Enterprise Ideology

### Libertarian unveils U.S. 'restructuring'

The Cato Institute, "libertarian" think tank with large financial resources, based in Washington, D.C., plans to lobby for a large-scale restructuring of the U.S. economy this spring, when they expect the global financial crisis to worsen.

The Cato Institute was founded in 1979 under the chairmanship of Austria's decrepit "free-enterprise" fanatic, Friedrich von Hayek.

In mid-January, the institute held a conference on international monetary affairs where such speakers as Federal Reserve Board governor Henry Wallich and leading officials of the International Monetary Fund were featured.

In February, the institute will release a paper on world financial affairs proving that the global debt crisis will worsen after the U.S. government increases funding for the International Monetary Fund. The paper will argue that abolishing central banks would be a step towards solving the financial crisis.

In March, the Institute will publish a document calling for complete deregulation of the U.S. banking system, on the grounds that banking restrictions drive bankers to lend to Third World countries rather than keeping their money at home.

In June, the Institute will hold a conference on how to restructure the U.S. Social Security system. The purpose of the event will be to prove that the insurance features of Social Security should not be run by the government, but by private insurance companies. Wall Street banker Peter Peterson from Lehman Brothers will speak at the event.

## Banking

### Kissinger using Fed plan for IMF expansion

The Federal Reserve has written a secret paper on "alternatives to deal with the world debt crisis." Fed sources have revealed to *EIR*, which Henry Kissinger is selling in private briefings at the White House. "Some people have picked up our plan and run with it a lot faster than we have," the Fed source said. "It's just our scenarios. It proposes things like expanded emergency funding through the IMF—which as we now know, Donald Regan has successfully put forward in the form of the expansion of the IMF General Agreement to Borrow. It does contain further discussion of the IMF's expanded role."

The Fed official described an international scheme to turn the IMF into a world central bank, which Kissinger is promoting. "There was a definite effort on the part of both the central banks and the commercial banks to create a situation during the last six months of cutting of lending to the LDCs in order to force these countries to sign onto IMF programs," he said. "That situation is going to continue. As a result, we may well be heading toward using the money of the taxpayers of the United States as a bailout, to make non-market interest-rate loans to these LDCs. That's what the British as well as everyone else, including [Bank for International Settlements chief] Fritz Leutwiler, want—to have the U.S. stand behind the market, but in a competent way, not a free-for-all way.

"Obviously," he continued, "Henry Kissinger has picked it up to run with. This Fed paper has gotten into policy circles and now they are promoting it."

● **THE FEDERAL RESERVE** is running a computerized study of the effect of various oil-price drops on U.S. banks, primarily the "Penn Squares of the world." An oil price collapse is "what we're worried about," according to a Fed official. "That's what we're modeling. That could hurt Mexico, and the U.S. producers, and we don't know how we should classify those loans." The worst case being considered is a fall to \$20 a barrel.

● **ZIMBABWE PRIME Minister** Robert Mugabe has reportedly arranged for oil shipments from Algeria. Zimbabwe has been experiencing a severe shortage because of South African-sponsored sabotage of the pipeline from Mozambique.

● **FIFTEEN AFRICAN nations** are in crisis conditions due to food shortages because of chronic drought, reports the U.N. Food and Agriculture Organization. The nations include South Africa, Zimbabwe, Mozambique, Zambia, and Ethiopia. Food imports are now urgently needed to avert mass deaths in Upper Volta, Chad, and Mauritania.

● **FRANÇOIS MITTERRAND** stated in his Jan. 20 address to the West German Bundestag: "There cannot be a European Community" without the affirmation of a joint commercial policy that is also projected toward the Third World. . . .

● **U.S. TRADE Representative** William Brock is trying to force out his deputy, David MacDonald, over a dispute in tactics toward Japan, according to rumors circulating in Washington. MacDonald reportedly supports measures against Japan, including the proposed "local content" legislation for auto, which Brock considers to violate the rules of such supranational institutions as GATT. Brock thinks strong measures should be taken against Japan, but the viability of such supranational institutions must not be undermined.

## The Non-Aligned's choice: debtors' cartel or IMF dictatorship

by Daniel Snieder, Asia Editor

When the leaders of the developing nations meet in the beginning of March in New Delhi for the seventh heads of state summit meeting of the Non-Aligned countries, they will face a world in grave crisis. The prospects for a recovery of the advanced industrial economies, now being held out to debt-strapped developing countries, will have proven a fraud and an illusion. The world will be in the midst of a financial collapse outstripping in scale the Great Depression of the 1930s. The resolution of the crisis can only go in one of two directions—towards a fascist austerity-based world order ruled by a supranational financial dictatorship or the creation of a new world economic order.

The Non-Aligned countries, who throughout their history as a movement have acted as the leadership of the developing sector, will face a choice.

The choice is ultimately not economic in the narrow sense but political. It is now a matter of public discussion that the Non-Aligned have one weapon in their hands to usher in a new order: the creation of a debtors' cartel. *EIR* founder Lyndon LaRouche, the intellectual author of the "debt bomb" proposal, has summarized this state of affairs in a recent *EIR* memo to the Non-Aligned countries:

"To such circles [the financial powers] the practical question of 1983 is not how to prevent the financial collapse, but how to manage the collapse, how to prearrange who shall and shall not survive the \$1 to \$2 trillions financial collapse they deem inevitable for 1983. . . .

"It is the declared intention of some among these plotters, including Fritz Leutwiler of the Basel, Switzerland Bank for International Settlements, to 'kill the developing nations' by protracted financial starvation over the course of an indefinite period beginning the early months of 1983. Others emphasize a process of grabbing selected natural-resources assets of developing nations. 'Gunboat' debt-collection (NATO 'out-of-area deployments') and means modeled on the British takeover of Egypt during the 19th century are among the designs featured in statements from these quarters. . . .

"The general plan is to intimidate President Ronald Reagan into capitulating to a specific kind of purported 'banking-system bail-out plan' by approximately Jan. 28, 1983, and, with the President's assistance, to terrify the U.S. Congress into submission by the second half of February. . . .



"NO PREVIOUS THEORY SEEMS CAPABLE OF EXPLAINING THE CURRENT CRISIS IN WORLD ECONOMY..."



"ECONOMIC RECOVERY THROUGH AUSTERITY ALMOST SURELY WILL TAKE LONGER THAN THE CITIZENS OF MOST ADVANCED DEMOCRACIES WILL TOLERATE..."



"...THE DEBTORS SHOULD BE DEPRIVED—TO THE EXTENT POSSIBLE—OF THE WEAPON OF DEFAULT..."



"...IN THE END, THE ISSUE IS PSYCHOLOGICAL..."

SLOAN

Christopher Sloan/New Solidarity

"Once the U.S.A. has agreed to take the principal brunt of the financial collapse, the collapse will be triggered, most probably during March 1983. This crash will create escalating panic throughout the period leading into the May 1983 Williamsburg conference. That state of panic is intended to bring the governments participating into a state of submissiveness. The plotters will then demand that the International Monetary Fund be elevated to become a 'world central bank.'

"Over the recent years, especially the year leading into the August 1976 Non-Aligned conference at Colombo, Sri Lanka, leading forces within the Non-Aligned nations group . . . have proposed policies of international debt reorganization which might have prevented the recent and present monetary crisis, and which continue to be sound on principle for the situation today. . . .

"To secure that kind of monetary reform which is immediately in the urgent interest of both OECD and developing nations, it is necessary to break the political power of that financial cabal, to greatly weaken the grip of that cabal over the policies of governments.

"There is probably only one means by which this might be accomplished: a debtor-nations' cartel, whose negotiating demands are in the urgent common interest of OECD and developing nations. Although such action would be met initially with a ferocious escalation of the hostile actions the idea of such a cartel has met repeatedly since 1975, once it became clear that those escalated threats and related menacing actions would not suffice to break up the cartel, a number of governments, would abruptly shift their policy postures to one of negotiating cooperative actions with the cartel."

Henry Kissinger, the hit man for the financial dictators, has published a response to this policy in the Jan. 24 issue of *Newsweek* magazine. Announcing that any idea of "uninterrupted progress" is an "illusion," the man who was responsible for destabilizing the governments and murdering the leaders of the nations who fought for debt restructuring in 1976 says quite directly:

"The debtors should be deprived—to the extent possible—of the weapon of default. The industrial democracies urgently require a safety net [for] the threatened financial institutions. This would reduce both the sense of panic and the debtors' capacity for blackmail."

For Kissinger and his employers the problem is not a financial one—it is political, or, as he says, "in the end the issue is psychological." Kissinger wants the developing countries to submit to the IMF. "Unfortunately," Kissinger intones, "political leaders march to a different drummer than financial experts." Indeed. "If pushed into a corner, a political leader may well seek to rally populist resentment against foreign 'exploiters.' "

Kissinger's solution is clear—do anything and everything to make sure such political leaders, the leaders who will gather in New Delhi in March, do not "rally." The options for the leaders gathered there is equally clear—submit, and watch their nations die, or fight with the one weapon the enemy fears most, in order to survive and progress.

# A 'New Bretton Woods' is not in the interests of the Non-Aligned

by Renée Sigerson

For the nations of the Non-Aligned movement to avoid a severely worsened economic collapse in the near-term, there must be established a new international monetary system. The new arrangements which need to be brought into practice by responsible governments, however, must in no way be confused with the specifically evil recommendations for world monetary reorganization now being circulated by several international organizations under the heading of a "New Bretton Woods."

Human civilization has no time for compromises to be made on this issue. In a "Kissingerian" step-by-step fashion, a number of features of the "New Bretton Woods" blueprint have already been put into effect as governing policy for international banks and financial agencies such as the International Monetary Fund. Since the third quarter of 1982, international commercial-bank lending to developing countries has been slashed to 50 percent of 1981 levels. This is only the opening shot of the "New Bretton Woods" blueprint.

The effort to launch a New Bretton Woods has unfolded gradually, like a theater script, since the September, 1981 annual conference of the International Monetary Fund (IMF). The forces behind this proposal are the Western world's two chief financial centers, London and Switzerland. In the midst of the greatest financial crisis in world history since the 14th century, the London-Swiss axis is aiming to use the crisis to terrify governments into accepting a world financial dictatorship, the actual content of what is called the New Bretton Woods program.

The blueprint being proposed is to a large extent a revival of the original 1944 Bretton Woods proposal of Lord Maynard Keynes, who urged that the postwar monetary order be put under the cartelized control of a single, World Central Bank. In 1944, Keynes's design was shot down by a U.S. President and Congress who refused to finance such a dictatorship. The postwar monetary system resolved upon was thus a compromise between the Keynesians and other international forces.

The first indications of a serious revival of the Keynes approach became public in 1980. At that time, leading British and Swiss financial policymakers reached agreement on a strategic assessment of the effects on the world economy of the usurious interest rate policies which had been implemented by the United States in 1979. Concluding that a

worsened economic depression in the traditionally industrialized countries was well under way, these financial power centers realized that the depression would probably trigger "undesirable" political reactions. The London and Switzerland axis concluded that efforts had to be gotten under way immediately to "channel" and subvert the political tendencies which could arise in defiance of the effects of spreading depression.

Of great concern to these layers was to prevent any revival of support in the developing sector for the pro-growth and debt moratorium programs which had gained majority Third World support at the 1976 Colombo, Sri Lanka Non-Aligned summit.

## London and the BIS boys

In 1980, a series of meetings took place at the headquarters of the Bank for International Settlements in Basel, Switzerland, whose contents were then reflected in major financial press. Under discussion was the idea that the BIS had to assume an expanded role in overseeing the world financial system. The viewpoint expressed at that time was that the International Monetary Fund was not sufficiently "objective," in implementing world financial policy, because its bureaucracy was too beholden to governments.

Ultimately, the IMF and BIS are controlled by the same people. However, the IMF is dependent for its financing on governments and elected parliaments. The BIS, in contrast, is a *private* organization.

The BIS was formed, and is run, by a few dozen private financial fortunes, the majority of whose family names can be obtained simply by listing the boards of directors of Europe's two largest private insurance companies, Riunione Assicurazioni di Sicutá of Trieste, and Assicurazioni Generali of Genoa. In this constellation of private European family fortunes, Great Britain represents a key political resource, because of the colonial empire base of power over centuries of British finance.

## The unfolding of the gameplan

The first unveiling of the New Bretton Woods scheme occurred in 1981, at the Washington, D.C. IMF annual meeting. During the proceedings, outgoing BIS director Jelle Zjilstra delivered a "farewell" address to the international

banking community in which he mourned the effects high interest rates were having on the world economy. Zjilstra declared that a return to fixed exchange rates, based on central-bank control of a fixed world gold supply, was a necessary monetary cleansing measure that had to be undertaken to gain control over the snowballing world depression.

Several months later, the BIS ran a "test-run" in Washington, D.C., circulating Zjilstra's proposal among leading conservatives around the U.S. Congress. The conduit through which this test-run was conducted was the research section and board of directors of Morgan Guaranty Trust Company. In London, Morgan's affiliate, Morgan Grenfell—a bank which maintains extremely close connections to the British Foreign Office—rallied support for the Zjilstra proposal in slightly altered form.

Following this initial foray, behind the scenes, BIS functionaries, with the continuing backup of the Morgan interests, continued to test out international financial institutions on reactions to increasing the global credit-control policies of the BIS. To get the most intimate sense of what the private financial interests behind the BIS viewed as their objective, it is useful to remember that the BIS was formed in 1931 to manage a creditor's cartel following Germany's debt moratorium. It was through channels controlled by the BIS that the reorganization of Germany's finances in 1931 became the occasion for a decade of global economic depression.

In May 1982, the fruits of the BIS's activities were realized at a private meeting at the Ditchley Park estate in London of international commercial bankers. Brought together for the purpose of forming a creditors' cartel, the banker resolved to coordinate all lending to the Third World. The 26 largest Western commercial banks were represented. New York's Chase Manhattan bank volunteered to handle public relations activity for the "Ditchley bankers" group, but, investigations revealed, the Morgan interests were the real brains running the Ditchley show.

With the formation of the Ditchley Group of bankers, the first phase in organizing for a New Bretton Woods was brought to completion. Following that May 1982 meeting, international lending by commercial banks to developing countries was slashed by 50 percent. Although the legality of the Ditchley Group is presently being heavily contested in the United States on anti-trust grounds, for all intents and purposes, international private lending, through that organization is now entirely under the control of the BIS. The advanced-sector banks for now are playing by the rules of the "New Bretton Woods."

### **Harold Lever and the Brandt Commission**

As the BIS leads Western bankers down the insane path of maintaining depression through lending cutoffs, manipulation of the Third World's interests in the global debt fight has fallen to the lot of the revamped, modern-day outposts of the old British colonial office. Exemplary of institutions which "represent" Third World interests from a colonialist standpoint is the so-called Brandt Commission. Also important is

the Swiss/Venetian controlled Geneva headquarters of UNCTAD, and such British Fabian organizing instruments as the Society for International Development.

In early 1982, the Queen of England's servant, former cabinet member Sir Harold Lever, elaborated at the Churchill Memorial Lectures the basic institutional change required by London and Switzerland to maintain control over world finance. Lever called for the creation of a new "world central bank." Lever made several subsequent private speeches in behalf of the design. December 1982 British press coverage of Lever's concept specified how the new Bank would function as a "sort of central bank of central banks [which] would act as a lender of last resort in appropriate cases and . . . exercise the kind of general supervision over international lending that is now exercised by central banks over domestic banks." In short: an instrument of world financial dictatorship which has the power to bail out banks at the expense of the credit needs of international trade and borrowing countries.

In July 1982, Brandt Commission founding member Robert McNamara—an avowed enemy of the developing sector—delivered a speech at an international conference of the Society for International Development, held in Baltimore, Maryland. The former World Bank president and de-population advocate urged that a new world central bank be created as part of founding a "New Bretton Woods."

In statements widely played up in international media, calls for various features of the New Bretton Woods have been issued by U.S. Treasury Secretary Donald Regan; Felix Rohatyn of Lazard Frères; former U.S. Treasury Secretary Henry Fowler; and dozens of others. The proposal forms the core of a special report to be issued by the Brandt Commission in February, whose contents were worked out at a December 1982 Brandt Commission meeting in Ottawa. The Brandt Commission version of the proposal is aimed to be the dominating document at the June 1983 Belgrade UNCTAD conference. It is also being timed to disrupt proceedings at the end-of-March preparatory meeting of the Group of 77 to be held in Argentina.

According to the Brandt Commission's London office, the chief points of the document are as follows:

- An emergency meeting of IMF governors should be held to discuss means for increasing global liquidity.
- The IMF should be given powers to increase printing of Special Drawing Rights.
- The IMF should be given free reign to borrow funds on the private markets.
- The IMF's quotas should be doubled.
- The World Bank should be permitted to use a larger portion of its funds to bolster IMF "adjustment" programs.

### **Manipulation of the U.S. Congress**

There is a substantial amount of political resistance in U.S. political circles against providing U.S. financing for this program. The BIS and Morgan interests, in recent weeks, have launched an extensive propaganda campaign to break up this resistance, and get the U.S. to print funds, no ques-

tions asked, for this program to revamp the IMF.

In a series of high-profile press articles and Congressional testimonies, leading scions of the private financial community have been warning that a debtors' cartel in the Third World may blow up the U.S. banking system at any moment. A climate of outright panic is being deliberately generated to convince U.S. politicians that no alternative to transforming the IMF into a world central bank exists.

On Jan. 10, former U.S. Treasury Secretary Henry Fowler urged in testimony before Congress that the United States support a charter revision of the IMF to allow it to expand its power. "The IMF is evolving into a different kind of function than established at Bretton Woods," Fowler told a Congressional committee. "Since then, a huge international market, the Eurodollar market, has grown up outside the scope of central bank supervision, and its supervision is not provided for in the IMF charter." As a result of Fowler's testimony and other, related pressures, two cabinet-level meetings during January were devoted to examining proposals for revising the charter of the IMF and expanding its powers.

### Two kinds of debt moratoria

Additionally, "influentials" typified by Wall Street's Felix Rohatyn have floated a related proposal, suggesting that up to 50 percent of all current Third World debt be juridically written off, and put on a long-term basis. Around the Brandt Commission, interviews with their experts reveal, there is a similar consensus that the first task of a revamped IMF or new world central bank would be to systematize guaranteed interest payments on approximately \$350 billion worth of debt, after this debt had been rescheduled on a 10 to 20 year basis.

The lip-service given by these anti-growth forces to the necessity for some kind of debt moratorium raises the most important question the Non-Aligned summit must not waver on: What is the difference between the financial "moratorium" process the BIS and IMF are pushing, and the type of moratorium associated with international economist Lyndon LaRouche and the 1976 Colombo Non-Aligned resolutions?

The kind of debt moratorium the proponents of a New Bretton Woods are holding out to the Third World is a financial reorganization which would only occur *after* a top-down financial dictatorship has been consolidated under BIS control. Such a "moratorium" would not pave the way for needed, substantial volumes of new lending, but would be used by London and Switzerland as the juridical basis for extracting interest payments from export earnings and virtual elimination of any government expenditures towards internal development. In writing off some large portion of old debt, the new world central bank would tighten its political control over all financial institutions able until now to generate credit. "Let's make a clean sweep of things," is part of the attitude behind this type of "moratorium," but only under terms which maintain London, Switzerland and the old private fortunes of Europe as the center of political control over world finance.

Under such conditions, the world banking system would be smaller, as would the world economy, and the nations of the developing sector would be reduced to bestial servility under British-Swiss control.

## Göran Ohlin, Brandt Commission Secretary

*The following interviews were conducted in January by European Economics Editor Laurent Murawiec in order to document the attitude of the Brandt Commission and World Wildlife Fund toward the developing sector. From an interview with Göran Ohlin, Secretary of the Brandt Commission (the Independent Commission on International Development Issues), and professor at the University of Uppsala, Sweden:*

The Mexican crisis . . . has been immensely pedagogical. . . . There is and there is going to be a drastic cutback of new lending, a colossal reduction in the importing capacity of developing countries. It has already been reduced by \$100 billion in the last two years, we calculated. . . .

We will attempt, in the new document that will be published in February [from the December Ottawa meeting of the Brandt Commission] to focus on the immediate financial problems of the creeping debt crisis. . . . [These proposals include an emergency meeting of the governors of the IMF to decide on means of increasing global liquidity; a major creation of SDRs and their allocation; a decision that the IMF will borrow directly on the market; a doubling of IMF quotas; and authorization of the World Bank to lift from 10 percent up to 30 percent the ratio of its loans that can go to "structural adjustment."—L.M.]

We are not proposing a world debt conference. Situations are specific. Attempts to discuss general principles for debt forgiveness are doomed. And, don't exaggerate the debt problem. There is a lot of disaster pornography going on these days. . . . Joint debt negotiation is relevant. . . . But look, the Club of Paris [creditors' committee] is overworked, but we have a good record at debt renegotiation, both private and official. No one wants to replace the case-by-case approach by sweeping, across-the-board measures. . . .

Don't worry about the repayment of debt. Nobody wants the debts to be repaid—that would be the end of the trade of the Northern nations. But what is needed is that debt payments be recovered, that interest be honored, the debt rolled over in an orderly manner. The task is not insuperable.

A debtors' cartel? Given its nature, the Brandt Commission could not support such a confrontationist idea. We are very anxious to keep the conflicts as low as possible. The Latin Americans are puffing themselves before negotiations; I doubt they are serious. In any case, the IMF is aware of this. Often the Fund is dismissed as though it was staffed by imbeciles or Leutwilers. No, no.

The Commission has a lot of sympathy for the idea of an international monetary conference. But I would insist on a tremendous difference: in 1944 [the year of the Bretton Woods conference], markets were closed, it was a start from scratch. But we won't have a super-crash now. . . . One has to explore carefully the idea a big crash would clear the deck—but it would hardly be wise to perform the experiment. We'll have a lot of smaller reforms. [Ohlin advocated a major effort for raw-material stabilization. His concern with UNCTAD's Common Fund approach was that there "is no world government to run it."—L.M.]

One thing could be misleading, that is, to blame "the system" for weaknesses that have to do with the tremendous inward pull of national governments which makes them so reluctant to submit to international discipline. . . . We don't need the crash, but it heightens the comprehension of the issues involved.

## Peter Scott, World Wildlife Fund Vice-President

*From an interview with Sir Peter Scott, Vice-President, World Wildlife Fund (WWF) International, and head of the World Wildlife Fund, United Kingdom:*

If we look at things causally, the biggest problem in the world is population. There are too many people for too few resources. . . .

I would start with this: all development aid should be made dependent on the existence of strong family planning operations in the countries concerned. If they have family planning, we send wheat, food, money. . . .

All the big international population organizations have existed for umpteen years, but they have only barely scratched the surface. We must set population ceilings.

The present financial crisis is a great opportunity. . . . I am not a financial expert, of course, I cannot go into details. I have great admiration for [former Secretary of Defense] Robert McNamara. Of course he could not achieve all he had set out to achieve, especially in the population sphere—there was too much inertia, he was up against too much resistance.

My biggest concern—I am a wild life chap, a naturalist, a biologist. . . . Well, we are destroying the tropical rain forest. That's the most dreadful thing. . . . We should come to growing firewood per se: we should have huge plantations of firewood near the population centers.

A bright spot is that nuclear energy is losing out in the developing countries, even though there are enough countries involved with it. It can be potentially disastrous. These fast-breeder people in France, they're making plutonium all the time. . . .

What is great about Prince Philip [Chairman of the WWF International] is that he can talk to the leading people, to the

rulers of any country, man to man, and they listen. . . . I have known him for a long time—he was the president of my own Waterfowl Association, now the Wildfowl Trust—Prince Charles is now its president, and we have a Wildfowl Trust of North America, too.

When we started the WWF, one of the first people I visited was Prince Philip. . . . We did not want to have a British president at that time, . . . so we had Prince Bernhard. But since [Philip] became president, he has made it a much sharper-edged organization.

At the Commonwealth Secretariat, we do find some echo; Sonny Ramphal [Sridath Ramphal of Guyana, Secretary-General of the British Commonwealth] is very good, very good. I have spent a lot of time trying to convince him to get Commonwealth policies working along these lines. He's very well aware of things. He's good news. He's doing a very good job.

## Charles de Haes, WWF Director-General

*From an interview with Charles de Haes, Director-General, World Wildlife Fund (WWF):*

In the short run, the world economic and financial crisis is not making our job easy because the first thing countries cut in the budgets is conservation. . . . But more conservation, not less, is needed. . . .

Eco-catastrophies will awaken awareness. . . . But until now, governments lack the political will. . . .

If there is depression, if it goes to a financial collapse, developing countries will suffer most. We have some fat we can live off, we can retrench, consume less. But in the developing world, poverty is the biggest threat to conservation. . . . We are working to make sure that the aid agencies directing aid to the real priorities, in which conservation is included from the beginning.

IUCN [International Union for the Conservation of Nature and Natural Resources] alone, WWF alone, UNDP [United Nations Development Program] alone had not one chance of success. Together, it was another matter, since all three had a common strategy.

We now have a special project for followup on the world conservation strategy, within IUCN: the Conservation for Development Center, headed by Michael Cockerell. He's building up a team here, since many resources are available in aid agencies; it will help developing countries to establish their own national conservation strategies. . . .

We've just had a meeting where we had invited all the U.N. agencies. There was Mustafa Tolba, the head of UNDP, Dr. Lee Talbot of IUCN, and I. We had the FAO [Food and Agriculture Organization], UNESCO, UNDP, WHO [World Health Organization], ILO [International Labor Organiza-

tion], UNIDO [United Nations Industrial Development Organization]. . . . We were making sure that there would be no overlap, that we would all focus our efforts.

It is an absolutely crucial, absolutely important effort to control population. . . . End of January, we're having a meeting with International Planned Parenthood Federation in London, with IUCN and WWF—we'll discuss on how conservation can be brought into the 1984 World Population Conference, which will meet for the tenth anniversary of the Bucharest conference of 1974. We're sending Peter Sand and Mike Cockerell. . . .

Prince Philip is brilliant. He's incredibly active. He chairs all the executive committee meetings. He's involved right down with every aspect of policy.

*Global 2000* is a remarkable document. It does good things. It draws a very dramatic view of the situation—the same thing that the Club of Rome study *Limits to Growth* did. The figures may not be accurate, but people who complain about that miss the point.

## Michael Cockerell, a WWF diplomat

*From an interview with Michael Cockerell, of the World Wildlife Fund-International Union for the Conservation of Nature and Natural Resources (IUCN) and the Conservation for Development Center:*

The January meeting at the IPPF [International Planned Parenthood Federation] in London will be a large one: it is going to be a forum to prepare the [1984] World Population Conference. You see, it is pointless to simply concentrate on conservation alone. . . . The root cause is population in the first place. . . .

Take for example the national conservation strategy in Nepal: We [IPPF] have the business of population built into that whole structure. The magnitude of the problem there is terrifying. The mountains of the Himalayas for millions of years have been falling into the ocean, and mankind has helped a great deal since it has been around. The population problem has pushed that beyond all bounds.

Inevitably, for the Third World, you must think in terms of appropriate technologies. In much of the developing world, nuclear energy is not appropriate. . . .

We face the problem [of triage] every day. To ensure the best return on investment for our assistance, we have to decide: are there countries that have gone too far to be helped?

At IUCN we discussed it last week: typically, a country will concentrate aid or resources it gets on industrialization in its richer areas. We concentrate on the marginal areas.

Population conditionality is a very tricky one for any type of outside imposition. . . . I was in Rwanda recently; you know how much of an overpopulation problem they have. You cannot even mention population control. The question

is almost taboo! "It's the will of God, the country is infinite, resources are infinite." It's a question of education—so that they will accept it from the inside. For this reason they need education—that's our most important contribution. We don't educate children only. We have a whole program: how to get a message gradually accepted; identify the influentials in a village, figure out how certain concepts can be put over, and so on. They must experience things for themselves.

## Eleonora Masini of the Club of Rome's Forum Humanum

*Excerpts follow from an interview with Eleonora Masini, Club of Rome member and reported to be the controller of Club of Rome President Aurelio Peccei. Masini is a professor at the Gregorian University in Rome and created the Club of Rome's Forum Humanum organization.*

We are living in a moment of crisis which is not only economic. It is the crisis of a way of life and of a conception of development. It was assumed that [development] could go on and be projected in the future the way it went in the 1960s. The future would be better. The 1970s have shown us that it is not possible in physical terms. . . . It is a double process; in developed countries, people realize that the economic-based model of development based on science and technology is not meeting their needs. The second trend is in developing countries; they are not accepting the transfer of the Western, industrial conception of life. The pressure of the world economic and financial crisis brings to the fore the need for the other aspects to dominate. . . .

The time is finished of the economic growth that was centralized, measured in GNP, with science and technology saving us all, or the idea that transfers of technology would save the North-South debate. Whatever transfer—of capital, of technology, of "know-how" (I don't like that word)—it does not help answer the basic needs. . . .

The logic which caused the [population] problem—science, technology—cannot be used to solve it! Africa must meet its basic needs within its own culture.

That puts a lot of things, of institutions, in question. Like the family. . . . Unfortunately, the notion of the nation-state seems to be very important for developing countries. . . .

I am working at present on the theme of the family in developing countries. It's a U.N. university project, called "Household, Gender, and Age". . . .

Psychosociological movements, threads that cut across cultures, [are] reactions to or guidelines from history, to the woman's image in history. . . . an image concealed and overpowered by layer upon layer of industrial societies. We must unearth, *unearth* it. . . . This is the resurrection of Isis, of Cybele, one could say, Magna Mater brought to light. . . . This is very important in Latin America. I am doing field work there. . . .

# Countdown to the Non-Aligned summit: Colombia's President Betancur under attack

by Valerie Rush

The most effective Ibero-American leader in the drive for a New World Economic Order is currently fighting for his political life. Colombian President Belisario Betancur, whose application for membership in the Non-Aligned is expected to be approved at the upcoming New Delhi summit in March, is facing a challenge to his presidency by military and political forces determined to eliminate his influence within the developing sector.

Inside Colombia, Defense Minister Fernando Landazábal is heading up the destabilization effort. In an editorial in the latest issue of *Fuerzas Armadas* magazine, Landazábal predicts that "violence of incalculable and unforeseen proportions" will be sweeping Colombia in the form of "generalized civil war" unless the drug-tainted military, which Betancur has attempted to rein in since coming to power, is again given its head. Betancur's guerrilla amnesty, a personal initiative designed to stabilize the countryside and limit the military's sphere of influence, is characterized by Landazábal as "stripping away the political mask with which the guerrillas have protected themselves. . . . Let there be no mistake. The Colombian military does not display the insignia of its hierarchy for surrender, but for victory."

One week earlier, Army Commander Gen. Gustavo Matamoros had violated military protocol by delivering a report to the Colombian Attorney General's office purporting to document the failure of Betancur's amnesty initiative in keeping the peace. At the same time, radio reports in Bogotá claimed that the Colombian army was gathering troops in the southern portion of the country for a "final and definitive battle" with the guerrillas who dominate the region.

The government issued a Jan. 22 statement that the President has no plans to reimpose a state of siege in Colombia. "The amnesty has *not* failed," declared the Minister. In a statement before Colombia's diplomatic corps in Bogotá Jan. 26, President Betancur sent a further signal: "We cannot remain impassive before the unleashed arms race, no longer limited to the great powers but extended to the developing-sector nations. Faced with this reality, *dialogue must replace violence and war* fomented by injustice and intransigence

[emphasis added]."

In a Jan. 26 speech, Betancur reaffirmed his government's commitment to join the Non-Aligned movement and play a leading role in creating North-South momentum for a New World Economic Order. "This urgent objective is slowly becoming a mere piece of rhetoric instead of the hope of the developing nations, with their economies oppressed by cold and cruel treatment which prevents their attending to such basic necessities as food, housing, education, and health. Colombia will contribute to the true proposals which originally inspired the [Non-Aligned] movement."

## The deployments against Betancur

One week before the Matamoros document was made public, U.S. banker and Trilateral Commission head David Rockefeller made his appearance in Bogotá. After Rockefeller met with President Betancur Jan. 11, he was forced to deny to the press that his visit was intended as a pressure tactic against Colombia's joining the Non-Aligned. In an interchange with reporters, Rockefeller specifically attacked the proposal for a collective renegotiation of Ibero-America's foreign debt which Betancur had made to visiting President Ronald Reagan last December, terming it "highly dangerous."

In early January, Betancur's leading enemy within Colombia, former President Alfonso López Michelsen, was in Cuba under the sponsorship of terrorist sympathizer and Nobel laureate Gabriel García Márquez. López spent nearly a full week cultivating a "close personal relationship" with Cuban President and current Non-Aligned head Fidel Castro. Inside Colombia, it was widely rumored that López hoped to supplant the president-to-president relationship Betancur would be seeking to develop as a new member of the Non-Aligned.

On Jan. 23, the most explicit threat against Betancur to date appeared in the *Diario las Américas*, a Spanish-language daily published in Miami, the stronghold of Colombia's drug-trafficking networks. *Diario's* editorial "lamented" that "within every democratic country there are 'useful fools' who, without desiring to be communist, play along with

communism in the belief that, at the right moment, they can defeat it. Experience shows that these useful fools end up in front of firing squads. . . ." That same day, Betancur ordered his Foreign Minister Lloreda Caicedo to grant an interview to the leading Bogotá daily *El Tiempo*, which signaled that U.S. "reprisals" against Colombia for joining the Non-Aligned would not be tolerated.

Betancur has been targeted not because of populist speeches about keeping Colombia outside the spheres of influence of the great powers or because of his attacks on the arms race. Betancur has been targeted because he is the first President Colombia has had in many decades who has brought a humanist purpose to governing. His frequent references to the lessons taught by 19th-century humanist scientists Alexander von Humboldt and Celestino Mutis inform the "Second Botanical Expedition" development projects which Betancur has made the cultural and scientific hallmark of his administration.

In a recent speech in the department of Huila, Betancur told a delighted crowd that Lenin had once defined communism as nothing more than socialism with electricity. For me, said Betancur, "Democracy plus electricity means development in freedom."

### Other Non-Aligned targets

Another applicant, Bolivia—whose population is having its first experience of political sanity under the recently inaugurated Siles Zuazo administration—was rocked by a series of coup threats and a U.S. State Department-orchestrated cabinet crisis during January (see article, page 46). The effect of this crisis was to achieve one immediate success: President Siles was unable to attend a scheduled meeting in Europe Jan. 22 with the chiefs of government of Spain and France, as well as the heads of several other countries. Nor was Siles able to accept the invitation of Spanish Prime Minister Felipe González to spend a week in Madrid following the presidential summit. With coup organizing openly taking place within the military and a still unresolved government crisis, if Siles left Bolivia, it would be for good.

Thus Siles has been removed from the immediate international coordination for a New World Economic Order. The Bolivian President has filled the cabinet posts abandoned by the opposition MIR party with colleagues from his own party, and he has pledged to continue to govern based on a return to democracy and an unrelenting war on drugs, but there is little question that his efforts both domestically and internationally have been set back.

Argentina, the leading Ibero-American nation inside the Non-Aligned Movement, is already playing an important role in maintaining the cohesion of that body against numerous splinter tactics. The Argentines were straitjacketed Jan. 24 by the imposition of an International Monetary Fund package of austerity which, if enforced, will paralyze the government both domestically and in foreign affairs with violence and even civil war.

## Smear campaign aimed at India's Indira Gandhi

by Susan Brady

Rumors are circulating internationally that "certain circumstances" could prevent the Non-Aligned summit from taking place. Fueling this sabotage effort is the black propaganda campaign that has been launched in the Western press against India and its Prime Minister Indira Gandhi, in an attempt to parley her party's recent electoral defeats in two southern Indian states into the collapse of Mrs. Gandhi's government and the dissolution of the nation.

The near-term aim of this exercise is to destabilize India and undermine the authority of Prime Minister Gandhi as she assumes leadership of the Non-Aligned movement. The British press led the charge with a London *Times* feature on the demise of the "Nehru Dynasty." The *Times* has been joined by the London *Economist*, the *Statesman* and the BBC. The latter recently ran a lengthy radio feature on the "extreme danger" in which Mrs. Gandhi finds herself. The campaign jumped the Channel, and the West German weekly *Der Spiegel* hit the streets with a multi-page lead international feature about how the "arrogant Nehru clan" is in trouble, how Mrs. Gandhi's rule over India is threatened, and so on.

Sweden's largest-circulation morning newspaper, *Dagens Nyheter*, has published a major op-ed by the paper's editor-in-chief Svante Nysander titled "Political Disintegration in India Has Its Roots in the Planned Economy." Featuring the opinions of a "sociologist" in New Delhi named Rajni Kothari, a discredited individual with known ties to anti-India networks in international intelligence circles, Nysander's assertions that the Andhra Pradesh and Karnataka election defeats for the Congress-I party "could be the beginning of the end of rule for Indira. . . . Many are now fearing that since she is becoming weaker, there will be anarchy for India." Kothari, for his part, expresses enthusiasm at the prospect.

Altaf Gauhar, an individual with links to the Brandt Commission, and whose *South* magazine is financed by Pakistani dirty-money kingpin Agha Hassan Abedi, is selling the imminent political revival of Morarji Desai to anyone who will listen. Gauhar's "prediction" is couched in a titillating rendition of how Mrs. Gandhi is increasingly becoming "paranoid" and awash in dirty laundry. Gauhar does not attempt to hide his delight in his own fantastic stories.

More ominously, the rumor mill of distortion and vilification concerning the Prime Minister herself has been supplemented by a resurgence of scenario-mongering over an alleged plan to carry out a pre-emptive strike against Pakistani nuclear installations à la Baghdad, a plan which is alternately attributed to Israel and India, or, even more improbably,

bly, a combination of the two. Anathema to actual Indian foreign-policy approaches and emphatically repudiated by Indian authorities, such a report is given credibility by virtue of Israel's demonstration that it is perfectly capable of carrying out such outlaw actions.

This particular piece of disinformation fits into the kind of misperceptions between India and Pakistan that have always been used to breed suspicion and distrust in the region. Besides creating an adverse atmosphere around the summit meeting itself, it is meant to rekindle mutual suspicions between India and Pakistan, which may well be played in turn into the summit itself in the form of a Pakistani challenge to India's leadership. It is well known that certain Anglo-American circles are eager to have the Non-Aligned movement tie itself in knots around one of the many bilateral or otherwise local political issues—such as Afghanistan.

## African destabilization focused against Nigeria

by Douglas DeGroot

The leaders of the African member-states of the Non-Aligned movement are under intense attack as the summit approaches. These include President Shehu Shegari of Nigeria, who is the guest of honor of the Indian government in January during its celebration of Republic Day, and the leaders of the frontline group of nations most directly involved in the fight for survival against South African attacks—Presidents Eduardo dos Santos of Angola and Samora Machel of Mozambique, who are leading countries that have been independent only since 1975, after long fights against Portuguese colonial rule; Prime Minister Robert Mugabe of Zimbabwe, which gained independence in 1980 after a long struggle against a minority regime; and President Kenneth Kaunda of Zambia—all of whom, if they chose, could give vital “flanking support” to a debtors' cartel.

The International Monetary Fund and the oligarchs who created it have innumerable options from which to choose when they want to destabilize African countries. Their success in preventing African nations from industrializing and developing viable economies has made African nations extremely vulnerable to financial pressure, leaving them little ability to resist threats of aid cutoffs and IMF conditionalities. The debilitating currency devaluations and cancellations of development plans that are habitual demands of the IMF create the preconditions for destabilization at the snap of their fingers.

Nigeria, the eighth largest country in the world, has been singled out for special treatment because of the potential it represents for Africa as a whole. Its estimated population of 100 million amounts to nearly one-quarter of Africa's total

population. It has just begun implementing longstanding industrialization plans (steel plants, petrochemicals, infrastructure) after political and civil war dominated the first two decades of independence since 1960.

Nigeria is now being targeted as the weak link in OPEC (see article, page 4). The fifth largest oil producer in OPEC until the economic depression drove down their production, Nigeria, which produces a high-grade oil similar to North Sea oil, depends for over 90 percent of its export income on oil. The British drove down Nigerian production by lowering the price of North Sea oil, and taking contracts away from Nigeria, while Nigeria was under pressure from OPEC not to lower prices.

Nigeria had based projections for its present five-year plan, which was launched at the beginning of 1981, on an expected oil production level of 2 million barrels per day. Now Nigerian production is already reported to be down to about 900,000 bpd again.

Northern Nigeria, whose population is heavily Muslim, was hit with riots at the end of 1980, and again in October 1982, by a synthetic “Islamic fundamentalist” cult which claimed thousands of victims by the time they were suppressed. There were also repeated reports of involvement of Libyan strongman Qaddafi's networks in the disturbances in northern Nigeria.

Fear of the Libyan threat has opened some African governments to collaboration with Israel for security reasons, which is potentially dangerous. Israeli Defense Minister Ariel Sharon's January 1983 trip to Zaire has resulted in a deal in which the Israelis will reorganize President Mobutu's security and the Zairean military.

In southern Africa, South Africa is on a drive to weaken all black nation-states. South Africa is now training 5,000 guerrillas from nations surrounding South Africa for purposes of carrying out sabotage activities in their nations of origin. Pretoria has greatly stepped up its interventions into neighboring states after the seven-nation African tour last November of U.S. Vice-President and population-control advocate George Bush. On the heels of that trip, South African Foreign Minister Roelof Botha visited Washington, and met with Secretary of State George Shultz.

South African troops continue to occupy southern Angola. South Africa is also supporting the anti-government rebel group, UNITA, which along with South Africa has carried out over \$10 billion dollars of damage since Angolan independence in 1975, according to Angolan President Eduardo dos Santos.

South Africa has 20,000 troops occupying Namibia illegally, since the old League of Nations mandate has expired. The Johannesburg paper *Beeld* has reported that South Africa plans to build a new military base in the Walvis Bay region of Namibia, as well as renovate another base nearby, which indicates that South Africa has no intention of withdrawing from Namibia, the area from which it launches its operations into Angola.

# The origins of the Non-Aligned movement in the American independence tradition

by Daniel Snieder

In April of 1955, in the cool Indonesian hill city of Bandung, the leaders of 24 nations of Africa and Asia, most of them newly independent from colonial rule, met to confer about the problems of the world and to shape a mutual stand independent of the "great powers" of the post-war order.

President Sukarno, the leader of the Indonesian nationalist struggle against Dutch colonialism and later one of the founders of the Non-Aligned movement along with Tito of Yugoslavia, Nasser of Egypt, Nehru of India, and Nkrumah of Ghana, delivered an opening speech which sounded themes that have persisted throughout the movement's history. He said at one point:

This 20th century has been a period of terrific dynamism. Perhaps the last 50 years have seen more developments and more material progress than the previous five hundred years. Man has learned to control many of the scourges which once threatened him. He has learned to project his voice and his picture across oceans and continents. He has probed deep into the secrets of nature, and learned to make the desert bloom and the plants of the earth increase their bounty. He has learned how to release immense forces locked in the smallest particles of matter. . . .

But has man's political skill marched hand in hand with his technical and scientific skill?

Perhaps now more than at any other moment in the history of the world, society, government, and statesmanship need to be based upon the highest code of morality and ethics. And in political terms, what is the highest code of morality? It is the subordination of everything to the well-being of mankind. But today we are faced with a situation where the well-being of mankind is not always the primary consideration. Many who are in places of high power think, rather, of controlling the world.

Yes, we are living in a world of fear. The life of man today is corroded and made bitter by fear. Fear of the future, fear of the hydrogen bomb, fear of ideologies. Perhaps this fear is a greater danger than

the danger itself, because it is fear which drives men to act foolishly, to act thoughtlessly, to act dangerously.

In your deliberations, sisters and brothers, I beg of you, do not be guided by these fears, because fear is an acid which etches man's actions into curious patterns. Be guided by hopes and determination, be guided by ideals, and yes, be guided by dreams.

Today, almost 30 years later, the world is still a world of immense possibilities for progress defined by the capabilities of science and technology. But it is also a world dominated by the fear of war, controlled by men "in places of high power" who are determined to maintain their ascendancy over "lesser races." And it is a world which more than ever demands determined statesmanship guided by morality.

The Non-Aligned movement came into being in opposition to the order that emerged out of World War II, to the twin pillars of that order—the anti-growth Bretton Woods monetary and financial system, and the strategic division between West and East.

The founders and leaders of the Non-Aligned were the products of the struggle against colonial rule and imperialism. They sought to assert their independence and their national sovereignty not only in the political sphere but also in the effort to achieve economic growth. The Bretton Woods system and the Cold War were the obstacles to that effort. The first sought to maintain the essence of imperial rule in the form of economic neo-colonialism, and the second sought to pre-empt efforts for development by making the developing countries the "hot" battleground of limited wars fought under the strategic nuclear doctrine of Mutually Assured Destruction which dictated that no direct confrontation between the two superpowers take place.

The failure of the United States to realize the promise of President Roosevelt's intention to create a post-war order based on the destruction of British colonialism, and the success of Winston Churchill in creating the Cold War confrontation between the U.S. and the Soviet Union, were impetus for "non-alignment." Through the creation of a

broad political association among themselves, the emergent nations sought to act with cohesion and the political power to escape from this Churchillian-Bretton Woods order. Organizing the Non-Aligned as a political movement with these broad goals was a limited success which at the least defined the *possibility* of true national sovereignty and rapid world economic development.

Today, the defense of a global financial hierarchy that is for all purposes dead continues. Cold War confrontation continues to presage World War III, and "limited wars" still constantly savage the efforts for development.

The Non-Aligned movement remains what it has been all along—a political force of tremendous potential authority which has yet to act decisively to realize its goals. The aim of this brief historical review is twofold: to reeducate ourselves on the circumstances and purposes that necessitated the creation of the Non-Aligned movement, which remain totally relevant at this moment; and to pose clearly in historical perspective the tasks which face the Non-Aligned movement at this crucial moment in history.

### **Nehru: the father of non-alignment**

The intellectual and political father of the Non-Aligned movement is Jawaharlal Nehru, the first prime minister of independent India and the leader of its fight for freedom. It was Nehru, right after India's achievement of freedom from British imperialism in 1947, who first articulated the concept of non-alignment as the foundation of India's foreign policy. India, one of the first nations to win independence after the war, was well suited to take this path—it was a great nation, too large and too potentially powerful to be easily pushed around, and a nation blessed with the leadership of statesmen like Nehru and Mahatma Gandhi.

In his speeches, Nehru at that time often replying to domestic as well as foreign critics, rejected the charge that non-alignment was "neutralism," a passive stance of avoiding conflict. The policy from the beginning was to politically organize the newly independent nations to act to intervene in the crises facing the world, though never as a "third bloc," since they opposed the very concept of blocs.

The first step was taken before India's full independence, during March 1947. The constituent government organized in Delhi an Asian Relations Conference bringing together representatives from Egypt, China, Indonesia, Vietnam, Turkey, Korea, Iran, Thailand, Malaya, Afghanistan, Burma, the Soviet Republics of Asia, and other countries. In his inaugural speech Nehru defined his goals to the delegates from Asia:

Ever since news of this conference went abroad, some people in Europe and America have viewed it with doubt, imagining that this was some kind of Pan-Asian movement directed against Europe or America. We have no designs against anybody; ours is the great design of promoting peace and progress all over the

world. Far too long have we of Asia been petitioners in Western courts and chancelleries. . . . We do not intend to be the playthings of others.

### **Economic progress the essence of peace**

In that speech, Nehru touched upon the link between economic progress, war-avoidance, and the need to end the old order of colonialism. He said, "Peace can only come when nations are free, and also when human beings everywhere have freedom and security and opportunity. Peace and freedom, therefore, have to be considered both in their political and economic aspects. The countries of Asia, we must remember, are very backward, and the standards of life are appallingly low. These economic problems demand urgent solution, or else crisis and disaster may overwhelm us."

The eradication of the legacy of British colonialism and post-war neo-colonialism, Nehru insisted, required a new relationship between the underdeveloped countries and the advanced countries, with a commitment to the industrial modernization of the former; and, at an early point, this concept became central to the Non-Aligned movement. In June 1948, on the theme "Economic Freedom for Asia," Nehru addressed a conference of the United Nations Economic Commission for Asia and the Far East held in India. There he attacked the idea that the economic development of one part of the world can be isolated from any other. He told the conference:

Today if one part of the world goes down economically, it has a tendency to drag others with it, just as when, unfortunately, war breaks out, other people who do not want war are involved. . . . It is not a question of the prosperous, merely out of the generosity of their hearts, helping those who are not prosperous though generosity is a good thing. But it is a question of enlightened self-interest, realizing that if some parts of the world do not progress, remain backward, they have an adverse effect on the whole economy of the world and they tend to drag down those parts that are at present prosperous. Therefore it becomes inevitable to consider these problems in the global way and to pay even more attention to those parts which are relatively backward.

Nehru told the conference that though the Asian nations wanted help for their industrialization, "No Asian countries will welcome any such assistance if there are conditions attached to it which lead to any kind of economic domination." What they wanted, he said, was development: "the whole of this Asian region is full of vast resources, human and material, and the question before us is how to yoke them together and produce results. It is not that we are lacking in men or material. We have both. In order to yoke them together, the easiest way is to have certain assistance in capital equipment and experienced technical personnel from those countries which may have a surplus. From the

# The membership of the Non-Aligned movement

The following is a list of all member nations of the Non-Aligned movement, and all nations that are designated "observers" at the Non-Aligned summit. While not a member of the movement, an

observer is allowed to participate in all the sessions of the conference, including committee meetings, and place its views on the record.

## Non-Aligned Member Nations:

Afghanistan	Equatorial Guinea	Malawi	Seychelles
Algeria	Ethiopia	Malaysia	Sierra Leone
Angola	Gabon	Maldives	Singapore
Argentina	Gambia	Mali	Somalia
Bahrain	Ghana	Malta	SWAPO
Bangladesh	Grenada	Mauritania	Sri Lanka
Belize	Guinea	Mauritius	Sudan
Benin	Guinea-Bissau	Morocco	Suriname
Bhutan	Guyana	Mozambique	Swaziland
Bolivia	India	Nepal	Syria
Botswana	Indonesia	Nicaragua	Togo
Burundi	Iran	Niger	Tunisia
Cape Verdi	Iraq	Nigeria	Trinidad and Tobago
Central African Republic	Ivory Coast	Oman	Uganda
Chad	Jamaica	Pakistan	United Arab Emirates (UAE)
Comoros	Jordan	PLO	United Cameroon
Congo	Kenya	Panama	United Tanzania
Cuba	Kuwait	Peru	Upper Volta
Cyprus	Lao People's Democratic Rep.	Qatar	Vietnam
Democratic Korea	Lebanon	Rwanda	Yemen Arab Republic
Democratic Yemen	Lesotho	Saint Lucia	Yugoslavia
Djibouti	Liberia	Soa Tome and Principe	Zaire
Ecuador	Libya	Saudi Arabia	Zambia
Egypt	Madagascar	Senegal	Zimbabwe

## Observers:

African National Congress (ANC)	Dominica	Pan Africanist Congress of Azania (PAC)
Afro-Asian Peoples' Solidarity Organization (AAPSO)	El Salvador	Philippines
Barbados	Islamic Conference	Puerto Rican Socialist Party (PSP)
Brazil	League of Arab States	United Nations (UN)
Colombia	Mexico	Uruguay
Costa Rica	Organization of African Unity (OAU)	Venezuela

world's point of view that will inevitably lead to the world's good." Nehru called for the development of electric power, including vast river development projects like the Tennessee Valley effort in the United States as the basis for industrialization and increased food production.

Nehru went on to note that many people were saying that "we cannot solve any problem until the Indian [population] problem is checked or decimated. I entirely disagree with that. I think India is an underpopulated country. . . . It is underpopulated because large tracts of India are still unpopulated. . . . If we increase our production, agricultural and other, and if the population is put to work for production, then we are not overpopulated. We have these big river valley schemes which, in addition to irrigating land, preventing floods, soil erosion, and malaria, will produce a very great deal of hydro-electric power, and at the same time we will have industrial development."

The embroilment of the world in the "great divide" of strategic confrontation between the West and the Soviet bloc took on dangerous forms with the advent of the Korean War in 1950 and the expansion of the French colonial war in Indochina during the same period. The Cold War was being fought out with devastating methods on the territories of the developing countries, precisely as the Churchillian strategists in London and Washington intended.

Nehru and others rejected these pressures. In April of 1954, a conference of five prime ministers was held in Colombo, Ceylon involving Ceylon, Pakistan, India, Burma, and Indonesia. Two days earlier, the Geneva conference on Indochina had opened—the conference which was to formally end French rule in Indochina; that question was high on the Colombo agenda, along with a proposal by Indonesia to convene a deliberative session of African and Asian leaders in the near future.

Nehru's resistance to Cold War politics was also expressed in the 1954 "Five Principles" or *Panchsheel*, which first made their appearance in the preamble of an agreement on Tibet between India and China. Those principles, later embodied in the Bandung declaration and other Non-Aligned documents, were mutual respect for each other's territorial integrity and sovereignty; non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful co-existence.

In December 1954, the five Colombo prime ministers met in Bogor in Indonesia and decided to hold the Afro-Asian conference in April in Bandung. The invitations were sent out to all independent nations on both continents, including those who were part of military alliance pacts. The pre-meeting at Bogor and the Bandung conference itself was threatened many times by disputes between Western-allied and Soviet-allied countries. The successful convening and conclusion of the conference was therefore itself a victory over the attempts to prevent the emergence of a political voice for the Afro-Asian nations. The participants included nations as divergent as communist China, Japan, Egypt, India, Ethiopia, North and South Vietnam, Saudi Arabia, and others.

### **The Bandung declaration**

The Bandung conference and its final communiqué expressed again the hopes for economic progress which had been so fresh in the 1940s, along with a strong condemnation of colonialism, still dominant in Africa, and the views of the Afro-Asian nations on "World Peace and Cooperation." The crucial issue of non-alignment in the sense of non-participation in any of the great-power-sponsored military pacts was left unsolved at Bandung, due to the disputes among nations already involved in such pacts.

Economic cooperation was the leading item of the final declaration. The conference "recognized the urgency of promoting economic development in the Asian-African region" while calling also for "economic cooperation" among the participating countries on the basis of mutual interest and respect for national sovereignty.

The idea of mutual cooperation—now known in Non-Aligned parlance as "South-South cooperation"—was concretized in calls for mutual assistance in technical training, scientific education, and establishment of multilateral trade and payments arrangements. The conference also called for "the establishment of national and regional banks and insurance companies."

The Bandung declaration, responding to President Eisenhower's "Atoms for Peace" proposal in part, called for rapid development of nuclear energy. They said: "The Asian-African Conference emphasized the particular significance of the development of nuclear energy for peaceful purposes for the Asian-African countries." They welcomed the Eisenhower offer of cooperation in information and training in this area.

These calls for economic cooperation were coupled with a call for the mutual enrichment of cultures of Asia and Africa. This included the provision of training at educational, scientific, and technical institutes, already existent in some countries such as India, for students from Asian and African countries where such facilities did not yet exist.

The Bandung conference concluded with a Declaration on the Promotion of World Peace and Cooperation which expressed in somewhat idealistic terms the necessity for peace. It "viewed with deep concern the present state of international tension with its danger of an atomic world war," calling for "the reduction of armaments and the elimination of nuclear weapons" so that "international peace can be promoted and nuclear energy may be used exclusively for peaceful purposes."

### **The generation of leadership**

What ultimately made Bandung work, and was responsible for the actual founding of the Non-Aligned movement as a formal organized force six years later, was the quality of political leadership provided by a handful of statesmen. The old guard of the Non-Aligned movement consisted of five men—Jawaharlal Nehru of India, Kwame Nkrumah of Ghana, Gamal Abdel Nasser of Egypt, Ahmed Sukarno of Indonesia, and Josip Broz Tito of Yugoslavia.

The first four of these men were the finest of a generation of political leadership which had led their nations' wars for independence from colonialism, and had become the heads of governments committed to a process of economic development and nation-building. Sukarno and Nehru traced the political history back to the early days of the century. By the 1920s, each headed their respective freedom movements, sharing the experience of jail and long political struggle. Nkrumah had led the first successful African independence fight in Ghana; he was recognized as the premier statesman of Africa. Nasser, who came to power following the 1952 "officers' revolution" against the British puppet monarchy in Egypt, was a man who also saw his leadership role beyond the bounds of his own nation.

The intellectual and political bonds between these men became close during the 1950s. Sukarno and Nehru had known each other before that time. The Indonesian and Indian nations had a link going back 1,500 years. Nehru was also the intellectual guide for Nasser and Nkrumah. Nasser first met Nehru in Cairo in June 1953. In one of his writings he recalled a five-hour talk with Nehru, on a ship steaming down the Nile River, about the importance of economic planning, when Nehru began to teach Nasser the lessons India had already learned. Nasser recalled the emphasis Nehru placed on the training of human beings as the key to development, a lesson he said he never forgot.

Nasser stopped in India on his way to the Bandung conference. He recalled his visit: "My visit to India proved a turning point in my political understanding. I learned and

realized that the only wise policy for us would be of positive neutrality and non-alignment. Coming back home, I found out from the response it had evoked that is the only possible policy which could get the broadest possible support from the Arab people." Bandung was Nasser's first real venture into international politics; Nehru later remarked that "his role was perhaps the most remarkable and definitely the most valuable from our point of view."

The role of Yugoslavia's Tito and his link to the developing countries first emerged in the mid-1950s. From Dec. 1, 1954 to Feb. 5, 1955, Tito made an exceptional tour which included a three-week stay in India and a first-time meeting with Nasser. A close link apparently developed between Tito, Nehru, and Nasser. Constant consultation ensued on all sorts of issues among the three. In July 1956, great attention was focused on a summit meeting the three held in Brione, Yugoslavia with accusations flying in the world press that they were plotting to form a "third bloc."

The free nations of Asia and Africa were asked to make their choice—they or us. As the late Secretary of State John Foster Dulles was to remark later (in June of 1956), attacking the very concept of non-alignment, it is an idea which "pretends that a nation can best gain safety for itself by being indifferent to the fate of others. This has increasingly become an obsolete conception, and, except under exceptional circumstances, it is an immoral and shortsighted conception."

The compulsions which brought Tito and Yugoslavia to the policy of non-alignment were not the same as for the developing countries who came out of the struggle against colonialism. It was not economic development that was at the forefront of Tito's concerns but the fear of war and of being caught between the confrontation between NATO and the Warsaw Pact. Yugoslavia's dramatic break with the Soviets under Tito, the tightrope act of Yugoslav foreign policy, and the fear that any confrontation in Europe would mean the destruction of Yugoslavia as a nation were all elements in promoting non-alignment.

The Yugoslavs, isolated from both the Western and Soviet alliances, sought political alliances with the Non-Aligned developing countries as a matter of sheer geopolitical necessity.

The other crucial factor in bringing the Non-aligned movement formally into being at Belgrade in 1961 was the dangerous events of 1960-61. U.S.-Soviet tensions were one part of this—the cancellation of the May 1960 Paris summit between Eisenhower, Khrushchev, and the French and British after the U-2 incident, and the rising tensions over Berlin in the months that followed. This was followed in 1961 by the clash of Kennedy and Khrushchev at the Vienna summit and the Berlin crisis of the summer-fall which made many in the world feel that they were at the brink of war.

This escalation of the Cold War extended to the developing sector. In 1960, sixteen African countries became independent; but this was overshadowed by the Congo crisis

which began in the summer when U.N. troops intervened, denounced by the Soviets, and then Congolese independence leader Patrice Lumumba was murdered. April 1961 was the infamous Bay of Pigs invasion of Cuba. The crisis in Laos and the U.S. intervention into Vietnam mounted.

### **The Belgrade summit meeting**

The September 1960 session of the United Nations General Assembly brought about the first "pre-meeting" of the Non-Aligned movement, a meeting in New York in September of the five leaders. The session was dominated by U.S.-Soviet tensions—it was the time of Khrushchev's shoe-pounding General Assembly speech—and the Congo crisis.

The five leaders jointly sponsored a simple resolution before the General Assembly calling for the American President and the Soviet chairman "to renew their contacts interrupted recently." The resolution was emasculated due to "Western obstruction" and lack of Soviet support. In disgust Nehru withdrew it.

The moral impetus of Bandung had by this point been smashed against the rocks of Cold War politics. As Nehru reflected in his U.N. speech, there could be no thought of development without securing "peace." But as became equally clear, a simplistic desire for disarmament and "peaceful co-existence" in the absence of real conditions which could prevent war—more than anything else, the process of economic growth and modernization—is largely impotent.

Nehru joined with Tito, Nasser, Nkrumah, and Sukarno in sponsoring the first Non-Aligned summit in Belgrade in September 1961. The Cairo pre-meeting had defined certain criteria of non-alignment, mainly rejection of membership in the military pacts sponsored by the great powers, but in the end, the disputes were resolved in favor of a somewhat limited group of countries, 25 in all, with three observers. The Asian members were Afghanistan, Burma, Cambodia, Ceylon, India, Indonesia, Iraq, Lebanon, Nepal, Saudi Arabia, and Yemen. From Africa there were Algeria, Congo, Egypt, Ethiopia, Ghana, Guinea, Mali, Morocco, Somalia, Sudan, and Tunisia. The other members were Cyprus, Yugoslavia, and Cuba; Bolivia, Brazil, and Ecuador attended as observers.

Attention was focused far more on this situation, along with the issue of de-colonization, than on the issues of economic development.

Nehru, a reluctant attendee, intervened in an effort to focus on the need for action, not resolutions, to avert war. His speech reflected both his irritation with empty politicizing and his own sense of being overwhelmed by the escalation of the Cold War. He concluded:

Let us look at this world today. It is a strange world, perhaps the most fundamental fact of the world being the coming out of these new mighty forces. I am referring to atomic energy, space travel, and all that, which is the basic factor of the modern world. We have to think in terms of that, and not get lost in the

terms of a world which is past and in slogans that no longer apply . . . . When power of a new kind comes, all your imperialism and all your old-style colonialism will vanish and will go, I have no doubt. . . . We cannot afford to be backward, therefore we have to build in our own countries societies of free men, societies where freedom is real—prosperous societies where the standards of living are rising. . . . These are for us the essential, basic problems to be thought out in terms of today, in terms of the modern world, space travel, jet travel, atomic energy, not in terms of long ago. . . .

If we cannot prevent war then for the moment all our other problems are sunk, we cannot deal with them. But if we can prevent war we can go ahead on our other problems, help to liberate parts of the world under colonial and other imperial rule, and more especially build up our own free societies . . . because that is our positive work. Merely getting angry with some other country achieves nothing. . . . It is the positive constructive work we do that gives us strength to make our countries free. . . . But we cannot do any of this unless there is no war.

The Belgrade meeting issued a special “statement on the danger of war and an appeal for peace” which was particularly addressed to President Kennedy and Soviet Chairman Khrushchev. The appeal, referring to “the imminent conflict” and “recent war preparations” called for the two powers “to make the most immediate and direct approaches to each other” to avert war.

On the economic side, one concrete proposal was for the convening of an international conference to reach agreement on means to solve common economic problems. In July of the following year, on the initiative of Tito and Nasser, again supported by Nehru, an economic conference was held in Cairo. Thirty-one nations attended, most of them from the Non-Aligned movement, with the addition of Ibero-American countries including Mexico, Brazil, Bolivia, Chile, Uruguay, and Venezuela. There were few new ideas. The one clear result of the meeting was a call to hold a United Nations conference on trade and development, which took place in Geneva finally in 1964 (the first UNCTAD). The Cairo meeting is credited with the formation of the Group of 77, the formation of developing countries which has since been a major institutional factor, alongside the Non-Aligned, in the effort to create a New World Economic Order.

### **The Cairo summit of 1964**

The next summit meeting of the Non-Aligned nations took place in Cairo in October 1964. The Cairo summit represented an expansion of the movement to 47 full members and 10 observers (mostly from Latin America); it was

also marked by the tendency to draw lines within the Non-Aligned between “radicals” and “moderates.”

Radicalism was characterized by a strong emphasis on “anti-colonialism” and “anti-imperialism,” which were given first place in the final Cairo conference declaration. The African countries, for whom colonialism was still very much a live issue, were now numerically dominant at the Cairo summit and the Asian nations, particularly India, were considered “moderates.”

The key to Cairo, however, was that it represented the end of the era of Non-Aligned leadership represented by the Big Five. It was Nehru—he had died earlier that year—who was most sorely missed at Cairo. Nasser, Nkrumah, and Sukarno were under severe political destabilization and attack, facing the pressures of the IMF in Ghana and Indonesia and the pressures in the Mideast which lead Nasser to the disaster of the 1967 war with Israel. In 1965 Sukarno was overthrown by a military coup; in 1966 Nkrumah was overthrown; and by 1967 Nasser was politically finished, dying a broken man in 1970.

The Non-aligned were hit hard during this period of the 1960s. The first blow came in 1962 with the Chinese invasion of India—not only a military defeat for India but a defeat for Nehru’s hope, embodied in the Panchsheel principles, that within Asia the spirit of Bandung would prevail. The reaction of the Non-Aligned was hardly inspiring—only Egypt and Nasser effectively came to the defense of India against Chinese aggression. An emergency meeting of Non-Aligned countries in Colombo in December 1962 to attempt a mediation of the conflict was emasculated by the pro-Peking leanings of Sukarno’s Indonesia and Burma, and the ability of the Chinese to manipulate others, including African leaders.

The emergence of divisions, first of the Cold War variety and then those created by Peking’s Maoist extremist crusade against the Soviet Union, was debilitating to the Non-Aligned movement. The Indonesians, acting on behalf of Peking (against India in part) and of Sukarno’s egoism, pushed for a second Afro-Asian Bandung rather than a second Non-Aligned meeting after Belgrade. A second Bandung would include China while the latter would not. Chou En-lai’s late 1963-early 1964 grand tour of Africa was intended, while waving a flag of revolutionary “anti-imperialist” radicalism, to mobilize support for a second Bandung. Preparations were actively underway in 1964 and a race between a Non-Aligned and Afro-Asian summit was on—the former won, due to the Indian and Egyptian strong opposition to the Chinese plans.

It was not until 1970 in Lusaka that a third summit meeting could be held. Cairo was the end of one phase. The revival of the Non-Aligned movement in 1970 was marked by the return in the context of the international monetary crisis, and by an emphasis on the need to change the global economic order, while building the Non-Aligned as a cohesive movement opposed to Cold War strategies and wars fought in the developing sector.

## German Social Democrats merge with the Greens

by Rainer Apel in Wiesbaden

Those British oligarchs, to whom the revival of German industry after 1945 was a huge thorn in the side, may now feel in a better mood: there is now a good chance that with the majority of German voters being led around by the nose, they may be able to put back on the top of the agenda the Morgenthau Plan for the full de-industrialization of Germany which they had been forced to give up earlier, and to carry out this plan, so to speak, legally.

The chances are good that the "green" Social Democrat Hans-Jochen Vogel, a recipient of the order of "Commander of the British Empire," could be named Federal Chancellor, with the help of the Green Party—because everything, which today under the themes of "peace, environment, and dialogue" is being spread by the West German media, helps Vogel and hurts the incumbent, transitional Chancellor Helmut Kohl.

But the wind propelling the Social Democratic Party and Vogel is also giving a lift to the sails of power centers which have gained the dominant influence over the politics and program of the Green Party recently. The shift in the composition of the federal executive committee of the Greens, replacing Petra Kelly with the "fundamentalist" Rudolf Bahro as the new main spokesman of the Greens, was more than a routine changing of chairs. With Bahro the actual Malthusian kernel of the ecology movement moves into the foreground, the group of industry-hating Jacobins, whose principal tendency in Bahro's own words is "more anarchistic, more small community-minded, directed against industry, and against the state."

In his recent statements Bahro unveiled the real concepts

of the ecology movement, which usually is identical with the "peace movement": "Either the industrial system—or the German forest!" Yes—were Henry Morgenthau, the father of the plan of the same name from the postwar years, still living—he would in all certainty be a member of the present-day federal executive committee of the Green Party!

As Bahro himself exposed, the struggle against the stationing of the Euromissiles is merely a tactic in a more fundamental mobilization, since "the military problem, the atom bomb, is merely the tip of the iceberg." Then what are these more fundamental things?

Bahro: "I formulated it to myself in the meantime in this way, that . . . at the latest with this human industrial system, human evolution went awry, that we possibly must go back further than to the Renaissance, in order to correct this state of affairs. . . ."

"In Hamburg, the accusation 'With Bahro back to the Dark Age'—was raised in an Old Left article against the economic concepts which I was advocating. But that is wrong per se—that is, I would like to say, it is too short-sighted. I would like to pull here the Tsai-Tsing out of my pocket, this old Chinese book, and I would say, then, I don't want to go back just 500 years, or 800 years, but maybe 2,500 years. . . ."

"In my opinion the question is: through the technological sphere, which we have created for ourselves here, and which actually goes back 10,000 years, the biosphere is smothered, if we don't take the technosphere away again. And one asks therefore whether the human race is assigned to this technosphere in the same sense that the tortoise-shell is assigned its armor. . . ."

Bahro adds that many an individual within the ecology movement has been downright frightened in the face of such cultish notions, but at least in the Church a broader discussion has gotten under way, not only among the Evangelicals (Lutherans) but also now in the Catholic Church. Vienna's Cardinal Koenig, according to Bahro, would be "very open toward ecological questions. . . ."

The meaning of Bahro's declarations lies in the fact that they make visible who the "German Khomeinis" are, and what they have up their sleeves. If they ever were to get into a position of power and influence, they would destroy the German industrial republic, just as Khomeini destroyed Iran or Pol Pot destroyed Cambodia. In fact the connections between the leading greenies and Qaddafi of Libya and the Islamic fundamentalists of Khomeini are very close.

Additionally the fact that Rudolf Bahro, who had exiled himself from East Germany only a few years ago, was immediately promoted to be the chief thinker of the ecology movement, with international coordination duties, is more than peculiar. Still less can one believe in a mere coincidence when Andropov, Egon Bahr, Vogel, and Rudolf Bahro all at the same time throw out the same "peace proposal." Something else is behind it.

What the Eastern aspect of this affair means is relatively simple: the KGB wants to see the Western capitalist system overthrown, and the Federal Republic of Germany is an important outpost which must be eliminated on the way. The Western aspects of this affair are that the British oligarchy has never given up its old plan, to wipe the "continental industrial states" from the European map. The very fact that

Chamberlain, Churchill and other British top aristocrats of the "Cliveden Set" fell flat on their faces with their Hitler Project, only discouraged that British circle temporarily. While the World Wildlife Fund under the regime of the Duke of Edinburgh himself, Prince Philip, is, with the help of Freemasons always loyal to the "Great Mother Lodge of London," carrying out the subversion of the "continental industrial states" primarily from the top down, the Cambridge Group around Lord Nicholas Kaldor with its "European Nuclear Disarmament" (END) set up the cutting edge against the foundation of the "continental industrial states" from the ground up. Here, in the latter operation, Rudolf Bahro's role can also be located. Here also lies the assignment of the Green mass movement, the new ecological Jacobins.

While the Federal Republic of Germany seems already to be deeply destabilized, and while all the West German institutions, whether parties, trade unions, or churches, have capitulated before the ecological propaganda wave, the other great continental "industrial republic," France, has proven relatively stable. Not only did the Jan. 20 speech of French President François Mitterrand before the German Parliament (see below) once again make clear that the majority of Frenchmen, that the institutions of the French republic are still for economic and industrial progress, but also that France maintains that the development of atomic power is as important as the construction of a sovereign, French atomic military force, the *force de frappe*.

Here, in the institutional stability of France, also lies then the main ground for increasingly redirecting the interest of

## The SPD program: worship trees, tax new machines

The electoral platform passed by the Dortmund congress of West Germany's Social Democratic Party on Jan. 21 illustrates the transformation of the SPD into a radical ecology/peace party. Points of the platform:

- A special "machine tax" on all new machinery installed in factories which might "take away workers' jobs."
- Special public-sector work programs for the "conservation of nature" in order to "create new jobs."
- An emergency program for the "German forests," which are said to be threatened by industry.
- Reducing weekly working-hours; lowering the pension age; extending retraining programs for youth who were trained in an industrial occupation such as steel production; and establishing a special environmental ministry.

All these demands are also the demands of the Green

Party, with the difference that the Greens are more outspoken on the fact that the whole idea is "to bring industrialism down," and that the SPD's "labor experts" are more sophisticated than the ecologists. The special tax on machinery is a demand which the Green Party has been incapable of formulating yet.

Candidate Hans-Jochen Vogel leaked what else he would do if elected chancellor after March 6:

He would launch an "international initiative on control of medium-range and short-range missiles"; he would establish the German complement to the U.S. administration's ADCA, a German "Disarmament Board," which would likely be headed by Egon Bahr; he would launch an "international employment pact initiative" to curb implementation of new technologies which allegedly kill jobs. This plan is coordinated with George Shultz, the Brandt Commission, the IMF and World Bank, and the U.S. East Coast Establishment, as well as Lord Carrington's think tank, IRIS. The policy almost embodies the demand by the German ecologists of the Green Party for "a law forbidding any increase in workers' productivity."

the West German "peace movement" away from the American Euromissiles and toward the "French missiles." The question of the *force de frappe* was hardly raised within the international missiles debate, when the first outburst of rage was mobilized by the Greens against France. Rudolf Bahro designated the Mitterrand government as the "worst government in France since 1945" and declared that the question of the *force de frappe* would be a new major target of the peace movement. If Mitterrand and the French, Bahro said, do not backtrack on the missiles questions, then the West German peace movement "will be forced to become nationalistic . . . so that the work of reconciliation between Germans and Frenchmen during the postwar period can be seriously called into question. . . ."

In practice that will mean that the mobilization of the West German movement will also be directed against French missiles and French military bases. In fact the main spokesman of the West German ecology movement, Joe Leinen (who is still a member of the SPD), is even pushing a "March on Paris," but he was hooted down by the other greenies, in order not to endanger their political plans prematurely. What are these plans?

Here it is not just the Greens who come into play, but the German Social Democrats also play an important role—the latter are supposed to undermine Mitterrand, nominally out of "Socialist party solidarity" between the SPD and the French Socialist Party (PSF). A whole series of statements by prominent Social Democrats like Willy Brandt, Bahr, Karsten Voigt, or Hermann Scheer on the "French problem" are furnishing the atmosphere for the outbursts and operations of the ecological fundamentalists around Bahro and Leinen. Rudolf Bahro sees Mitterrand as a politician who is "even more pro-American, even worse than Schmidt was," and against whose "downright criminal armaments policy" one should move with full strength. If one is to believe the leading Greens and Social Democrats, then Mitterrand is flooding the whole world with French arms exports; if one notes the British string pullers behind the Greenies, one sees the real reason for this attack. It was with French missiles that the Argentines were able to sink some of the most modern British war vessels during the Malvinas War, but during the Malvinas War the West German Greens did not once raise their voices against the neo-colonialist adventures of London.

While the West Germany Republic vacillates dangerously and stands in danger of being ruled by an arrangement between Greens and Social Democrats after the March 6 elections, the Greens are preparing to storm the French "Bastille." Erhard Eppler the SPD's leading ecologist, is currently in Paris, sewing up contacts with the French ecologists. The old French ecologist Claude Bourdet, once a close friend and collaborator of European Nuclear Disarmament founder Lord Bertrand Russell, came to Bonn Jan. 17, to discuss the question of the *force de frappe* with the German Greens. Rudolf Bahro himself was in Paris in mid-January for similar talks, in order to meet with French ecologists and political oppo-

nents of Mitterrand. Relations between the French and German Greens closely intersect the relations of the German SPD with the opposition Socialists in Paris: with Pierre Joxe, a very influential left-Socialist in the PSF, and with his brother Alain Joxe, who in turn has connections into the PSU (Parti Socialiste Unifié, a small left-wing party), which is the favorite party of the Greens in France.

A Vogel government in West Germany, working closely with the Greens on questions of ecology, the missiles "debate," and against Mitterrand, would mean an acute threat to the French republic, and one can only hope that the organs of French security which have hitherto been so tough and energetic continue to hold their ground, and keep the subversion of French institutions to a minimum. Certainly this complex of topics should be a preeminent agenda item for the ongoing Franco-German consultations on security questions, mentioned at length by Mitterrand in his Jan. 20 Bundestag speech.

## Mitterrand in Bonn

*Excerpts follow from French President François Mitterrand's Jan. 20 address to the West German parliament, the first speech ever made to the Bundestag by a French head of government.*

Ladies and gentlemen, our peoples despise war, they have suffered too much, along with the other peoples of Europe. A simple idea governs the thought of France: war must remain impossible and those who would think of it must be deterred.

Our analysis and our conviction, of France, is that nuclear arms, the instrument of this deterrence, whether one likes it or deplors it, remain the guarantee of peace as long as there is a balance of forces. Only this balance can lead to good relations with the countries of the East, our neighbors and historic partners. It was the sane basis of what has been called *détente*. . . .

Whoever would bet on the "decoupling" between the European continent and the American continent would undermine the balance of forces and therefore the maintenance of peace. I think, and I will say so, that "decoupling" is in itself dangerous, and I ardently hope that the Geneva negotiations will enable us to eliminate a danger which especially weighs on the European partners that are deprived of nuclear weapons. . . .

[And] the French nuclear force is and will remain independent.

This independence . . . makes deterrence more effective. . . .

It is for these precise and serious reasons that I affirm that the French forces cannot be taken into account in the Geneva negotiations between the two over-armed superpowers. . . .

# Spain, France reach out to Third World

by Robyn Quijano

The nations of Ibero-America consolidated a historic alliance across the Atlantic this week. The governments of France and Spain have declared themselves in mobilization for a New World Economic Order. The two European nations could provide enough political muscle to turn Ibero-America's defensive actions against the International Monetary Fund's economy-wrecking "loan conditionalities" into a strategic offensive, to force collective renegotiation of the continent's \$300 billion unpayable foreign debt.

Spain's Prime Minister Felipe González and France's President François Mitterrand have sent special emissaries to Ibero-America to set a new agenda in North-South relations: the debt problem must be resolved so both the nations of the industrialized sector and the developing nations can get on with the important business of expanding world trade and high-technology investment.

France's Antonio Blanca, Mitterrand's special ambassador to Ibero-America, held private meetings with Colombia's President Belisario Betancur in Bogotá on Jan. 21. Blanca later told this news service that the Third World nations must not be allowed to stagnate as mere exporters of raw materials, or the debt problem will never be resolved: "What interests my government is the planned industrialization of the countries of the Third World." As an example, Blanca cited Colombia, a large coal producer; Colombia must not remain restricted to producing coal for export, but ought to "industrialize its coal exploitation and import technology to develop a carbochemical industry," he said.

The President of Spain's Institute for Ibero-American Cooperation, Luis Yáñez, is touring the continent with a similar message: the debt problem must be resolved, and debts turned into development aid, or the commerce of the advanced sector will grind to a halt. A transfer of science and technology will be central to Spain's new relations with Ibero-America, based on "cooperation and the building of a community of nations."

Should Spain and France act boldly on this perspective toward the developing sector, it could have the same strategic significance that the Family Pact between France and Spain had 200 years ago, when they jointly supported the American Revolution. And the fight today against the free trade economic looting policies of the British-Swiss-Venetian finan-

ciars that subject developing nations to the colonial status of raw-materials producers, is the same fight that was launched with the founding of the United States, as the cornerstone of an international project to build industrial republics. To give only one example of the crucial margin of support the two European nations could supply today, if France and Spain were to break ranks with the IMF and refuse to participate in economic warfare measures against the developing sector nations, then threats from London and Washington to deprive Ibero-American nations of badly needed credit and capital goods imports would mean much less.

Spain's Yáñez, whose institute is being elevated to the level of a ministry under the government of Felipe González, was in Venezuela the week of Jan. 24-28 where he announced that the Prime Minister will visit this year to further develop relations with Ibero-America. He also announced that Spain is discussing a special relation between the Latin American Economic System (SELA) and Spain. He said that a Venezuelan mission will visit Spain this month to determine how Spain's machine-tool industry can aid Venezuela's petroleum industry in the development of great projects and the supply of capital goods.

In the past weeks, numbers of important Latin American political figures have visited both Madrid and Paris, and debt and development have been top items on the agenda. Raul Alfonsín, presidential precandidate of Argentina's Radical Party, met with Felipe González over the weekend and discussed the need for joint renegotiation of the continental debt. Alfonsín later told the press that the Spanish Prime Minister has agreed to act as a liaison between Ibero-America and the rest of Europe, to explain some of the pressing problems of these nations to European countries.

From Spain, Alfonsín will travel to France to meet with Mitterrand and other top officials.

Carlos Andrés Pérez, former Venezuelan President and active Third World diplomat, is also in Spain meeting with the Prime Minister Felipe González. Carlos Andrés Pérez has toured Latin America in the recent months, negotiating a peace plan for Central America, and a development plan for the continent. The new Spanish Prime Minister will be his key ally in both projects.

Carlos Andrés Pérez is also coordinating with continental leaders, in particular with Colombia's Belisario Betancur. Betancur was ambassador to Spain for many years, and is known to back the "community of nations" principal being put forward by that government. Betancur, who won the presidency on the Conservative party ticket, has forged a policy of Third World solidarity by joining the Non-Aligned Movement and backing continental cooperation on the debt issue.

As a candidate, he campaigned on the program Pope Paul VI laid out in *Populorum Progressio*, "development is the new name for peace." Now, as President, he has refused to play the ideological games which have kept the continent in internal warfare for two decades.

## Antonio Blanca, French envoy to Ibero-America

*French President Mitterrand's special ambassador Ibero-America, Antonio Blanca, held a private meeting with Colombian President Belisario Betancur and his foreign minister Jan. 24 as part of France's announced decision to establish a "special relationship" with Colombia's new leadership. The following are excerpts from the press conference.*

**EIR:** Mr. Ambassador, the new policy initiated by President Betancur includes the proposal for joint renegotiation of Ibero-America's foreign debt, as proposed to President Reagan last December. In addition, this new policy is one of political opening and the projection of Colombia as a mediator of certain heated issues in Latin America, such as the Central America crisis. Within the spirit of the French-Mexican declaration [for peace in Central America], how do you see the Colombian government participating in this policy?

**Blanca:** The indebtedness of the Third World strikes very hard. The financiers have discovered the other facet of the problem, that it promotes certain disordered forms of development. Latin America is particularly hard hit, the debt of those countries is more than \$300 billion. . . . This certainly demands the special attention of all interested countries and institutions as well, such as the World Bank, the IMF, and the Interamerican Development Bank. France has facilitated the conditions of renegotiation so that it can be done by the best means possible—one shouldn't forget the small countries like Bolivia. France has a position of flexibility and understanding.

**EIR:** What is the French position with respect to the process of creating a "debtors' cartel" such as that proposed by Carlos Alzamora, the secretary general of SELA [Latin American Economic System]?

**Blanca:** It is not up to France to take a stand on a cartel or not a cartel; this is just a hypothesis, but no one has picked up the ball yet.

**EIR:** What about the spirit of the French-Mexican declaration?

**Blanca:** That declaration is still active, and its ratification by the new Mexican government has not surprised us. We are proud, and the countries that criticized us for it now

advocate the same solutions. The Farabundo Marti Front and the Revolutionary Democratic Front led by Guillermo Ungo [in El Salvador] are some of the forces in battle which should be called into negotiations. In French law there exists a crime for not helping a person in danger. This should be broadened to populations in danger; El Salvador is in danger and merits help. . . . Nicaragua has the right to live in peace and has the right to establish its revolution with all its defects and achievements. The Nicaraguan youth made a great sacrifice and should be respected. . . . We the French are opposed to not leaving any other alternative to a people but turning to the Soviet Union.

**Question:** What are some of the concrete and positive aspects that you see in President Belisario Betancur's policies?

**Blanca:** President Betancur has done away with the traditional view of the European on the street toward Colombia. Betancur is giving many headaches to European politicians and for France this has been a very pleasant surprise. In relation to the new policy we see, I answered the question that your colleague [EIR] asked me. The participation of Foreign Minister Rodrigo Lloreda Caicedo in the meeting in Contadora Island before the preparatory meeting of the Non-Aligned in Managua, the declaration that came out of that same Contadora meeting are very positive and in the spirit of the French-Mexican declaration. That Colombia has taken this position we highly commend. [Colombia's entrance to] the Non-Aligned is a decision that Colombia and France cannot ask that it do it or not do it. France belongs to the Atlantic Alliance although it does not belong to the Atlantic military pact. We want the Non-Aligned to be the most non-aligned possible and Colombia's adhesion in this sense we view very sympathetically.

**EIR:** In his recent trip to Egypt and India, President Mitterrand posed the necessity of making technology transfer and the industrialization of the countries of the South the content of North-South relations. Within this perspective, he signed nuclear cooperation accords with both Egypt and India. In your talks with President Betancur, did you speak of the possibility of nuclear accords of this type?

**Blanca:** These are things that are not discussed at my level, these are things discussed among chiefs of state. The only thing I can say is that what was discussed by me could belong in this vein but I can say nothing more on this subject.

*In a reception following the press conference, Ambassador Blanca spoke further with EIR correspondent Carlos Cota Meza:*

**EIR:** You said that with the governments of Mitterrand and of Felipe González there existed the possibility of creating a European axis for greater cooperation with Ibero-America. Felipe González supported the joint renegotiation of the Ibero-American debt and proposes that the old debts be convert-

ed into new debts for development of those countries. However you showed some reluctance to accept the joint renegotiation of the debt.

**Blanca:** Well, Felipe isn't owed very much.

**EIR:** Well then, what is the position of your government regarding the inevitable economic crisis and the inability of the Third World to pay its debt, like it or not?

**Blanca:** You're right. Much debt is going up in smoke, probably all of it. We don't want a moratorium on the debt that will be the equivalent of wiping the slate clean and leaving the countries of the Third World as mere exporters of raw materials, which is what would occur if there were a moratoria on the debt and a new process of indebtedness launched based on raw materials exports. In 10 years time, when the prices of raw materials fall again, then we will need to make another debt moratorium. What interests my government is the planned industrialization of the countries of the Third World. For example, Colombia. Colombia is a country which has much coal. What would you prefer: Colombia as an exporter of coal or Colombia, a carbochemical power? What Colombia should do is industrialize its coal exploitation, import technology to develop a carbochemical industry; this is the kind of policy that we favor.

*A wire issued by EFE, the Spanish government wire service on the Madrid founding meeting of the Club of Life appeared Jan. 29 in the Diario de las Americas, the leading Spanish-language newspaper of general distribution on the East Coast of the United States, published in Miami. Headlined, "Meeting in Madrid to Support a New Economic Order," the text read:*

Madrid, Jan. 25 (EFE)—The "Club of Life," an organization which proposes to support the creation of a new economic order, and which is opposed to "the Malthusian policy of the Club of Rome," began its meetings in Madrid.

The club was conceived last year in the General Secretariat of the European Labor Party, in Germany, and was formally created in October 1982, in Rome.

"The Club proposes," as was indicated by the leader of the Club of Life, Delia Estévez, "to support the creation of a new world economic order, beginning with the granting of a moratorium on the foreign debt of the Third World countries, particularly the Ibero-American ones."

This request, she added, must take concrete form in the meeting that the Non-Aligned countries will holding in New Delhi in March of this year. The "Club of Life" hopes that Spain, whose government has not made any official decision on the matter, will also attend that meeting.

"Spain," said Delia Estévez, "has an important role to play, on account of its special relations with the Ibero-American countries."

The club states that it is an international association, independent of any government, that finances itself through private means, among them the sale of its publications.



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# Washington's Arab allies start to play Soviet card

by Judith Wyer

Since Palestine Liberation Organization (PLO) chief Yasser Arafat concluded his talks with Soviet leader Yuri Andropov on Jan. 14, Moscow has redoubled its efforts to increase its influence in the Arab world. During Arafat's Moscow visit, the Kremlin was quick to affirm that its Middle East peace plan was far closer to the one agreed upon at the Arab League Fez summit last year than to the "divisive" Camp David framework of Washington.

Andropov's tacit support for confederation between Jordan and a Palestinian state was a striking change from the standard Soviet backing for an independent Palestinian state. Moscow's shift was in part calculated to appeal to the conservative Arab states of the Persian Gulf, notably Saudi Arabia. It was Saudi King Fahd who formulated the Fez summit's call for confederation within a framework of peace talks with Israel.

It seems that Andropov's ploy is paying off. The day after Arafat left Moscow, the Saudi daily *Ukaz* ran a stunning commentary entitled "Dimensions of Arab Move Toward Moscow" (see box) which welcomed the U.S.S.R. as a mediator in the Arab-Israeli conflict. This departure from Saudi Arabia's traditional anti-Soviet posture could not have appeared without approval from the highest levels of the Saudi leadership.

The same day as the *Ukaz* commentary, Radio Moscow broadcast a strong attack in Arabic on Washington's Middle East policy, especially toward Lebanon. The broadcast concluded by citing a recent declaration from the Kuwaiti Foreign Minister, Sabah al Jabir as-Sabah, that the "comprehensive and just settlement of the Palestinian question is impossible without the participation of the Soviet Union."

## Capitalizing on U.S. failure

Since the Arafat visit the Soviets have sent delegations to Lebanon, Syria, and Jordan. Jordan, the crucial country in resolving the core of the Middle East crisis, the Palestinian problem, has become a focus of Soviet diplomacy. Two Soviet delegations arrived in Amman, and the speaker of the Jordanian National Consultative Council exchanged mes-

sages with the U.S.S.R.'s Supreme Soviet on global peace both through the arms limitation talks and within the Middle East sphere.

Two members of the Supreme Soviet traveled to Beirut, the first ranking Soviet emissaries to visit there since the Israeli invasion of Lebanon. Predictably they issued press statements attacking the U.S. for dividing Lebanon by not forcing an end to Israel's occupation, and pledged Moscow's support for Lebanon's "integrity and sovereignty."

In fact, the Soviets are attempting exactly what *EIR* warned they would attempt shortly after Israel's June 6 invasion of Lebanon. If Washington tolerated the Begin regime's expansionist policies, we said, the United States would lose credibility in the Arab world and Moscow would move in to fill the vacuum.

Moreover, there are indications that the Soviet Union may be prepared to do what Washington has never undertaken: end the Iran-Iraq war. The Warsaw Pact issued its first declaration calling for an immediate end to the two-year old Gulf war in mid-January. According to a Gulf diplomat, the Pact statement was widely read by Arab officials as the strongest signal to date from their northern neighbor of a desire to end the war.

Washington appears to be dismissing the new flirtation between Moscow and the moderate Arab states which rank as the closest U.S. allies. It is simply being read as "realpolitik" in an effort to get the U.S. to force concessions from Israel both in Lebanon and on the Palestinian issue.

But a number of strongly worded interviews from Egyptian President Hosni Mubarak and his Foreign Minister Hassan Ali on anticipation of their Jan. 26 arrival in Washington leave little doubt that the Arab world is getting tired of waiting for Washington to make a move to restrain Begin. Mubarak told the *Christian Science Monitor* Jan. 24 that should the United States fail to pressure an immediate Israeli withdrawal from Lebanon it will have "grave" consequences.

Hassan Ali in an interview with the Jan. 25 *Washington Post* became the first member of Mubarak's government to admit that Egypt is moving toward opening relations with the

Soviet Union. Ali's statement came less than two weeks after Anatoli Gromyko and Soviet Mideast journalist Igor Belayev met in Cairo with Osama al Baz, Mubarak's closest adviser.

Cairo fears that if the White House does not soon make visible progress in its Middle East peace bid, the Reagan peace plan will become altogether paralyzed by the campaign for the 1984 presidential elections. For this reason Cairo is giving the United States until mid-1983 before it openly begins to reassess its foreign policy, especially its pledge to uphold the Camp David Treaty with Israel.

In truth, as long as the Begin-Sharon combination remains in power, all hopes of a solution to the Palestinian problem are academic. The Begin regime is firmly opposed to any territorial concessions on the Israeli occupied West Bank and Gaza, which the Palestinians claim as their homeland. The intransigence of the Begin regime, in fact, has done more to advance Soviet influence within the Arab world than anything else.

There is no little hypocrisy in Moscow's pledge to bring peace to the region, of course. Moscow is simply basing its current diplomatic drive on the ruins of U.S. policy, and is talking peace to win new Arab allies.

The actions of Moscow's own allies in the Arab world, Syria, Libya, and the radical wing of the PLO, indicate the opportunistic attitude of the Soviets. Just as the Kremlin began to propagandize its own Middle East policy, Syria began to adopt a new hard line against any linkage between Jordan and the Palestinians in future peace talks. At the same time that Arafat was conferring with Andropov in Moscow, the so-called Steadfastness Front of radical countries convened in Libya to reaffirm opposition to both the Fez plan and the Reagan plan. But by encouraging Syria and Libya to take a hard line on Arab-Israeli talks, Moscow is doing exactly what it has been accusing Washington of doing—dividing the Arab ranks.

Arab sources say that these moves by Moscow's allies were more than anything else aimed at ensuring that the Reagan plan would again be stalled just long enough that the upcoming presidential race will undermine U.S. peace efforts through 1984.

The same sources have confirmed that the Soviet effort to sabotage the Reagan administration in the Middle East is linked to the ongoing bargaining between Washington and Moscow to start up the arms limitation talks (see *EIR*, Feb. 1). The Kremlin naturally opposes the continuation of Arab-Israeli peace talks within the framework of Camp David bilateral treaties, which has served as the vehicle for the buildup of U.S. and NATO military presence throughout the region.

### **Drawing the line in Iran**

As a well-informed Arab journalist put it: "It's a complicated game being played between the superpowers now. But one thing is for sure, and that is that the U.S.S.R. will not

tolerate any longer the Pax Americana which Kissinger started with the bilateral Israel-Egypt treaty."

In early January, Moscow issued an unusually strong statement that it would not tolerate the re-imposition of the Iranian monarchy and with it the Western military presence that existed before the Khomeini takeover. A lengthy article entitled "Iran: Revolution at the Crossroads" which appeared in *Noya Vremya* on Jan. 2, accuses the United States of backing the ultra-conservative wing of the Islamic Republican Party, known as the Hojitia group, to succeed Khomeini. The rabidly anti-Soviet Hojitia is characterized as a front for the monarchy. European sources believe that more than any other country in the Middle East, Iran is the arena for a potential superpower crisis.

If Washington does not now heed the warnings from its Arab allies, the United States will gradually surrender more than the Arab world. It will find itself indefinitely locked out of such strategic countries as Iran, which, like Saudi Arabia and Egypt was up through 1978 one of Washington's best friends in the developing sector.

## **What the Saudi Arabians say about the superpowers**

*Excerpts from the Jan. 15 article in the Saudi Arabian newspaper Ukaz:*

The strategy of an Arab move on the international level has achieved great success, proving that the Arabs are capable of reaching centers of international decision-making and influencing them in their favor.

The Arab countries, through the Arab-seven-member committee [of the Arab League], have been able to achieve positive results, thanks to the committee's visits to Washington, Moscow, Paris, and Peking. . . .

The Soviets have never ceased supporting Palestinian rights and the establishment of a Palestinian state in the West Bank and Gaza, but the Soviets support so far has remained verbal and rhetorical without reaching the stage of playing an effective role in the comprehensive settlement, for which preparations are underway.

The United States may not want a Soviet presence in any future settlement, but the Soviet Union cannot be excluded because it is the second superpower responsible for world security and stability. . . .

Moreover, a Soviet role, despite its limitations in wielding influence, would lend an equilibrium to the balance of power in the area that would in future prevent the area's polarization or inclusion in the sphere of influence of this or that superpower.

# Japanese leaders, Asian governments blast Nakasone military strategy

by Richard Katz

From the Japanese public and Asian neighbors alike, Prime Minister Yasuhiro Nakasone has been hit with a firestorm of protest against his discussions in Washington of a greatly expanded Japanese military role. The criticism ranged from the Prime Minister of Malaysia to the official press agency of China.

During his Jan. 18 meeting with President Reagan, Nakasone had labeled Japan America's "unsinkable aircraft carrier" as he talked about the possibility of giving his nation a regional military posture. Hitherto, in accordance with the famous "no-war" Article 9 of Japan's constitution, Japan has limited itself to self-defense only. Thus, the controversy swelled when Nakasone told the Diet Jan. 24 that Japan should seriously consider revising the Constitution. Just before that "State of the Nation" address, his Liberal-Democratic Party (LDP), for the first time ever, had officially recommended such a revision.

For the Japanese public and Japan's Asian neighbors—who share bitter memories of Japanese militarism during the 1930s and 1940s—Article 9 and the prohibition of a regional military posture seemed a safeguard against a repetition of the past. Nonetheless, report Japanese sources, Nakasone decided that he had to commit Japan to an expanded military role in order to "revitalize" ties with Washington. Nakasone told a Tokyo audience the week after his summit: "The United States would not seriously defend Japan if the determination by Japanese to defend their own country is lacking."

Under both Carter and Reagan, Washington has pushed Japan to expand its "self-defense" definition into regional deployments, in order to allow the diversion of U.S. forces from the Pacific to the Indian Ocean. In meetings with Reagan Secretary of State George Shultz, Nakasone discussed meeting such U.S. desires in the following ways: acting as an "aircraft carrier" against Soviet Backfire bombers; gearing up Japan's military to protect 1,000 miles of sea lanes (a commitment first made in 1981 by Nakasone's predecessor); and possibly enlarging its naval forces so that in time of war Japan could bottle up the Soviet Union's Pacific fleet in the latter's port of Vladivostok by means of blockading three

key straits.

Reagan issued a statement expressing "appreciation" for Nakasone's "personal leadership" on the defense issue; Asia erupted. Malaysian Prime Minister Mahathir, just arrived in Tokyo for a seven-day summit, demanded of Nakasone assurances that Japan's sea-lane naval activity would not extend into Southeast Asia. Defense of the Malacca straits bordering Malaysia, Indonesia, and Singapore, he declared, is the responsibility of those nations alone. Did Nakasone intend, Mahathir asked, to extend the purview of sea-lane protection as far as Guam or Taiwan or the Philippines? Nakasone promised Mahathir that the sea-lane perimeter would stop short of any such extension, and Mahathir declared himself satisfied.

Newspapers in the former Japanese colony of Korea raised alarms about Nakasone's discussion of the Vladivostok fleet. That would require Japanese naval action in straits bordering on Korea, they protested. China's official Xinhua news agency warned that Nakasone's Washington statements "would change the entire structure of Japan's defense relations with the United States," and approvingly cited harsh opposition party attacks on Nakasone.

Within Japan, the press almost universally criticized him in terms going far beyond their habitual knee-jerk responses to proposals for military upgrading. The leading daily *Asahi Shimbun* headlined "Nakasone's Proposals Unconstitutional." Toshio Komoto, who was Nakasone's chief opponent in the November contest for the premiership, declared that Nakasone's comments were "the wrong message to send to the Soviet Union."

One day after the Nakasone-Reagan summit, Foreign Minister Andrei Gromyko told reporters in West Germany that, due to the buildup of theatre nuclear weapons in North Asia, Moscow did not intend to scrap its SS-20 nuclear missiles should they be removed from Europe, implying that they might one day be redeployed to the Far East. Tokyo filed an official diplomatic protest against Gromyko's statement.

A leading Japanese analyst told *EIR* that due to immense

domestic and foreign opposition, "Nakasone will never be able to fulfill his pledges to Reagan. And, if he could, that would be even more dangerous, because this would change the entire direction of postwar Japan." He added that the turmoil surrounding the defense issue, when combined with other political difficulties, portends an early downfall for Nakasone.

### Revitalizing Washington links

Not a stupid man—in fact nicknamed the "weathervane" for his pragmatic shrewdness—Nakasone could have foreseen the turbulence his comments would cause. Why did he act as he did? Japanese analysts point to two factors.

Nakasone, a fervent patriot, has long advocated both military buildup and revision of the constitution in the belief that Japan cannot really be politically or psychologically independent unless it has a significant military capability. However, he has often proven capable of suppressing his own political positions in order to advance his career. His willingness to risk turmoil at home on this issue, say Japanese observers, was dictated by the need to "revitalize" frayed ties with Washington, which has put immense pressure on Tokyo over the defense issue.

All Japanese leaders agree that, though they might diverge from Washington on this or that issue, they must never allow a fundamental break between Japan and the United States. Like the rest of the men who now rule Japan, Nakasone came of age during the 1930s. He saw Japan submerged in depression, subject to trade cut-offs, and desperately isolated in the world due to its activities in China—and he saw how this situation led to a disastrous war with the United States.

The determination to never allow that experience to recur is the cornerstone of Japan's political structure. International, and often domestic, politics in Japan is often a contest between the demands of Washington and the sometimes incompatible demands of Japanese national interest and public opinion. The defense issue perfectly exemplifies that tension.

Nakasone referred to the experience of the 1930s in explaining his actions in Washington:

Japan is at a major turning point in its postwar history. . . . Japan's postwar prosperity has flourished under our present Constitution . . . the U.S.-Japan security arrangements as the basis for our longterm peace and stability . . . [and] the availability of plentiful low-cost oil, technological advances, the establishment of global financial and economic institutions, such as the IMF, World Bank, and GATT. . . .

However, conditions have changed dramatically . . . the world today suffers from [economic] ailments which do not lend themselves to ready recovery.

The stormy seas which plague the world also strike

relentlessly at Japan, as seen in the increasingly harsh trade friction. It must be understood that *to err in our response is to orphan Japan in the international society*. . . [emphasis added].

Protectionism is gaining force. . . . If unthinking nationalism, aseptomized by this protectionism, gains prevalence, the world economy will go into decline and we run the risk of repeating the terrible tragedy of the 1930s.

This, Nakasone explained, was why he agreed to concessions on trade in Washington which he knew to be unpopular at home.

Preserving unity with America was also responsible for Nakasone's response on the issue of developing-sector debt. According to Japanese sources, Shultz pressured Nakasone not to break with Washington regarding the latter's support for International Monetary Fund (IMF) "conditionalities" against the developing nations. He also urged Japan and Japanese banks to be ready to supply funds for urgent cases, repeatedly mentioning Yugoslavia.

At present, there is a fierce fight in Japan around this question. Sections of industry, the banking community, and the government's Ministry of International Trade and Industry (MITI) are considering proposals to "write off" portions of developing country debt, according to leading officials of those institutions. They consider the IMF's blockage of industrial projects in Brazil, for example, to be suicidally stupid.

Yet, the Japanese finance ministry and central bank are putting pressure on the banks to participate in London-New York rollover schemes in cooperation with the IMF.

In the speech to the Diet, Nakasone fulfilled the first part of Shultz's demand. He declared that a vital part of any world recovery scheme is "to secure the full functioning of international trade and finance institutions," i.e., GATT, the IMF, and so forth. Yet he was extremely vague about Japan's role in any bailout schemes, limiting himself to saying that "we must make coordinated international efforts to resolve the financial difficulties facing many countries at present." Beyond that, and some lip service to the need for technological innovation, Nakasone had little to say about restoring the world economy; he gave more attention to maintaining unity with the United States in the context of economic decline.

### Nakasone's own defense ambitions

Subject to U.S. pressures on rearmament, previous Japanese prime ministers have tried to finesse the issue, to accommodate the anti-military fervor of the Japanese people. Now American pressure has mounted, as never before; but that is only one reason Nakasone acquiesced to Washington's demands. In part, using the opportunity of American pres-

sure, Nakasone is trying to fulfill his own dream of restoring Japan's military.

As Nakasone wrote in a May 1982 autobiographical essay, "I was convinced that complete independence [for Japan] would only come when Japan was capable of administering and defending itself and of contributing in some measure to the security and well-being of other states. . . . A people that have become used to the protection of another country will soon lose the will to defend themselves. They degenerate into weak and selfish materialists who put the pursuit of economic prosperity above all else."

Nakasone terms the U.S.-Japan Security Treaty the foundation of Japan's security. Yet, many Japanese believe he wishes eventually to build up a somewhat "independent" military capacity. Others fear that, if there is a new depression and the United States shows itself incapable of defending Japan, then moves toward an 'independent' military could be extended to a "dangerous" degree.

Nakasone returned to the 'patriotism' theme in his Diet speech, calling for a revival of appreciation for the Japanese state and traditional culture, both of which, he believes, have, along with the military, been somewhat denigrated in the postwar period. "The postwar economic development and spread of a philosophy of respect for the individual has . . . brought about changes in the community, state, home, company, and other institutions which had claimed Japanese loyalties," he said. "Have we not sought to shut the state itself out of our consciousness because of our unpleasant memories of an extreme nationalism that compelled the people into war? However, I think that Japan's postwar prosperity was a brilliant achievement bringing together cooperative efforts toward a shared goal on a national base."

"We live within shared cultural and social foundations shaped by our long history as a state."

## Out by June?

The turbulence surrounding Nakasone can only increase. As it becomes clear to Washington that he cannot fulfill their hopes on defense, Nakasone's credibility there will fall. At the same time, opponents within the ruling LDP are sharpening their knives. Former Foreign Minister Kiichi Miyazawa is reportedly getting ready to issue an early challenge to Nakasone over defense and other issues. On Jan. 26, the prosecutor in the Lockheed case demanded the maximum sentence of five years in jail and \$2 million fine against former Prime Minister Kakuei Tanaka; this hurts Nakasone, who is criticized for owing his accession to the premiership to Tanaka.

As this turmoil makes political management of the Diet more and more difficult, rumors are growing that Nakasone will call new elections for the Lower House, perhaps as early as April; others say by June. If, as expected, the LDP does poorly, Nakasone will be blamed. The combination of all of these troubles leads a knowledgeable minority in Tokyo to forecast that Nakasone will be out of power by June.

# What Henry Kissinger

by Christian Curtis

There were no complaints from the State Department during the Carter administration about human-rights violations in Bolivia during the regime of the "cocaine colonels," and certainly no second-guessing about the lack of enthusiasm shown by those Bolivian officials in cracking down on the narcotics trade. And in 1980, under at best a blind eye from the very liberal Carter White House, Col. Luis García Meza staged a putsch that brought to power such a band of drug runners, homicidal sadists, death-squad commandos, and hard-core Nazi fugitives that the takeover became known in every Ibero-American capital as the "cocaine coup." The regime was powered by cocaine. Cocaine revenues outstripped income from every other legal source of income in the economy. But the State Department remained silent.

Now, however, the lovers of democracy and justice at Foggy Bottom are putting out the line that the administration of Hernan Siles Zuazo, Bolivia's first elected president in almost two decades, is doing "worse on the drug question than Siles Zuazo's predecessors, the cocaine colonels. "Siles Zuazo has made a lot of nice noises, but they really haven't done much on drugs," a State Department official recently told *EIR*. "The drug pushers have greater freedom now than ever before. Government authorities are not even going into the production areas any more."

These utterings are not as casual as they might seem. *EIR* has learned that they reflect a well-orchestrated disinformation campaign aimed against the President of the United States. The State Department, still as much Henry Kissinger's franchise as it was a decade ago, is vigorously working to overthrow one of the few bright spots for constitutional government to emerge south of the equator since the 1960s. And casually leaking the "evaluation" that the Siles government is getting poor marks in the area of drug enforcement is one of the surest ways to do it. It has been precisely a common fight against narcotics that has linked Siles Zuazo to Ronald Reagan, overriding various appeals to the President from within Washington that the new Bolivian government is dangerously "leftist." If Reagan can be "turned" to believe that Siles has sold out on dope, the Bolivian government's days will have been strictly numbered.

# fears in Bolivia

Not so oddly, it is also the State Department that is using the "leftist" bugaboo. After Bolivia renewed diplomatic relations with Cuba at the Non-Aligned Coordinating Bureau meeting in Nicaragua in mid-January, State deployed Ambassador Edwin Korr in La Paz to pay a visit to the presidential palace, to express Washington's "concern." Immediately afterward, Korr was recalled to Washington for consultation at the State Department. The whole affair was very "high-profile" in an effort to put pressure on the fragile Siles government.

The cocaine mafia and its military appendages didn't miss the signal. No sooner had State expressed its "concern" over relations with Cuba, than segments within the army issued open threats to overthrow the government.

Kissinger and George Shultz are also playing cards within the La Paz administration. Just as Siles was trying to keep his balance in the midst of this crisis, his coalition partner, the MIR party, threatened to pull out of the government. "The MIR? They may look radical on international questions," the State Department official told *EIR*, "but they're very close to the domestic policies we're trying to get them to adopt." Ibero-American observers were even more blunt. The Caracas daily *El Nacional* noted that large chunks of the MIR are regarded as run out of the U.S. embassy.

## Crossroads

The Kissingerian moves to topple a government that replaced one of the most corrupt regimes on the planet involve more than the desire to make cocaine plentiful in Washington once again. Bolivia has become a sort of Gettysburg on the world stage, an otherwise out-of-the-way place that finds itself the site of battle between opposing strategic forces.

Producing half the world's total output of raw coca, Bolivia in recent years became the ugly underbelly of the post-August 1971 Bretton Woods system, the system of offshore banking, hot money, Eurodollar markets—all based on a \$250 billion annual drug trade and related "industries." Bolivian coca accounted ultimately for a good fifth of that sum. Even before the cocaine epidemic, Bolivia had the reputation of one of the back alleys of the world—have for ex-Nazis.,

outlaws, hitmen for hire, torturers, arms merchants, smugglers, and spies. It remains a crossroads for intelligence warfare.

These unsavory activities are essential to good banking as defined by the supervisors of Henry Kissinger. Debtoration leaders who turn against the system, such as former Bolivian president Juan José Torres or Brazil's Jucelino Kubitchek, both murdered in 1976, are brought to the attention not of bankers' negotiating teams, but of the death squads that have infested the Parana river basin since the end of World War II. It is this enforcement apparatus that Siles Zuazo threatened as soon as he assumed power last Oct. 10.

## The Italian connection

On the day he was sworn in, Siles Zuazo ordered the arrest of Pierluigi Pagliai in the city of Santa Cruz, regarded as the cocaine capital of the world. The arrest underscores the international nature of what has since unfolded in Bolivia. It also makes clear that if Siles Zuazo is allowed to remain in office, not only will the international drug cartel pay dearly, but the unraveling scandal of the narcotics-Nazi-terrorist network will surely lead to Henry Kissinger's desk and to those who own him—the European oligarchs of the Freemasonic lodges allied to Italy's Propaganda-2, or P-2, lodge.

Law enforcement and intelligence agencies of at least half a dozen governments were involved in grabbing Pagliai—including the U.S. Drug Enforcement Administration, Brazilian authorities, Colombian and Venezuelan officials, and the Italian government, which conscripted an Alitalia DC-10 jet solely for the purpose of escorting Pagliai back to Italy.

Pagliai, who died in the hospital as a result of wounds suffered during the arrest in Santa Cruz, was sought for his role in the August 1980 bombing of the Bologna, Italy train station, which killed 85 people. He was a member of the neo-Fascist Ordine Nuovo, along with another highly sought terrorist, Stefano Delle Chiaie. Both Pagliai and Delle Chiaie had migrated to Bolivia shortly after the bombing, and formed the fascist "Bridegrooms of Death" squad under the supervision of then Interior Minister Col. Luis Arce Gómez. The assignment of the Bridegrooms, based in Santa Cruz, was to eliminate all opponents or potential rivals of the cocaine mafia.

The Oct. 10 raid authorized by Siles Zuazo was intended to apprehend the three leaders of the Bridegrooms: Pagliai, Delle Chiaie, and a West German terrorist named Joachim Fiebelkorn, who is wanted as Pagliai's accomplice in the Bologna bombing. Pagliai is now dead. Delle Chiaie is still at large, and Fiebelkorn was arrested in West Germany on Jan. 14.

In the investigation that has unfolded on both sides of the Atlantic since October 1982, a detailed picture of a single P-2 controlled fascist apparatus has emerged, including the following evidence:

- Pierluigi Pagliai was paid \$2 million to murder Siles

Zuazo in early October. The money was deposited in an account in an Argentine bank later discovered to be owned by P-2 interests.

- Money and manpower for the Bridegrooms of Death and for the July 1980 cocaine coup also came through P-2 channels in Argentina, including P-2 lodge member José López Rega, his associate Gen. Jorge Videla, and Videla's finance minister, José Martínez de Hoz. López Rega provided his own bodyguards through well-known cocaine mafia figure Atilio Benito Moya, a Santa Cruz restaurateur.

- Stefano Delle Chiaie, wanted for the 1969 terror bombing of the Piazza Fontana in Milan, has been identified by Italian witnesses as having been instructed by members of the P-2 to plant that bomb as part of an overall "strategy of tension" that was to make Italy "ungovernable" throughout the 1970s. In May 1981, documents confiscated from the villa of P-2 boss Licio Gelli by Italian police implicated Kissinger protégé Alexander Haig in the planning of the "strategy of tension."

- Pagliai's 1980 Bologna bombing was planned by Licio Gelli's associates in the Monte Carlo Freemasonic lodge, according to testimony in the Italian courts. The same testimony identified Henry Kissinger as a member of the Monte Carlo lodge. In September 1982, Italian magistrate Aldo Gentile, in charge of the case, was asked about Joachim Fiebelkorn's alibi—that Fiebelkorn was in Bolivia at the time of the bombing. Gentile indicated he was confident he could discredit the alibi. He may now have cooperation from the Siles Zuazo government on this point.

### **Italian heroin and papal assassins**

The day after Fiebelkorn was arrested in January, West German customs authorities at the Dusseldorf airport intercepted 1.6 kilos of heroin in the luggage of Sadegh Tabatabai, an Iranian. Tabatabai is a member of Iran's Revolutionary Council and the former Iranian ambassador to West Germany. He also turns out to have been a "business" partner of Fiebelkorn and Delle Chiaie—the Bolivian connections.

According to sources in Geneva, some time last year Tabatabai met with the Kunz brothers, Swiss arms merchants who are under investigation by Italian courts looking into the heroin-for-guns trade that plies the eastern Mediterranean. This investigation is part of the probe into the attempted March 1981 assassination of the Pope, and which so far has netted the arrest of Italian, Syrian, and Bulgarian officials connected to the Milan dummy trading company, Stipam. Stipam was located in a building owned by Licio Gelli.

Also at that Geneva meeting was Stefano Delle Chiaie.

Earlier, Tabatabai had arranged for an arms shipment from Argentina to Iran, via another corporate front called Sati. The planeload of weapons was forced down when it supposedly strayed over Soviet air space.

The Tabatabai case further carries the P-2 scandal to high places. During the Iranian hostage crisis, Tabatabai met with former State Department official Warren Christopher (a known

Kissingerite) and West German foreign minister Hans-Dietrich Genscher, a close friend of Kissinger. In 1982, when the Kunz arms deal was blown for violating German laws, several West Germans went to jail. But Tabatabai went untouched because Genscher wanted to avoid "diplomatic tensions." In this context, it is interesting that when Tabatabai was busted for heroin Jan. 15, he had not even attempted to conceal the contraband: Relying on friends like Genscher had apparently become routine.

### **New leads**

The dust in this "Bolivian" affair has far from settled. And well before it does, several important questions will have been answered, judging from leads now being pursued.

First, the Bulgarian avenue to the KGB will be further exposed. In the early 1950s, Licio Gelli, who was cozy with the Italian Communist Party at the time, traveled to Romania and Bulgaria regularly on "business." In 1968, Stefano Delle Chiaie, the head of the paramilitary fascist squadristi Avanguardia Nazionale, who by that time had deployed his underlings to successfully infiltrate the Marxist-Leninist Communist Party—a Maoist grouping—was arrested following a disturbance in Rome. Arrested with him were 10 Bulgarian "students."

Another key East bloc lead was provided on Jan. 11, when Austrian authorities arrested a Czech national, Peter Bardon, for trying to smuggle a truckload of pistols, machine guns, and sniper rifles into Austria. The weapons were reportedly destined for Austrian weapons dealer Horst Grillmayer, who had delivered the pistol used in the 1981 assassination attempt on the Pope to another dealer, Otto Tintner. Tintner, in turn, supplied the weapon to one of the accomplices of Ali Mehmed Agca. Hard connections between the Bardon incident and the Kunz-Delle Chiaie-Tabatabai group will be surfacing soon.

In addition, further investigations of Delle Chiaie's activities during his days with the Italian left indicate he and his comrade, Mario Merlino, met regularly with a French member of the Secret Army Organization, the OAS. The OAS provided a large portion of the original assassin manpower for the Permindex corporation named by French and American intelligence as responsible for more than 30 hit attempts against Charles de Gaulle and for the assassination of John F. Kennedy.

Finally, the paystubs of the "Bolivian" case, which already implicate the P-2's Argentine and Uruguayan members, will inevitably involve fugitive financier David Graiver, who bankrolled everything he could find in Argentina in the early 1970s from the leftist Montoneros to the AAA death squads. He also bought up the American Bank and Trust Company in New York and skimmed millions off of it, under the protection of Manhattan District Attorney Robert Morgenthau.

And once again, the evidence will be on Henry Kissinger's doorstep.

## **Reyes Heroles challenges Interior**

*The Education Minister is fomenting Jacobin rage at a time when civil-war potential has begun to emerge.*

**T**he education minister in the new de la Madrid administration, Jesús Reyes Heroles, delivered a speech in Puebla Jan. 15 which set off fireworks among this country's political elite.

Reyes Heroles exploited his reputation as the "great theorist of the Mexican liberal system" to present a call to arms against the industrialization policies of the two preceding regimes, those of Luis Echeverría and José López Portillo.

These governments, he charged, suffered from the "syndrome of governmental populism," which led to widespread corruption and to the undertaking of "superfluous or pharaonic investments." The answer was austerity, which "is not sadness or pessimism. In the economic area, we must do more with less." At no time did he so much as hint at any outside factors influencing the internal economic crisis.

Such a self-serving justification of IMF rule in the country has special implications in the case of the education minister.

As I mentioned in my Dec. 28 column, Reyes Heroles took high positions in both of the two governments he is now condemning. In each case, he was eventually thrown out after betraying the administration he was supposedly serving. As Isabel Arvide of *Novedades*—a newspaper policy-firmly aligned with IMF policy—commented after Reyes's speech, "It seems that his will got the better of him, what some call 'rancor'." She suggested that President de la Madrid

hardly needed this kind of personal friction in senior PRI circles.

What caused tremors, however, was the tone and style of the speech—"a masterful lesson in politics, which might have been spoken by Mr. Secretary of the Interior," in Arvide's words. Traditionally it is only the interior minister, the custodian of the political and security interests of the nation and the second most powerful figure after the President himself, who defines the general lines of government policy in the manner adopted by Reyes Heroles.

(A leading newspaper published a cartoon showing three cabinet ministers on one end of a scale, and Reyes Heroles alone holding the balance on the other side.)

There was no direct response from Interior Minister Manuel Bartlett to this power play, but political insiders tell me they expect continuing fallout from a fight that could deeply shake the regime.

Beyond the challenge to his current position, Bartlett has historical reason not to see eye to eye with his cabinet colleague. In the first half of the López Portillo administration, then-Interior Minister Reyes Heroles had a running feud with Bartlett's boss at the time, Foreign Minister Santiago Roel. López Portillo dumped Roel at the same time he axed Reyes, in May 1979.

One of the sharpest public responses to the Reyes Heroles speech came from Gov. Alfredo del Mazo of the powerful State of Mexico. At the

beginning of his annual "State of the State" address Jan. 20, and in the presence of several cabinet ministers, other top state and federal officials, and Fidel Velázquez of the CTM workers' confederation, del Mazo followed his opening salutation with the words: "In the name of the people and government of the State of Mexico, I thank former President José López Portillo for the support, understanding, and attention he always gave to our state."

These were hardly the words of someone who was about to join Reyes Heroles's witchhunt against the previous administration. They took on added importance because the young governor had been installed in 1981 as part of a joint power play by the CTM's Velázquez and then-Planning Minister, Miguel de la Madrid Hurtado.

Reyes's dropping of any pretense of representing the "liberal," nationalist side of the Mexican political spectrum created particular consternation in left-wing intellectual circles which have traditionally viewed him as "one of their own." This awakening could further shrink the education minister's domestic base of support.

(Outside the country, bankers have expressed their confidence that Reyes is the "political enforcer" for the IMF ever since his appointment at the beginning of December.)

Perhaps the most damaging attack came from a respected left-wing intellectual and historian, Gastón García Cantú, who reminded Reyes Heroles that the last time Mexico faced such an economic crisis was during the last great world depression. Mexico's response in the 1930s was not to hand economic power to foreign interests, but rather, under President Cárdenas, a "mobilization of the majorities for a better life," said García Cantú. Failure to follow the Cárdenas example could lead "to the extreme of civil war."

# International Intelligence

## **Italian Communists implicated in P-2 plot**

The Italian Communist Party (PCI) has been strongly compromised by documents acquired by the parliamentary commission investigating the affairs of the Propaganda-2 Freemasonic lodge (P-2), which was outlawed in 1981 for activities against the Italian state.

Dossiers taken from the Montevideo, Uruguay villa of P-2 Grand Master Licio Gelli, have confirmed that Federico D'Amato a former official of the SIFAR section of the Italian secret services, was a member of P-2. D'Amato now serves with the border patrol. He was forced out of SIFAR in 1974 by a scandal involving a coup plot.

The Italian press is reporting that D'Amato, a Christian Democrat, worked closely with three leading British agents in the PCI: Giorgio Amendola, Giancarlo Pajetta, and a certain Anderlini. Through them, D'Amato is said to have been put in touch with East bloc secret services.

Relating a somewhat different version of the affair, the PCI newspaper *Unità* claims that P-2 member D'Amato was spying for the Italian secret services against the communists.

The secretary of the PCI in Sicily, Pio La Torre, is believed to have been murdered last April 30 because he had discovered Pajetta's role in the British intelligence-KGB plan to provoke a separatist rebellion in Sicily, "Operation Nightmare."

## **French police raid Ben Bella's home**

French police recently raided the home of former Algerian President Ahmed Ben Bella, a pro-Hitler Islamic fundamentalist and Club of Rome agent whom the European Labor Party had been demanding be expelled from France for the past several months.

Unfortunately, Ben Bella himself was in Switzerland at the time of the raid and thus escaped. Nonetheless, the French police action will greatly harm his political and ter-

rorist capabilities.

The police were acting on a series of tips deriving from a recent major bank robbery case in Paris. This led them to Ben Bella's apartment, where they found caches of machine guns, ammunition, and other weaponry. Among those arrested was the former Algerian head of security.

Over the past months, Ben Bella has been building himself up as the "new Khom-eini" of North Africa. His activities have been bankrolled by Lausanne banker François Genoud, top funder for the Neo-Nazi International. Late last year, Ben Bella hosted a secret meeting in Paris to organize commemorations throughout the Islamic world for the 50th anniversary of Adolf Hitler's rise to power. Ben Bella is also linked to the Rothko Chapel in Houston, the center used by the Schlumberger family for running fundamentalist operations into the Middle East and North America.

## **Qaddafi says Hitler had the right idea**

Dictator Muammar Qaddafi has given an interview to three papers—the French-language *Jeune Afrique* and *Le Matin* and the U.S. publication *Newsweek* in which he supports Adolf Hitler's policies. The release of the interview coincides with growing fascination in oligarchic circles about a "new Hitler project."

Qaddafi told the journalists: "I repeat that I am absolutely against the massacres perpetrated by Hitler, against any massive physical liquidation, of Jewish or non-Jewish populations. I said that Hitler affirmed that he realized the danger that the Jews represented for Germany—as the Americans will realize one day the danger that Zionism could create in America—and that he had, it seemed, chosen to sacrifice the Jews before the latter sacrificed Germany. I am not absolutely in agreement with him but I relate a historic fact: we severely condemn Hitler for what he did, but he did it because he discerned this danger. . . ."

"An anti-Zionist American revolution will save the United States from Zionism. If not, it will be destroyed by it. This is the current plan of Zionism, the same plan that

failed at another time in Germany. In reality, although we totally condemned Hitler for the massacre of Jews, Hitler had understood this plan, understood that the Zionists wanted to dominate Germany."

The interview also included lavish praise for the "peace" and "ecology" movements, which Qaddafi has been funding.

## **London masons behind 'Bulgarian' connection**

New evidence in the hands of Italian police and magistracy show with unprecedented precision that it is the Grand Lodge of London (the center of the Scottish Rite Freemasons led by the Duke of Kent) that is behind, and controls, the entire weapons for drugs network based in Sofia, Bulgaria. This network, led by the Syrian Henri Arsan through his Stipam International Transports company, overlaps the network that plotted the assassination of John Paul II.

According to the evidence, the center of Arsan's weapons smuggling has been, for the last 10 years at least, the Tuscany region and in particular the port of Leghorn. Arsan used the export and shipping companies of several P-2 Freemasonic figures, including Maurizio Bruni. He used also the Züst and Bachmeier company, the "Armeria Sacchi" owned by Eugenio Sacchi who exported from Leghorn weapons of the Czechoslovakian company, Merkuria. The investigators have proof that some of the weapons ended up with the Red Brigades. Another close associate of Grand Master Licio Gelli working with Arsan, Alessandro del Bene, used to smuggle sophisticated military electronic systems from Tuscany through a British company based on Jersey Island (U.K.), the "Independent Trading Company." But what is most interesting is that the whole Masonry in the Tuscany area is fully controlled by the Grand Lodge of London.

According to the last issue of *Panorama* magazine, 90 percent of the Tuscany politicians are Masons and directly connected to London. The links were reinforced in 1973 when the Grand Secretary and the President of the London Grand Lodge, James Stubbs and Jeremy Pemberton came to Florence to meet their political contacts there. *Panora-*

ma printed a beautiful picture of the two leading Masons, together with Lelio Lagorio, the present Socialist Defense Minister, and at that time President of the Tuscany region. Lagorio had already been caught red-handed protecting one of the bosses of Red Brigades, Giovanni Senzani, and is suspected of being the top political protector of this Masonic weapons-smuggling gang.

A network has been discovered in London very similar to the one discovered by Trento magistrate Carlo Palermo. It is led by one Garth Reynolds, who had been in contact with Arsan.

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## Foreign investment in India promoted

The first of 15 conferences across the U.S. on investment prospects in India took place in New York Jan. 16. The audience of more than 150 was three or four times the attendance level in previous years.

With about \$3 billion in total trade between the two countries, U.S. direct investment in India is still only \$500 million. But more than 25 percent of that has occurred in the past two years, and in the fast-growing area of joint ventures, the U.S. now holds a 20 percent share.

Keynoted by Indian Ambassador K. R. Narayanan, the seminar was co-sponsored by the U.S. Chamber of Commerce, the Indian Chamber of Commerce of America, and other agencies. Featured speakers included J. A. Patrino, vice-president of Combustion Engineering, who spoke of CE's long and vital relationship with India's core power generation-heavy electrical industry, a relationship that might be seen as a model of successful technology transfer. Two panels included spokesmen from various firms with experience in India, as well as Indian Embassy representatives.

Ambassador Narayanan presented an overview of India's economic development, with goals and prospects, emphasizing the continuity of Indian economic policy from the time of Independence. This theme was later energetically expanded by Economics Minister Bagla of the Indian Embassy, responding in part to repeated efforts, notably on the part of World Bank representative

David Williams, to obscure the issues by casting policy discussion into the Procrustean ideological framework of "socialism versus free enterprise."

India has never considered foreign financial investment as an end in itself, Economics Minister Bagla explained, nor as a "private" entity. Rather it is treated as an input to accomplish, in particular, the efficient updating of industrial technologies.

The many reports of investment successes stood out against the tiresome litany of troublesome foreign exchange regulations and bureaucratic hassles. Whatever they may be saying, more and more American businessmen now view India with great practical interest.

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## Italian trade unions cave in on COL

The IMF and its Italian allies have finally succeeded in forcing Italy's labor unions and the Communist Party (PCI) to accept a cut in the cost-of-living escalator (COL). For the past two years, the IMF had failed in that effort. On Jan. 23, after an unprecedented show of strength by Italian workers, who organized the biggest strike against austerity in the past 20 years, the union leadership kneeled before the Club of Rome operatives who head Italian industry, and accepted a 15 percent cut in the COL.

Olivetti chief Carlo De Benedetti commented, "Very good. Now we can turn to the real problem: cutting public spending." PCI parliamentarian Natta: "Very good, this is the direct result of the popular mobilization." Prime Minister Fanfani: "Thanks to my government, a dangerous social confrontation was prevented."

Italy's most hated trade-union leader, Socialist UIL Secretary Giorgio Benvenuto (known among workers as "*lo spione*" [the spy] because of his links to Bulgaria), commented: "This is a splendid victory. The unions are no longer antagonists."

It is not clear that the PCI and the trade unions will be able to force Italian workers to accept the deal they've made, or, in the alternative event, that radicals won't be able to provoke violence over the issue.

## Briefly

● **KING HASSAN II's** principal military adviser, and commander of Moroccan forces fighting the guerrillas in the former Spanish Sahara, Ahmed Dlimi, died in a car accident one day before the visit of French President Mitterrand to Morocco.

● **THE ATLANTIC COUNCIL** will join those trying to force President Reagan to reject a beam-weapon missile-defense policy and to disarm the U.S. instead. The point of the U.S.-based NATO thinktank's new study, to be released in March, is that "the U.S. is building up its forces at three times the rate of our European allies. The only way to stop this disparity from disrupting the alliance is for the U.S. to cut back on armaments and agree to limited disarmament," an author of the study said.

● **GEN. GEORGE SEGNIUS**, the other author of the Atlantic Council study, said that beam weapons would violate SALT I and the ABM treaty, and "besides, my official knowledge from sources . . . tell me that the Soviets are pursuing a stable course and not developing such weapons." The general is former head of staff for the Joint Chiefs.

● **"BEHIND THE BULGARIAN connection** is the Lodge of Kissinger and Andropov" is the title of a dossier recently published in Rome. It includes information on the murder of Banco Ambrosiano's Roberto Calvi and former Prime Minister Aldo Moro.

● **KLAUS BARBIE** (a.k.a. Klaus Altman), the former head of the Gestapo in Lyons, France, has been arrested in Bolivia on charges of "organizing the network of paramilitary and mercenaries in Bolivia." According to a government official, these networks "were financed by the cocaine trade and one of their purposes was to intimidate the political and labor opposition to previous military governments." Barbie also faces possible extradition and war crimes trial by West Germany.

## The Shultz faction and the perilous state of the Union

by Nora Hamerman

Perhaps the most significant fact bearing on the abysmal State of the Union message of U.S. President Ronald Reagan on Jan. 25, a message that signaled a new step in the process of U.S. capitulation to an international financiers' dictatorship, is the appearance that same day in the "newspapers of record" in European capitals of the observation that former Secretary of State Henry Kissinger is still at large in the case of the terrorist murder of Italian statesman Aldo Moro.

On Monday, Jan. 24, the Red Brigades terrorists who carried out Moro's execution in 1978 were given jail sentences in Rome. The press of Milan, Paris, and Moscow took the occasion to recall that last November, a close aide of the former Italian prime minister had given sworn testimony that the plot against Moro's life started with threats from then U.S. Secretary of State Kissinger in the middle 1970s. Kissinger, according to the statements of members of Moro's family and other witnesses, had told Moro he must "change his political line . . . or pay dearly for it."

Kissinger, according to European sources, is now conducting a whispering campaign in European political circles to the effect that Reagan is a lame-duck President and no one should engage in any serious policy cooperation with an administration that will soon change. This did not prevent the former Secretary of State from showing up at the White House on Jan. 22 to deliver in person his recommendations for "saving the world economy," a recipe that appeared earlier that week in *Newsweek* magazine. The recipe calls for the *political submission* of the United States to the London and Swiss banks which run Kissinger, his current successor as Secretary of State, George Shultz, and their long-time collaborator, Federal Reserve Board chairman Paul A. Volcker.

The fingerprints of the still-at-large Henry Kissinger were

all over Reagan's Jan. 25 speech. True, as the headlines blared across the country the next day, Reagan said that the "economy is on the mend," a line that the millions of Americans now unemployed or who have recently lost their farms and businesses to bankruptcy aren't likely to swallow. But the message was not simply a string of lies intended to pacify American voters. Three features of it matched point for point the recommendations of Kissinger, Shultz, and Volcker for delivering the United States to the dictates of London and Swiss banking institutions.

First, the President opened the door wide for a U.S. bailout of the International Monetary Fund, whose economy-wrecking "conditionalities" for loans are the root cause of the current world debt crisis. Reagan, whose more informed conservative political base loathes the IMF, went so far as to state that "We will continue to work closely with the industrial democracies of Europe and Japan and with the *International Monetary Fund* to ensure it has adequate resources to help bring the world economy back to a strong, non-inflationary growth [emphasis added]." In other words, unless Congress puts up a strong resistance, the United States will be locked into a process culminating in the U.S. Treasury's acting as the lender of last resort for the bankrupt Eurodollar market, a paper game currently running at \$500 billion.

Second, Reagan announced a freeze on domestic spending programs during fiscal 1984, a measure which senior officials estimate will slash \$43 billion from mandated cost-of-living augments for entitlement programs, civilian and military pay, Medicare benefits, and farm price supports. He indicated plans for longer-term gouging of entitlement programs and announced as a priority the "structural reform of transfer payments," that is, further chiseling at the very tax base which will immediately result in bigger budget deficits:

Third, Reagan indicated his willingness to accept \$55 billion in defense cuts over the next five years.

There is another feature of the Reagan State of the Union message with ominous indications of the pressures that are being massed against the White House by the strategists in the Kissinger-Shultz-Volcker camp. The President uncharacteristically discussed the nation's economy in the language of the "post-industrial society." He spoke of measures to "ease the massive economic transition for the American people," including the use of unemployment insurance programs for "worker-training and relocation" and employment incentives "programs for displaced workers." Since early last fall, all these schemes have been a pet project of the most liberal wing of the Democratic Party, the Averell Harriman-dominated Northwest-Midwest Congressional Coalition.

### Media and other blackmail operations

The President's State of the Union message thus locks the United States into a depression which could seal the doom of the entire world economy. It must be seen as the culmination of a two-month campaign of extraordinary pressure on the White House by forces whose interests lie not in any desire to make money even for themselves, but in the determination to maintain the political power of the oligarchy.

The objective of this pressure campaign is to force first Reagan and then the U.S. Congress into political submission to the London and Swiss banks, and to force the surrender of U.S. national sovereignty to the IMF. With the United States politically annihilated, the London and Swiss banks can then safely proceed to pull down the entire house of cards—in time to demand a global central bank dictatorship role for the IMF at the Williamsburg, Virginia summit of the seven top industrialized nations this May. Reagan is being told that if he does not agree to this swindle, he will be responsible for an international financial collapse.

The campaign went into high gear in early January when *Time* magazine ran a cover story on the "debt bomb" threatened by the world debt crisis. *Time's* line is that the belief in the possibility of rapid industrial progress had deluded Third World countries and U.S. banks into making massive loan arrangements which now cannot be paid. Not only should all such "unrealistic" dreams of development now come to a halt, according to *Time*, but the unhealthy condition of the New York banks, the magazine strongly implied, demands some kind of immediate federal intervention.

The next week it was the turn of the "rival" slick weekly, *Newsweek*, with twin psy-warfare pieces, Kissinger's demands to stop a debtors' cartel at all costs (see page 20) and an article on the collapse of the U.S. Social Security system.

The newsweeklies are the major means through which the British-approved falsehoods otherwise attired in grey flannel in the Eastern Establishment dailies are pablumized, garnished with colorful pictures, and dished out to a mass American audience which is told that by reading these glossy publications it can make sparkling conversation at corporate

cocktail parties. Meanwhile, the demand for lowering the federal deficit by cutting the tax base to ribbons—the actual effect of the proposed cuts—rose to a fever pitch. A full-page "Bipartisan Appeal on the Budget Crisis" signed by 500 former government functionaries, heads of corporations, and so-called economists appeared in the *New York Times*, demanding that Reagan impose a \$60 billion cut in social services, a \$25 billion cut in defense, and a \$60 billion tax increase that would fall most heavily on workers and their families.

This occurred the week before the State of the Union; the same week, five former Treasury Secretaries, all veterans from the period in which the U.S. economy has been spiraling into the present post-industrial nightmare (and hence "experts"), entered their pleas that the President drastically slash the budget.

The phase of increasing the pressure on Congress after the President's concessions has now begun. On Jan. 27, Paul Volcker himself appeared on Capitol Hill before the Joint Economic Committee which he told to bail out the IMF or face "harsh consequences." Volcker warned that the Fed's need to finance looming out-year deficits could "force" interest rates back up again, and then turned his attention to the international debt crisis. He praised the role of the IMF in imposing austerity in the developing sector, although developing countries' "adjustment" efforts have come too little and too late. Now, said Volcker, "timely action by Congress is essential to assure that IMF resources are commensurate with possible need and to demonstrate that governments can act together. The failure to strengthen the international financial system could only feed back adversely on the U.S."

On the morning of Jan. 26, following Reagan's State of the Union message, *The New York Times* ran an editorial ordering President Reagan to draft Henry Kissinger to manage U.S. Middle East policy. It is, of course, not the first time that such hints have come out of that quarter, but the editorial was a signal that the people who own the *Times*, Britain's junior partners in the Morgan Guaranty banking group, are getting impatient with even the nominal appearance of a Reagan White House that is free to make independent decisions on policy.

These developments must be seen in the cold light of the assessment *EIR* founder Lyndon LaRouche made after last November's general elections (see *EIR*, Nov. 23, 1982). He noted that the real issues being fought out in the nation's capital are not between the Democratic and Republican parties, but between the backers of a Kissinger-guided State Department and the backers of the development of space-based anti-missile beam weapons.

LaRouche has stressed that a beam-weapons policy would end the reign of thermonuclear terror which has been used to dismantle Western industrial capacity over the past two decades, on the pretext that traditional military requirements of a healthy economy and universal military training were no longer required.

# Dr. Edward Teller explains the need for antiballistic-missile defense

*Dr. Edward Teller, the nuclear physicist widely known as the "father of the U.S. hydrogen bomb," spoke Jan. 18 at a Georgetown University forum on anti-missile beam weapons in Washington, D.C. Dr. Teller attacked government secrecy regulations for keeping from the American population knowledge the Soviet leadership already possesses. This speech was part of a campaign by Teller in recent months urging the crash development of high-energy defensive weapons systems capable of knocking down or disarming intercontinental ballistic missiles in flight. Excerpts from his Jan. 18 address follow. Subtitles have been added. The moderator introducing Dr. Teller stated that the physicist would answer questions following his speech.*

Thank you very much. Indeed, I will answer any question, provided I am permitted to do so by the rules of secrecy often and wrongly called security.

Here is my first difficulty. It has been printed that I shall talk about beam weapons; I am not *allowed* to talk about beam weapons. Trouble! The President has said—and very rightly—that the American people are certainly entitled to know whatever the Soviet leadership knows, in general terms. What I could possibly tell you in a semi-technical manner about one topic or the other is certainly known to the Soviet leadership. I therefore should not be restricted in what I can talk about. I am, because the bureaucrats who still exist have not completely understood or implemented the President's correct and general statement. This is an exceedingly serious matter, and *how* serious it is will become clear while I am talking.

Incidentally, the timing of my talk is not quite right. Our department of energy has a new, vigorous, and, I believe, excellent leader, Don Hodel. I already see signs that that policy of exaggerated secrecy may be reformulated. I hope it will happen; it is necessary that it should happen.

What I *will* talk about is a more general, and no less important question: the balance between offense and defense.

It is generally believed, and firmly believed, that nuclear weapons are not only *offensive* weapons, but that they are weapons that serve no other purpose—and *can* serve no other purpose—than mass destruction. This statement is wrong. And about this statement we ought to get clearer ideas. But again—largely on account of exaggerated secrecy—the question will not be sufficiently clarified this afternoon. . . .

## **Defense is not impossible**

While in the First World War, the defensive won in practically every instance, in the Second World War it was the offensive that had the advantage in practically all phases—culminating in the atomic explosive, which then became the symbol of offensive weapons, promoted into the nonsensical category of absolute weapons, against which defense is impossible.

Defense is *not* impossible. We know—and part of the evidence is even publicly available—that the Soviets have made great strides toward civil defense, an area where we do much too little, to our greatest danger. There are indications that the Soviets are also deeply involved in active defense.

It is not unusual that with the introduction of a new weapon, it is used primarily as an offensive tool. The very knowledge of the weapon, the great variety in which the weapon can be used, makes it difficult to prepare for defense in every possible way. And the more powerful the weapon, the more consistent the situation becomes.

So, behind the idea of nuclear weapons being just offensive weapons, there are good, thoroughly worked out, generally accepted arguments. These arguments have culminated in the MAD doctrine, in the doctrine of Mutually Assured Destruction. There is no help except the possibility to prevent war by deterrent.

And once you begin to think in that direction, you are apt further to exaggerate the consequences of nuclear war, consider it the end of mankind, call it unthinkable, and lose touch with reality.

That Mutually Assured Destruction—the idea that the people of the opposing nations should be mutually held hostage and thereby give assurance that war won't occur—I don't think this is an idea that anybody can be happy about, and nowhere less than that where we talk about a balance of terror. The terror is certain; the balance is not. Because one clear point about the developing, evolving technology—is that it is full of surprises, and the next step can hardly ever be predicted, even by the best people.

Such surprises can all too easily become destabilizing.

Now all of this has been expressed and has gained force under the name of the nuclear freeze movement. If nuclear weapons are only offensive weapons, if they are actually terror heaped upon more terror, what else to do than to stop? The objectives, the work connected or brought about by the nuclear freeze—these really are most simply expressed by saying that we consider nuclear weapons absolute. The Soviets do not. In New York three-quarters of a million people demonstrate for a freeze, but if a handful demonstrate in Moscow, they go straight to the Gulag Archipelago. That under these conditions, the freeze movement is not any better a solution to our problem than is Mutually Assured Destruction seems to be obvious.

Now, as we become more familiar with the detailed technology, not only of nuclear weapons, but with the various delivery systems of nuclear weapons, with the various potentialities in a war, for which we all know one has to prepare in some way—as we understand the details, we begin to see what are the elements against which we ought to be ready to defend ourselves. And once we know these elements, defense may become, again, much more strong than offense. Why?

In the past the aggressor had to walk a lot; his foot grew tired. Today, we have rockets; they don't get tired, but they cost money. The longer the range, the more [they cost]. The defender can stay closer to home, thus has some inherent advantage. He also has some real difficulties, because the initiatives are with the offense, and the defense must be prepared practically for every eventuality. But if you have a complete review of what can happen, and the closer you come to it, and the more you look into the details of it, the more there is a chance that defense by intelligence, by imagination, by foresight, can win. And if we get into the state where defense wins, this I believe is a most desirable state. If we have a defense which cannot be defeated except by much greater effort on the side of the offense, then war will really not be winnable for the side that starts the war. Defense is by far the best deterrent, if it works. . . .

These are not technical points. This seminar should be technical; I want to talk about technical subjects. But overclassification prevents me almost completely from doing so. I therefore have to limit myself to a couple of really poor examples of defense. There are more. There are brilliant examples. Not any that I am proposing, but quite a few that

my younger colleagues in the weapons laboratories, particularly at Livermore, are proposing.

We have all kinds of evidence—I believe conclusive evidence—that the Soviets are thoroughly familiar with these proposals. They learn about them from peculiar sources. I forget the name of this famous publication—*Aviation Week*—which you know is not always right. But when the Soviets write about it, they correct the mistakes of *Aviation Week!* And we learn that the Soviets know. But I cannot correct the mistakes; I am not allowed to tell you.

If there are any representatives of the press here, they might want to take note, that is they might have a campaign to let democracy work. [President] Madison has remarked that democracy without information is a farce, a tragedy, or worse. And I believe that this is even more valid today than it was in the time of Madison. And as I told you, there are even signs that we are at least moving in the right direction.

But now let me talk to you about a couple of relatively weak, obvious, trivial examples, not only of defense but of nuclear defense. One is well known, and not quite correctly discussed, by the name of the neutron. What I need to tell you about the neutron bomb, and what I am allowed to tell you, is that it is a very small nuclear explosion, detonated a few hundred feet over the surface of the Earth. Now nuclear explosion has essentially four effects: shock, heat, long-lasting fallout, and very-short-duration, instantaneous radiation, which comes and goes in not very many seconds. Of these four, three are almost exclusively the important ones in any *big* nuclear explosion, but when you get down to a kiloton or a few kilotons, or even below a kiloton—a few hundred tons equivalent—and detonate above the ground at an appropriate altitude, the villages right underneath are not damaged, people in cellars are not hurt, a person not in the middle of the battle, half a mile away, will not be seriously hurt, and a mile away will not be hurt at all. Fallout, shock, heat, are all unimportant but a short burst of radiation does kill the people right underneath, and the walls of a tank are no protection.

The neutron bomb is an excellent defense against a massive tank attack, against troop confrontation, against mass movements on the surface. They are purely defensive instruments which render great Soviet preparations, and expensive Soviet preparations, useless; hence, the passionate protests emanating from the Soviet Union. And that this protest should have a response on our side is to a great extent due to misinformation, and lack of information, which our own policy of secrecy has fostered. . . .

### **Ballistic missile defense**

A second example, ballistic-missile defense, is not an easy business. We know that together with incoming missiles, with re-entry vessels, there will arrive a great number of decoys, so we won't know what to shoot at, except that a really expensive operation is to lift a rocket and deliver it thousands of miles away. Whatever is heavy is suspicious,

expensive, and therefore not too numerous. What is light burns up in the atmosphere very quickly upon reentering. What hasn't been burned up at once on re-entering we should and can shoot at, and that solves the problem, in an oversimplified fashion—and therefore in the wrong fashion.

To go into further details may take too much time and may begin to violate some secrecy rules as well. But very careful, long-term investigation of ballistic missile defense has shown that it can be done. Not easily, but it can be done—and probably done less expensively than the expense of increasing the attack.

In the MX debate, which of course is of great immediate importance—I like the MX, although in general I do not like retaliatory weapons. I like the MX for two reasons: the MX can be used to launch satellites into orbit. We need the satellites—we need them desperately—to warn us of a Soviet attack. But satellites are vulnerable, and at the beginning of an attack the first thing that may happen would be that our eyes, in our satellites, will be put out. Then we have to redeploy them. MX is an excellent way to do this in a great hurry.

However, MX as a retaliatory weapon—which I like less—does not make much sense unless it is defended by ballistic missile defense; if it is, then it makes some sense. And if you pack all of them together—if you have the densepack—and if you have spent \$30 billion on a small amount of real estate, you should defend that real estate, and therefore MX would be a wonderful opportunity to begin to develop a defensive system which could grow and become much more comprehensive later.

I told you that there are examples of truly remarkable and ingenious defensive systems. These I am not allowed to mention, although I am certain that it has nothing to do with security. I hope that in a few weeks this difficulty will be cleared away; unless it is cleared away, I don't see any way to stop the nuclear freeze movement, and if the nuclear freeze movement succeeds, it will succeed here, not in Moscow. The lack of balance will become complete, and I believe our very existence will have exceedingly poor chances. This is how important the question of exaggerated secrecy happens to be.

I would like to mention one more topic, seemingly unrelated, and this is a topic which at least I can mention and explain. It is called EMP, which stands for electromagnetic pulse. I am not going to explain it, except for saying that connected with some nuclear explosions, very strong electric fields appear—electric fields in a very general way, and only in a general way, similar to the electric fields which accompany and precede lightning strokes.

There are a couple of stories about EMP that I can tell you. We performed a test in the Pacific, a few hundred miles from Hawaii. As a result, the electricity in Honolulu failed. We were all surprised about it, and then we found out that the explanation—that was new to us—had already been pub-

lished in the Soviet open literature. So EMP is one of the topics where we have good evidence that the Soviets are ahead of us. We pretend that there are secrets, but they are only secrets from the American people.

Another story. Do you remember the Soviet plane that was flown by a deserter to Japan? You may have seen news items about how primitive their electronics system is, it still consists of tubes in the electronics age where every reasonable person works with transistors. Later it was found, and less conspicuously published, that that MiG did have transistors—deep inside the plane in a well-protected place. On the outside there were these antiquated tubes. It so happens that the tubes are not sensitive to EMP; the transistors are. So not only were the Soviet planes *not* less developed; they took into account an effect which we are just beginning to realize.

These are some of the questions that make me uneasy, and should make, I believe, all of us uneasy. To publish facts about EMP is extremely important. We begin to realize—and this is public knowledge—that communications command and control, the cooperation of the whole military establishment in case of war, is not only important, it is also vulnerable, and should be defended. And one of the elements in which endangers this command and control are these electromagnetic pulses; and we are beginning to do something about it. That is well known. What is less well known is that very big sectors of our civilian economy are likewise vulnerable, and in some cases more vulnerable, and after all, even in war, our military structure, is supported by our whole civilian economy. . . .

### **MAD does not provide security**

[It is often said that] if we put up more defense, the Soviets will just put up more offense—wrong. We must try to put up such kind of defenses that the offsetting offense will be more expensive. And this is the critical point and I believe it can be done in such a way that the defense will win. Then there will be no more trouble. If we put up more defense, the only way the Soviets can go is that they in turn put up more defense. If both sides become defense-minded, not offense-minded, but really defense-minded, that is the stable situation. Out of that stable situation even peace may come.

I don't believe that peace is just the absence of war. To my mind peace is cooperation and understanding and lots more. But in order to have a chance for cooperation and understanding, one should have a minimum of security. Mutually Assured Destruction does not provide it. Defensive weapons could. There was no time when I did not wish for defensive weapons. They did not come. But now after a lot of labor, there is a real prospect—on which incidentally, only a very small fraction of our scientific community is working—and we should understand this possibility, that scientists and technical people should realize that peace can be stabilized by defense. The public should realize what the ideas are, the common ideas which are surely known

throughout the world but which take a bit of explaining, a bit of intellectual labor. If we understand, if we work, we may yet succeed in preventing the horrible eventuality of a Third World War. Thank you very much.

*From the question period following the speech:*

**Q:** Dr. Teller, can the MX densepack system, either by itself or with a ballistic-missile defense system, either defeat incoming Soviet attack or create enough confusion to prevent such an attack?

**Teller:** If we had a densepack system, it may draw Soviet fire. In fact, the Soviets are not likely to attack unless they are confident that they can prevent a massive counterattack. They could do that by a defensive system on their side . . . they can do it by a strike against one of the portions of our retaliatory force. And the densepack would be a most inviting target. However, it can not be wiped out except by concentrated attack, converging on one point. and since we know the endpoint of the attack, defense becomes a little more easy. I agree that it is a Maginot line mentality, in first approximation. But once we start it, the destruction of incoming missiles should be pushed out at greater distances. There are a considerable number of techniques by which this can be done. And in this sense, densepack is a particularly good place to make a first step toward defensive systems. Incidentally, I hope if we are correct that by the year 2000 of all strategic expenses, 95 percent will go into defense.

### **The High Frontier proposal**

**Q:** Dr. Teller, within the context of that discussion of ballistic-missile defense, would you suggest whether a space-based system is more practical than ground-based or vice versa?

**Teller:** There has been a proposal called High Frontier. I participated in all their deliberations. I did not sign it. I agreed with three important statements that they made. Number one, we need defense. Number two, defense means being in space. And number three, it should be done by a conventional method. However, there was a very serious flaw in the proposal. The proposal spelled out that we should pre-deploy our defenses in space. The kind of massive, and not very imaginative, defense that they plan could not be deployed on the spur of the moment. It has to be pre-deployed. Space stations are vulnerable. To maintain even observation stations in space is difficult. To maintain a really massive system in space is impossible. An attacker need not do more than punch a hole in that defense, because the ideas [the High Frontier approach] was to cover the whole sky with satellites so that there should be some available defensive satellites at every place. If even a fraction of these were destroyed by the Soviets in a certain region, they could, so to speak, shoot through that hole and reach us. Pre-deployment in space will not work. This does not mean that space is not important for observation and other purposes. Space is most important. . .

**Q:** Dr. Teller, I know that you have said that you and your colleagues, your younger colleagues at Lawrence Livermore, are sure that it won't be easy, but that we can develop beam weapons.

**Teller:** I did not say that. Or, I should not say that. I am not allowed to say that.

**Q:** Dr. Teller, then you are confident that we can develop defensive weapons of this sort, but yet Dr. Keyworth, the President's Science Adviser, had told Congress, has told the Senate Armed Services Committee in mid-December, that we cannot even make such decisions until the 1990s. How do you explain the differences between Dr. Keyworth's statement and what you are saying here?

**Teller:** Jay Keyworth is a very ingenious man. He also has to be very cautious. He also is very busy. I have the opportunity to concentrate on nuclear weapons, including defensive nuclear weapons, more than Jay. Also you can be cautious in many ways, and you have to be cautious in a different way depending on where you sit. In the position of the President's Science Adviser it may be very important not to say that something can be done unless you are quite sure that it can be done.

On the other hand, if you don't say that it can be done, or at least a good chance that it can be done, then you are going to lose the political battle with the freeze movement and then you can do nothing. . . .

### **'I am an optimist'**

What we are beginning to do can be employed in a radical way or in a rather elementary and simple way. When employed in a radical way, they will solve the problem. Whether that can be done I don't know. [It's] fifty-fifty. The simple application, the less ambitious program, I believe can be carried out with 90 percent probability. And there are several of these. And that some of them indeed will work is a practical certainty. Now let me add to all of this a true statement and an immodest statement. The true statement is that I am an optimist. And the immodest statement is that I haven't been always wrong.

**Q:** Dr. Teller, as you spoke of these near certainties and 90 percent probabilities and so forth, were you speaking of defensive systems generically, or defensive nuclear systems?

**Teller:** I am talking about defensive systems in general. My overall evaluation is that there are three systems in very general terms about which I feel in a strongly positive way. One is nuclear, about which I am most familiar. Second, the very big class of lasers which can use very strong electromagnetic beams of which there are all kinds. And some of them without any doubt are exceedingly useful. And the third, which Kupperman mentioned, are essentially robotic systems. . . .

# How the liberal New York Times promoted 'Nordic supremacy'

by Robert Zubrin

The *New York Times* is a leading public advocate of various Club of Rome prescriptions for reducing the populations of the Third World, claiming that such efforts stem from its concern over the misery the poor non-white children of the world could avoid if only they did not exist. Yet, when one examines the history of the *Times* and notes that for three quarters of a century up to World War II the august liberal organ actively campaigned to promote the program of Nordic race supremacy and international racial purification known as eugenics, later to be made famous in the gas ovens of Auschwitz and Buchenwald, a somewhat less liberal motive for the *Times's* current concern for non-Nordic overpopulation suggests itself.

## Promoting the Darwin hoax

The foundation for the eugenics movement was laid by the English Malthusian Charles Darwin, whose fraudulent theory of Natural Selection attempted to explain progress in nature as being caused by the extermination of inferior races by superior races. Since Darwin's theory was transparently an attempt to give scientific respectability to the reactionary social theories of Malthus and Herbert Spencer by portraying them as the causes of the well-known phenomenon of evolution, the American Association for the Advancement of Science and even the British Association for the Advancement of Science refused at first to take *The Origin of Species* seriously. The *Times*, however, took it upon itself to promote Darwin right from the beginning. On March 28, 1860, shortly after its publication, the *Times* ran a 5,000-word summary and review of *The Origin of Species*, pointing out that Darwin's theory is "the doctrine of Malthus applied with manifold force to the whole animal and vegetable kingdom." Thus, while Darwin's book admittedly contained a number of errors from a scientific standpoint, its political and ideological value to the oligarchy was unsurpassed. "We look upon the contribution of Mr. Darwin as a most legitimate and successful attempt to extend the domain of science—as indeed the most important of modern contributions to philosophic zoology. . . . The most important contribution to modern thought is undoubtedly the indirect teachings of

physical science. For magnificent though the direct teachings be, the indirect are perhaps still more wonderful; the former have relation but to the material world, while the latter influence the whole of man's speculative activity. Indeed, the only part of science that can ever profoundly touch the great laity are its glorious indications." As to the refusal by the AAAS and BAAS to consider Darwin, "The truth is, the utility of these associations for the encouragement of science . . . is extremely doubtful. They tend rather to check all advance. . . . They become studious of orthodoxy and conservatism. Daring opinions are not daringly questioned, but silently ignored. . . ."

The *Times* continued to pump Darwin, and when, in 1877 the American Museum of Natural History was opened to become the temple of Darwinian race science in the United States, the *Times* could only describe it as "the most brilliant daylight assemblage that New York has ever seen."

## The *Times* and Galton

By 1869, the purpose of Darwinism had already been made totally clear by Darwin's cousin, Sir Francis Galton, who basing himself on Darwin's publications, founded the cult of eugenics as such. Mankind was divided into races of various degrees of quality, Galton said. "It is with the most unqualified manner that I object to the pretensions of natural equality. . . . Visitors to Ireland after the potato famine generally remarked that the Irish type of face seemed to have become more prognathous, that is, more like the Negro in the protrusion of the lower jaw; the interpretation of which was that the men who survived the starvation and other deadly accidents of that horrible time were more generally of a low and coarse organization. . . . It strikes me that Jews are specialized for a *parasitical* [Galton's emphasis] existence upon other nations, and that there is need of evidence that they are capable of fulfilling the varied duties of a civilized nation by themselves."

American WASPs were no good either: "England has certainly got rid of a great deal of refuse, through means of emigration . . . turbulent radicals and the like, men who are decidedly able but by no means eminent, and whose zeal,

self confidence, and irreverence far outbalance their other qualities." The solution therefore was to arrange society according to a eugenic caste system. "I do not see why any insolence of caste should prevent the gifted class, when they had the power, from treating their [lower caste] compatriots with all kindness, so long as they maintained celibacy. But if these continued to procreate children, inferior in moral, intellectual and physical qualities, it is easy to believe that the time may come when such persons would be considered as enemies to the State, and to have forfeited all claims to kindness." To this Galton added a eugenic gradation system for babies, ranging from A to X. A-class babies were worth nothing, while the "worth of an X-class baby would be reckoned in thousands of pounds."

By the time of his death in 1911, Galton, with the active support of, among others, the *New York Times*, had built eugenics up into powerful upper-class cult of race purification. On Jan. 20, 1911, the *Times* editorial bemoaned his passing: "Another Giant Departs." "Just why the fame of Francis Galton should have been confined to circles so much narrower than those of other men to which he belonged is not easy to see. That he stood near, if not close, beside the leaders who made the second half of the 19th century more important in the history of science than all preceding centuries put together is doubted by none who knows the extent and originality of his researches, his accuracy as an observer, and the practical value of his many achievements.

"It was Galton, not Bertillon, that made anthropometry a science. . . . He was the father of modern meteorology as well as eugenics, the science which is denounced and derided by people who have not taken the trouble to find out its meaning or its purpose.

"He was certainly a very great man, with hardly a peer for success in turning scientific hypothesis into practical application. Perhaps only his cousin, Darwin, was indubitably greater among the Victorian giants."

The *Times*, which by this time was running numerous news articles covering the "authoritative" reports of eugenics spokesmen on the hereditary roots of crime, alcoholism, and disease, gave glowing coverage to the First International Congress of Eugenics held in London in 1912, noting happily in one article that "Professor Giuffrida Ruggeri of the University of Naples, in the course of an address, declared that thanks to the researches in the U.S., it was now certain that the races of man acted in exactly the same way as the races of animals."

On Dec. 21, 1912, the *Times* ran a lengthy letter from Maj. Leonard Darwin, Charles Darwin's son, explaining eugenics, with an accompanying editorial endorsement. "There is nothing new in the letter for those who have given some real study to the subject, but it deserves careful reading by the people who have somehow acquired the absurd notion that what the eugenicists propose is the management of society after the methods of a stockfarm. . . . It is only because of this strange apprehension—impossible of entertainment

by anybody who has read even one authoritative book by the disciples of Galton—that we so often hear adverse criticism, savage or contemptuous, of eugenics and the eugenicists." In his accompanying letter, Darwin explains that eugenic education campaigns could discourage the "unfit" from breeding, and that while "there will always remain a class quite outside the pale of all moral influence, in these cases "surgical sterilization" might be "enforced." In any case, the key thing was to administer "the poor law so as not to encourage reproduction on the part of degenerate paupers."

### Closing the golden door

In 1921, the Harriman and Morgan families, who controlled the Eugenics Record Office, the American Museum of Natural History, and the *New York Times*, summoned the international eugenics movement to New York to participate in the massive Second International Congress of Eugenics at the Museum, whose purpose would be to convince Congress to pass the Immigration Quota Acts of 1921, and 1924, all but banning access to the United States for Italian, Jewish, Russian, Polish, and other "non-Nordic" immigrants. The *Times* gave this festivity tens of thousands of words of favorable news coverage every day from Sept. 21 to Sept. 29, 1921, running, in full, Museum President Henry Fairfield Osborn's keynote tirade against non-Nordic immigrants on the front page of the editorial section of the Sept. 25, Sunday *Times*. "In the United States, we are slowly waking to the consciousness that education and environment do not fundamentally alter racial values," Osborn said in the pages of the *Times*. "We are engaged in the serious struggle to maintain our historic republican institutions through barring the entrance of those who are unfit to share the duties and responsibilities of our well-founded government. The true spirit of American democracy that all men are born with equal rights and duties has been confused with the political sophistry that all men are born with equal character and ability to govern themselves and others, and with the educational sophistry that education and environment will offset the handicap of heredity. South America is examining into the relative value of the pure Spanish and Portuguese and of various degrees of racial mixture of Indian and Negroid blood in relation to the preservation of their republican institutions." This and related calls for forced sterilization and punitive taxation against the poor, were endorsed editorially by the *Times* the same day. After saying that eugenics had been a beautiful dream of Plato (sic), the *Times* went on: "It remained for the 19th century, under the impulse of the biologic illumination given it by Charles Darwin, to take eugenics seriously as a science and as a possible program.

"In the process the dream has become not less beautiful, but more so. . . .

"Scientists are now convinced that Nature herself, if we can only make Nature free to work out her ends, arranges these things ["the union of the fit"] far better than man could devise, being in fact the original eugenicist. This is the cheer-

ing message of Maj. Leonard Darwin. . . . [But] civilization as now organized, does not leave Nature as fresh as she has been in the past to procure the survival of the fit. Modern philanthropy, working hand in hand with modern medical science, is preserving many strains which in all preceding ages, would have been inexorably eliminated. As early as 1859, Charles Darwin pointed out that the noblest impulses and finest achievements of modern life were ceaselessly lowering the average human fitness. . . . While life has become easier in the lower ranges, it has become more difficult for the well born and the educated, who pay for modern philanthropy in an ever lessening ability to afford children of their own. There is a very serious question whether the 20th century will be able to maintain and pass onward the infinitely intricate and specialized structure of civilization created by the 19th century." Four days later, the *Times* editorialized that while eugenicist talk is "painful to ears that in the past have heard little except boasts of our superiority, exultations over our achievements, and rarely or never a hint that 'progress' as we have understood it, is not to go on forever," our willingness to heed the eugenicists' warnings will "make all the difference between extermination and a happy and prosperous survival."

The *Times* and the related Morgan-Harriman (including Averell Harriman) crowd sponsoring the conference were successful. The Immigration Quota Acts were passed, and as a result, 3 million European Jews who would have escaped European eugenicists by emigrating to the United States between 1921 and 1941 were exterminated instead.

The coming to power of the Nazis in Germany made it nakedly obvious what eugenics was really all about, so that starting in the early 1930s, it was necessary for the respectable *Times* to distance itself slightly from the eugenics movement with a few minor editorial caveats. Nevertheless, the *Times* continued to build the American eugenics movement with favorable news coverage until 1938. Thus, the *Times* gave over 10,000 words of favorable coverage to the infamous Third International Congress of Eugenics held at the Museum in 1932, which unanimously elected as its President leading Nazi race scientist Dr. Ernst Rudin, later to write Hitler's laws defining Jews as non-citizens and also set up the T4 program which trained the "medical" personnel to run the death camps. In fact, the *Times* printed virtually in full and without adverse comments on its front page Aug. 23, 1932, Henry Fairfield Osborn's speech calling for extermination of the 10 million U.S. unemployed to prevent them from passing on their "unfit" genes.

That the *Times* should give such play to Osborn, who after all was the nephew of the J.P. Morgan who controlled, (and whose family still controls) the newspaper, comes as no surprise. But it was certainly an injustice, that, when Adolf Hitler in 1934 gave Osborn the Goethe Medal for his work in spreading Nazi science in the United States, he did not provide a similar award to the editors and publishers of the *New York Times*.

## LaRouche hat not yet in the ring

The highly controversial international political figure, Lyndon H. LaRouche, Jr., will probably fight for the 1984 Democratic presidential nomination, but he is not prepared to throw his hat in the ring just yet.

The 1980 Democratic presidential contender explained his policy in a statement issued in response to President Reagan's State of the Union address.

"During the period into June 1983, the United States will face eruption of the most deadly crises of the twentieth century. Whether we get through these crises successfully or not will depend on decisions made chiefly by the incumbent President Ronald Reagan.

"During this period of crisis, my chief duties as a citizen will center around my skills as our nation's leading economist. This is not bragging, this is a simple matter of fact. Over the past three years the LaRouche-Riemann quarterly forecasts for the U.S. economy have been the only competent forecasting by any published source. All alternative forecasting, whether by the U.S. government or private forecasting services, has been wrong to the point of being absurd.

"Now, the world has already entered a new general economic depression, potentially far worse than that which erupted during the 1929-1931 period. Since last August, when the Mexican debt-crisis almost triggered a worldwide collapse of major banking institutions, we have been in a perpetual and worsening worldwide financial crisis. Unless the President of the United States makes the correct decisions, a chain-reaction of worldwide financial collapse could begin on almost any morning of the business-day in London, Basel, or Tokyo; within a matter of hours, or over two to three days, as much as three-quarters of the banking structure of the United States could be bankrupted.

"During this period, it is important that I create no obstacle of partisanship which might prevent the President and leading circles within the Congress from making use of my expert advice. There will be time enough to think of the 1984 presidential campaign, if and when President Reagan successfully steers this nation through the horrifying financial and economic crises of 1983.

"It is important that I speak now, to separate myself from those men seized by misguided, petty personal political am-

bitions, who are presently attempting to turn the incumbent President into a 'lame duck' and are discouraging foreign governments, causing them to tend to postpone negotiations of great importance with our government.

"Such displays of personal ambitions are, in principle, an odious affront to the intent of our Republic's Constitution. To tear down the Constitutional functions of the President, as various ambition-ridden circles are now attempting to do in effect, is to weaken our government to the point of making the United States virtually ungovernable in face of the most deadly crises we have faced during this century.

### Some pages from our Whig tradition

"To aid others in understanding my personal outlook on our nation's present political parties, I recommend that they share with me the reading of a most important book, *The Political Olive Branch*, written at the close of the second war with Britain by the great leading patriot of that period, the Irish-American Mathew Carey. This best-selling book of that period brought mainstream Federalists and Democrats together, in common support of undertakings by which our then-imperiled republic was saved from threatened disaster.

"During the early decades of our republic's existence, our nation was imperiled from within as from without by an adversary based not only in London, but also in the French-speaking part of Switzerland, where the powerful rentier-financier interests of Mallet de Neufville and Schlumberger were based. These Anglo-Swiss adversaries were represented inside our nation by circles closely allied with the British agent and traitor Aaron Burr. These treasonous interests penetrated both the Federalist and Democratic parties of the first three decades of our Constitution. In the Democratic Party, the treasonous element was typified by Burr and the Gallatins. In the Federalist Party, the treasonous element was allied to Edinburgh's Sir John Robison and the British East India Company's slave-trading and opium-trading interests, in the guise of those treasonous New England commercial interests identified beginning 1796 as the New England Secessionists.

"When Henry Clay became Speaker of the House of Representatives, and led our mobilization for war against Britain, Gallatin's circles inside the Madison administration attempted to destroy that United States Navy which later chiefly won our war against Britain, while the Boston commercial interests diverted credit from the government of the U.S. to fund the British operations against us.

"Today, the descendants of the same Anglo-Swiss rentier-financier interests, acting through traditionally British channels such as the Morgan interests, are again working to destroy our strategic defense capabilities while also seeking to terrorize the President and the Congress into assuming the major part of the financial burden for the impending international financial collapse.

"This foul betrayal of our nation, now as during the War of 1812, offends the morality as well as the vital interests of the majority of our people. Our businesses and farms are being bankrupted. Our working people are being left increas-

ingly in desperate unemployment. The pensions which our senior citizens have earned, are being looted to provide tribute to those financial interests which loot us. Our so-called minority groups are being relegated to a hopeless condition of enmiserated desperation. Accomplices of both major parties gloat over these conditions, calling the ruin they bring upon our nation the glories of a 'post-industrial society.'

"Now as then, there are patriots in both parties who despise these worsening conditions, patriotic forces which must unite as one to constitute a majority-force on behalf of those policies by which the present calamities can be halted and the health of our nation restored. These patriotic forces exist in both parties, and must be united on these questions across party lines of division. "It would be a national disaster if Republicans united as Republicans against Democrats united as Democrats. There are substantial forces committed to bad policies in both parties. Good Democrats must prefer good Republicans to bad Democrats, and good Republicans must prefer good Democrats to bad Republicans, just as Mathew Carey rightly described the situation among both Federalists and Democrats at the close of the War of 1812.

"United, good Republicans and good Democrats must remember our Constitution, and must therefore unite behind the incumbent President, to persuade him of the policy-changes which must be made, and to support him and his office in bringing those urgently needed policies to fruition.

"My function, my patriotic duty, during this period of immediate crisis, is to be a rallying point among Democratic Party forces for that policy. "At the same time, it is my duty to make available to our President and to all responsible forces of the Congress whatever information they may require from me on a range of vital information, for which my expertise in economic science is central.

"Once we have passed through the crises of the first half of 1983, it will be time enough to consider which Democrats have proven themselves qualified to stand for the Party's 1984 presidential nomination.

"The present game being played out by some Democrats merely disgusts me, including the game of setting up Senator John Glenn as a putative, Harriman-backed 'front-runner,' to be dumped in favor of Senator Gary Hart at the 1984 Democratic Convention. I find disgusting not only such attempts to rig the campaign, but more disgusting the fact that all announced candidates are treating the imminent worldwide financial collapse as merely a development which might elect a Democrat in November 1984.

"If a worldwide financial collapse erupts by the early spring of 1983, as is most probable at present, there might not be 1984 elections. Already, allies such as West Germany and Italy are approaching conditions of emergency government. Such conditions could also erupt under financial collapse in the U.S.A. Under these conditions, I am more disgusted than amused by the petty games of Walter Mondale, and of Senators Glenn, Cranston, and Hart as well. The only important political figures of either party are those who work to prevent a general financial collapse during early 1983."

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# National News

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## Bush starts presidential tour of Europe

Vice-President George Bush held a press conference in Washington Jan. 27 to announce a grand 11-day tour of Europe during which he will meet with 10 uncrowned and two crowned heads of state, and with Pope John Paul II. Although President Reagan and Bush have described the trip's purpose as "consultations with our allies concerning the Geneva Intermediate Nuclear Force negotiations," it will have all the pomp and ceremony of a presidential visit, including emotional appearances at the Berlin Wall, a round of state dinners, and numerous press appearances.

The Vice-President will be accompanied on his trip by Richard Burt, an operative for Britain's International Institute of Strategic Studies, currently U.S. Assistant Secretary of State for European Affairs, and Martin S. Feldstein, chairman of the President's Council of Economic Advisers. Bush announced that the reason for Feldstein's presence is that he would be prepared "to discuss the full range of economic issues."

It is widely believed, despite public denials, that Bush will be organizing the European allies to help carry out a compromise arms-control agreement.

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## Episcopal leader runs cover for FALN

Bishop Paul Moore, Jr., of New York's Cathedral of St. John the Divine, appeared in Federal District Court in Brooklyn, New York Jan. 19 in support of the five Puerto Rican activists summoned before a grand jury investigating the terrorist activities of the U.S.-based Fuerzas Armadas de Liberacion Nacional (FALN).

Bishop Moore, a leader of the nuclear-freeze movement, later told the press that the grand jury was being used for a "witch-hunt" and as "a means of intimidating people who want to participate in the Puerto Rican independence movement."

The FALN has claimed responsibility for more than 130 terrorist attacks against

federal buildings and corporations in Puerto Rico and the United States, in which five people have been killed and several dozen more injured. The most recent attack occurred in New York City on New Year's Eve, when a sequence of bombs went off in front of police and court buildings in Manhattan. Three policemen were severely injured in the incidents.

Bishop Moore's actions confirm allegations made by *EIR* investigators since 1977 that Moore has been the controller of the Puerto Rican terrorist movement through the Hispanic Commission of the National Council of Churches. The five suspects called before the grand jury, who according to the FBI are the "remaining unincarcerated leadership of the FALN," are led by Carlos Alberto Torres. When the FBI raided his home in 1980, they found a cache of weapons and several sticks of dynamite stolen from a Denver construction company, from the same lot used in the New Year's Eve bombings.

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## Council calls for coherent global strategy

The U.S. Global Strategy Council, a new non-profit organization, called on President Reagan and the U.S. Congress to make a joint effort to design a clear and coherent foreign policy, and explain it to the American population and America's "friends abroad" at a Washington press conference Jan. 27.

Asserting that the country does not now have any such strategy, the Council outlined intentions to "work with every group" and educate everyone in the United States "to achieve one.

The council includes such anti-growth anglophiles as Kissinger protégé Brent Scowcroft, Maxwell Taylor, and Arnaud de Borchgrave, but many of its founding members favor restoring U.S. military and economic health, including Dr. Edward Teller, former CIA head Adm. Bobby Inman, Gen. Daniel Graham, Dr. Ray Cline of Georgetown CSIS, and Dr. Lewis Tams.

When asked by *EIR* correspondent Ron Kokinda about Council members' response to reports of Soviet tests of a directed energy-beam weapon, General Graham stated

that although he did not believe the Soviet test reports, "the question tends to show how technical questions impact not only security and military problems, but help solve our economic problems as well. . . . Military solutions can pay for themselves.

Senator Richard Stone (D-Fla.) who was chairing the meeting, added that President Kennedy had faced a Soviet advantage when he came into office. His way of coping with this, Stone stated, was "a better space science program than the Soviets' and to land on the Moon . . . [which] led to tremendous spinoffs." Ray Cline stated that he thinks the Council as a group "lean towards assured defense" rather than the doctrine of Mutually Assured Destruction—MAD.

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## NCLC suit to end Balto. FBI harassment

The National Caucus of Labor Committees went into federal court Jan. 27 to ask for a preliminary injunction restraining agents of the FBI from harrasing former contributors to the Baltimore congressional campaign of NCLC member Debra Freeman. The motion was filed in the U.S. District Court for the Southern District of New York as part of an ongoing case, LaRouche vs. William Webster, protesting FBI harassment from 1969 to the present.

Debra Freeman, a leader in the National Anti-Drug Coalition and opponent of Rep. Barbara Mikulski in the 1982 Democratic primary, has been the subject of outrageous harrassment against herself and her campaign contributors. On Dec. 31, 1982, the *Baltimore Sun* and *Baltimore Evening Sun* announced in page one articles that the FBI was conducting an investigation of alleged violations of election laws in connection with the Freeman campaign. Since then, Freeman has learned that former campaign contributors were being contacted and interviewed by the FBI.

In a supporting affidavit to the NCLC case, Freeman charges that the investigation "has no lawful basis and is designed solely to harrass and intimidate my campaign contributors. I believe it is also designed to insure that any capacity I have as a future candidate in Maryland is destroyed by emphasizing to my supporters that the penalty

for support of Lyndon LaRouche and his ideas is an endless stream of defamations, political harassment, and prosecution."

Freeman's campaign was backed by the National Democratic Policy Committee, of which 1980 Democratic president primary candidate LaRouche is a leader. Freeman overturned all the odds by winning 19 percent of the total primary vote, and 30 to 48 percent in working-class districts of South Baltimore.

## AFL-CIO: Third World 'trying to rip us off'

Proposals from the developing sector for a new world economic order that would create billions of dollars worth of export-related high-technology jobs for U.S. workers are a "cheap trick designed to make the developed nations pay through the teeth," a top economist for the AFL-CIO told a reporter Jan. 25. The same spokesman, however, said the federation would not oppose a multibillion-dollar bailout for the big New York banks through the International Monetary Fund, at U.S. taxpayers' expense.

Although the Lane Kirkland leadership claims the AFL-CIO has no formal policy on the New World Economic Order or the IMF bailout, the economist vocally insisted that the Third World is "trying to rip us off." A New World Economic Order, said the spokesman, "says that we must pay for their development, and it's quite expensive and unaffordable.

"Countries like Mexico, with their big debts, are always trying to blame the United States for their crises and problems," he complained. "I don't think that we should let them get away with that. They urged the big banks to loan them ridiculous amounts of money for stupid development programs. This money could have been better used here, but it fled to the South. And now they blame us because they can't pay. We may have to bail out the banks, but it won't be because we want to let Mexico or Brazil get off scot free. It will be because we don't have any other way to save our banking system.

"We are in favor of sacrifices, but we want the sacrifices to be fair," added the economist. "The banks will have to sacrifice, the countries will have to sacrifice, and

our populations will have to sacrifice.

"We are probably going to have to very reluctantly come in and save the banks. It comes down to a question of at whose expense are you going to try to solve the crisis."

## U.S. nuclear energy: progress is dismal

The record for 1982 with the U.S. nuclear energy program can be summed up in one word: dismal. As of year's end, various electric utilities across the country had made decisions to delay 28 different nuclear projects already underway. These reactors would have provided more than 31,000 megawatts of the cheapest form of electricity yet available. A 1,000 megawatt nuclear plant can provide the entire electricity needs for an average city of approximately 1 million people.

Additionally, utilities cancelled altogether 18 reactors which were already in varying degrees of completion. These totaled more than 22,000 megawatts. Among the cancellations were two units from the five of the Washington State Public Power Supply System (WPPSS). Additionally, Duke Power cancelled five of its projects, a major blow to the Southeast electricity grid development, and the Tennessee Valley Authority cancelled four in the same region.

Only six new reactors were given operating licenses to produce power by the Nuclear Regulatory Commission. Those six reactors have raised the total of U.S. nuclear reactors with operating license to 83, producing 65,703 megawatts, or 11 percent of total U.S. electrical generating capacity. In addition, another 22 nuclear plants are more than 75 percent complete.

Not one new order for a nuclear reactor was placed domestically in 1982. This has been the case since 1978, and the two orders for that year have been deferred indefinitely. By contrast, in 1973, just before the OPEC 400 percent oil price "shock," U.S. utilities ordered 41 new reactors. At that time, official U.S. Atomic Energy Commission policy called for building 1,000 reactors by the end of the century. Reactors operating, under construction and on order, now total no more than 147 for a total of approximately 136 gigawatts through the early 1990s.

● **THE AMA** has just instituted a three-year study on cutting medical costs incurred by insurance companies, according to AMA executive director Dr. James Salmons. One cost-cutting option is eliminating first-dollar coverage. The study will be conducted by Nixon Labor Secretary John Dunlop, the Business Roundtable, and other prominent economists, insurance companies, and foundations. Salmons told *EIR* that he is a friend of Harry Schwartz, who advocates euthanasia as a fiscal measure.

● **THE HERITAGE** Foundation announced in late January that it is founding a new Asian policy institute to be headed by former National Security Adviser Richard Allen. Other members include former NSC staffer Jeffrey Gaynor.

● **GEORGE SHULTZ** is being pushed for President by the same Boston Brahmin circles that control George Bush. According to Godfrey Sperling's column in the *Christian Science Monitor*, "a growing number of influential Republicans are saying of a Shultz candidacy: 'what a great idea!' They go on to say that maybe voters are ready for a man with Shultz's impressive credentials . . . Some TV people were discussing Shultz the other day. 'Funny thing,' one said, 'but Shultz comes over well on television.' . . . Maybe a new kind of charisma is emerging."

● **PETER WEINBERG**, producer of the Public Broadcasting System's "Great Performances" series, told *EIR* that the PBS airing of Richard Wagner's *Ring of the Niebelungen* this winter is intended as "a soap opera" to rally Americans against industrial society, nuclear power, and nuclear weapons. Wagner always intended the *Ring* to warn audiences against technology, said Weinberg, who is closely associated with the BBC.

# A way out of the Pershing bind

When one contemplates the West's "peacenik" opponents of placing Pershing II medium-range nuclear missiles in Western Europe, one might automatically assume that rationality is in favor of the Euromissiles. This is not the case.

Let's look more closely at those critics. They include men like Cyrus Vance and Paul Warnke—the men who made the decision in the first place to install the missiles.

In May 1978, Leonid Brezhnev and Helmut Schmidt had reached an agreement, in the context of broad industrial-cooperation and trade pacts, for rough parity in Europe. That was a perfectly workable agreement. But in 1979, Henry Kissinger went to NATO and, on behalf of the U.S. State Department and Chatham House in London, dictated the imposition of the Euromissiles. The Soviets responded by developing the SS-20s. The Euromissiles have been nothing but a destabilization factor; they don't benefit either side strategically; they are insane.

The Pershing IIs are an extension of "forward defense," the Kissingerian doctrine of limited nuclear war provocation. Cancelling the previous 23-minute warning time after launching against a Soviet target, the Pershings are five to six minutes away from nuclear war. It is understandable that Warsaw Pact nations say, "We have to get rid of these missiles at all costs, because this is the trigger for war."

The problem is not in their attempt to find negotiating formulas to deal with this trigger. The problem is that in the Mutually Assured Destruction framework in which negotiations are currently proceeding, there is no possibility of a political solution; and the strategic devolution will continue to be determined by the British gameplan of splitting Europe from a demented United States.

The current situation within the Atlantic Alliance starts with the fact that France will not negotiate the

French nuclear weapons systems in a NATO framework, as President Mitterrand has stressed, whatever the Fabians in his government may wish. And the British will never consent to give up their sovereign nuclear capability. What they will try to do is trade off something belonging to the United States—to make that so attractive that the Soviets say, "All right, the British are the lesser evil, let them keep their capability so long as we get something we consider equally valuable." It's a typical British trick.

In Germany, all sorts of Social Democrats and titled Bavarians and Allgemeine SS veterans are trying to make deals with the Warsaw Pact to obtain reunification. The Soviets may be led by this grouping's overtures to exaggerate the extent of current strategic negotiating possibilities.

The MAD framework, of dickering over medium-range weapons while pretending that the ICBMs will "deter" all-out thermonuclear war, belies the fact that wars are not caused by weapons, but by people. Weapons negotiations as such are not going to work unless they affect the policy-making structures which determine war. What is needed are direct talks between the Soviets and the United States, without British intermediation; Washington should consult with its allies, particularly in France and Germany, whom it has treated miserably, but the superpowers are the superpowers, and must solve their problems directly.

In the present situation of economic disaster, all the ingredients for war exist. If negotiations are left to the Kissingers, Kenneth Adelmans and Vances of this world, those ingredients will be detonated. *EIR* has long urged the parallel, independent development by each superpower of high-energy, antiballistic-missile beam-weapon defense systems capable of countering ICBM attacks—and of regenerating world technological development through their effects on civilian industry. From that standpoint, much can be accomplished.

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