

# EIR

Executive Intelligence Review

August 2, 1983

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LaRouche: Why I must attack Albert Einstein  
New evidence of Carter's links to Khomeini  
Dr. K's plan to blow up Ibero-American economies

**KGB plays the Kissinger card;  
how the President was lied to**



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Founder and Contributing Editor:  
*Lyndon H. LaRouche, Jr.*  
Editor-in-chief: *Criton Zoakos*  
Editor: *Nora Hamerman*  
Managing Editor: *Susan Johnson*  
Art Director: *Martha Zoller*  
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Executive Intelligence Review  
(ISSN 0273-6314)  
*is published weekly (50 issues) except for the second  
week of July and first week of January by  
New Solidarity International Press Service  
304 W. 58th Street, New York, N.Y. 10019*

**In Europe:** Executive Intelligence Review  
Nachrichtenagentur GmbH, Postfach 2308,  
Dotzheimerstrasse 164, 62 Wiesbaden,  
Tel. (06121) 44-90-31.  
Executive Directors: Anno Hellenbroich, Michael  
Liebig

**In Mexico:** EIR, Francisco Días Covarrubias 54 A-3  
Colonia San Rafael, Mexico DF, Tel: 592-0424.

**Japan subscription sales:**  
O.T.O. Research Corporation, Takeuchi Bldg.,  
1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160,  
Tel: (03) 208-7821

**Brazil subscription sales:**  
International Knowledge Information System Imp.  
Lida.  
Rua Afonso de Freitas 125, 04006 Sao Paulo  
Tel: (011) 289-1833  
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International Press Service  
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Second-class postage paid at New York,  
New York and at additional mailing offices.  
3 months—\$125, 6 months—\$225,  
1 year—\$396, Single issue—\$10  
Academic library rate: \$245 per year

# EIR

## From the Managing Editor

Unless the United States responds positively to a South American “debtors’ cartel,” around *EIR* founder Lyndon LaRouche’s Operation Juárez program for international monetary reform, the economies of both South and North America are doomed. President Reagan’s announcement that the murderous diplomatic thug Henry Kissinger is to be chairman of a new commission “on Central America” is therefore ominous and appalling. The Americas and the world have been served notice that powerful forces, East and West, are determined to crush all political momentum toward saving the economies of the West.

In this week’s cover story, Washington Bureau Chief Richard Cohen analyzes what lies behind the appointment of a man the President and his advisers are known to despise. Political cowardice, sexual blackmail, and treason are all playing their part in a potentially far-reaching Kissinger-Shultz counterrevolution against the Reagan camp.

Notably, the man internationally known as the foremost opponent of Henry Kissinger, Lyndon LaRouche, is the author of this week’s Special Report, “Why I Must Attack Albert Einstein.” The world currently verges on a new general war, almost certainly a nuclear war, with threat of such probably to continue through most of this decade under the best of circumstances. But the world also verges on an early financial catastrophe with effects only comparable to the onset of the 14th century’s “new Dark Age”—the worst of circumstances for averting general war. That is the prospect—unless a specific technological revolution intervenes, requiring a special kind of “crash-program” effort for breakthroughs in thermonuclear fusion, coherent (e.g., laser) radiation, and biophysics. LaRouche tells the scientific community and general reader why breakthroughs in these areas, for both defensive weapons-systems and industrial processes, can not be accomplished without throwing overboard the axiomatic notions of mathematical physics dominant today, false notions embedded in Einstein’s work, and the root of every major error in Einstein’s work.

*Susan Johnson*

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The world is on the verge of war and an enormous financial calamity—both susceptible of remedy through a technological revolution focused on laser technology and fusion power. But, Lyndon LaRouche explains, this cannot occur without ridding science of those axiomatic assumptions and false notions embedded in the work of the otherwise decent figure, Einstein.

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## National



Henry Kissinger makes a surprise appearance at a reception for Gen. Ruben Dario Paredes, the outgoing chief of Panama's National Guard, in Washington, D.C. this June. Left to right: Paredes, Kissinger, Aquilino Boyd, Panama's ambassador to the United States. See article, p. 36.

Carlos Wesley—NSIPS

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## Dr. K, Volcker plan to blow up Ibero-American economies

by David Goldman

Federal Reserve Chairman Paul Volcker's reappointment, approved July 20 by the Senate Banking Committee, is read in Ibero-America as a *de facto* declaration of economic war, and with justification: the Federal Reserve and Treasury have responded to the first negotiations towards an Ibero-American debtors' cartel with everything short of gunboats. In the context of Henry Kissinger's appointment to a Presidential Commission handling Central America—greeted by the Paris daily *Le Monde* with a cartoon showing Kissinger next to the corpses of Chile and similar victims—the behavior of Volcker and Treasury Secretary Donald Regan pushes the Ibero-Americans into the position they want least, an open adversary relationship with the United States.

The undeclared war against Ibero-America is one which the United States will lose, and lose hardest to the extent it appears victorious against the emerging debtors' cartel; no amount of threats or covert means of extortion can make these countries pay debts which they are physically unable to service. Beating them down further will merely ensure that the debt will be repudiated, ultimately, by weak governments straddling collapsed home economies and disintegrating political institutions. To the extent the Federal Reserve is "successful," the ultimate crisis will be the worse for it.

São Paulo's general strike July 21, 95 percent effective and without violent incidents, shows how slender the thread is by which the American monetary authorities continue to lead Ibero-America. As the *London Sunday Times* warned July 17:

Two risks in particular are concerning the bankers. . . . The lesser is that the smaller banks among

the 1,300 may decide to cut their losses. Already, the banks in Switzerland have simply stopped lending to Brazil. If that happens on a large scale, the big boys will either have to increase their exposure still further, or pull out.

But the more serious worry is about Brazil herself. The general strike might stick; the economy might fall apart under a wave of strikes and protests. Or, conceivably, in Figueiredo's absence [the Brazilian president is on extended foreign leave for medical treatment] some ambitious Brazilian politician might decide to play the nationalist card, seizing power on a ticket of deliberate default.

In the streets and in parliament, people are saying, "We are not going hungry to pay the bankers," one Brazilian government official said last week. "Inside, it's boiling."

Brazil flinched July 15 when the U. S. Treasury threatened to back up the Bank for International Settlements in a declaration of default, unless Brazil agreed to the International Monetary Fund's undiluted austerity demands; although the Brazilian government has accepted the program, the constitutional requirement that Congress take 60 days to accept or reject the program still leaves the negotiations between Brazil and its bankers, as well as the IMF, in the balance.

Thoughtful administration sources argue that nothing has been solved, no stability achieved, and that the succession of crises this summer—Venezuela by the end of August, Mexico when its year-long moratorium expires Aug. 20,



and Brazil whenever the lid blows over—will be worse than ever.

However, the Federal Reserve and Treasury are waiting grimly for the next confrontations, prepared to take measures which guarantee the bankruptcy of the United States, if not of its leading commercial banks. As reported exclusively by *EIR*, Federal Reserve Chairman Volcker was boosted back into office from the pit of White House disapproval by what might be called euphemistically a high-priced lobbying effort in the Senate, by which the leading money-center banks made sure that no candidate offered by the President as an alternative would be confirmed. In return, Volcker told the banks that upon the first sign of default, he would buy up sufficient of their Ibero-American lending portfolios at or near par to keep them liquid.

In effect, the U. S. central bank relieved the commercial banks of fiduciary responsibility for their existing debt-portfolios, leaving them free to threaten perdition against their debtors. As the accompanying interview with the chief of one major bank's Latin America division shows, the threats are not all bluff: should Venezuela resist the quartering of the value of its currency demanded by the IMF and its commercial bank creditors, as is expected, then the banks will seize Venezuela's extensive foreign reserves. This threat is taken very seriously in such places as *Petroleos de Venezuela*, the national oil company, whose foreign deposits constitute a large portion of official reserves.

"The decision was made to go for the pound of flesh from Brazil," said a source close to the Fed Chairman. "It was a calculated risk but they felt they could crush them into line. They must do this, because they intend to go after Mexico and Venezuela. If they can crack the Brazilians, they can pick off the others one by one. The game is search and destroy and to isolate the debtors from each other."

Volcker's current strategy was decided at an end of June London meeting at Prime Minister Margaret Thatcher's office, the source said, involving Volcker, IMF Managing Director Jacques de Larosière, Bank for International Settlements Chairman Fritz Leutwiler, and British Foreign Secretary Sir Geoffrey Howe. Volcker reportedly told the gathering that he was in position to speak for the administration on policy with respect to the debtors. Prime Minister Thatcher, whose conversion to monetarism is attributed to Swiss economist Karl Brunner, instructed Bank of England Governor Robin Leigh-Pemberton to support the Bank for International Settlements ultimate hard line against Brazil at the July 7 meeting of BIS governors. Sources close to Swiss National Bank chief (and BIS chairman) Leutwiler cited Brunner's ideological influence as the key to Thatcher's conversion.

From the Swiss vantage point, the present hostile configuration between the Anglo-Americans and Ibero-America is the goal in itself. Apparently, Volcker and the commercial banks still harbor illusions that the debt may be reorganized

in some orderly fashion once the political resistance of the debtors has been crushed; no such illusions prevail in *Mitteleuropa*. On the stage set designed by the Bank for International Settlements, Paul Volcker has taken the role of an enforcer engaged in a hopeless task. To the extent he succeeds, he will ruin Ibero-America's chances for political stability and economic growth for a generation.

### **At stake: the United States's public credit**

Volcker's testimony before the House Banking and Currency Committee July 20 heard extraordinary admissions from the Federal Reserve Chairman which went unreported in the daily press (story, p. 8). The Fed chairman warned the Committee that the present, relatively low, level of American interest rates was dependent on capital inflows from abroad—he did not specify the \$50 billion per annum of Ibero-American flight capital that comprises most of these flows—which would disappear in an international banking crisis.

Although capital inflows have benefited domestic rates until now, Volcker said, "the sustainability of those trends can be questioned. . . . The pressing debt problems of much of the developing world—centered in Latin America—remain a clear threat to financial stability. These problems are by no means resolved. Normalcy has plainly not returned. Failure to provide the IMF with adequate resources to do its job would deal a devastating blow to the cooperative effort which has been marshalled to manage the situation, with potentially severe consequences for the U. S. financial system as well as the developing world."

Volcker warned that the evident refusal of Congress to pass the \$8.4 billion IMF quota increase before the long August recess would, by itself, be the crucial destabilizing factor, a claim to which one administration economist responded, "It will be rough going for the next several months, and it won't be much different if the IMF bill passes." But Volcker's Jeremiad concerning the fate of the domestic credit system in the event of major defaults among debtor countries is entirely accurate. Brazil's crisis is only the most visible face of a general liquidity crisis on the international markets.

As the Federal Reserve chairman indicated, the financing of the \$350 billion U. S. federal borrowing requirement depends on foreign capital inflows from countries who can afford capital exports least; but the impact of such capital transfers has been to promote a global illiquidity crisis.

The sharp rise of Eurodollar rates (to 10.75 percent for six-month money July 15) since early May reflects not Federal Reserve tightening, but growing illiquidity on the Eurodollar market itself. Continued, perhaps accelerating attrition of OPEC deposits in the primary market following the \$6 billion drawdown reported for the first quarter is sufficient to produce substantial interest-rate pressure on the market. The Arab oil exporting countries have escalated withdrawals of deposits in foreign branches of U.S. banks during the first quarter of 1983. According to the Federal Reserve on March

31, the Middle East oil exporters had a total of \$13.23 deposited with foreign branches of U.S. banks, down from \$15.5 billion at the end of 1982. The Fed reports that in the first 3 quarters of last year Arab oil exporters held \$17.6 billion in foreign branches of U.S. banks.

As a result of the continued drawdown of foreign assets, Arab OPEC deposit levels are now at a seven-year low. African deposits in U.S. banks abroad declined to \$709 million at the end of the first quarter from \$1.23 billion as of September 1982. OPEC's total deficit this year is expected to hit \$70 billion. The traditionally wealthiest oil exporter of the oil cartel, Saudi Arabia, has already officially announced a projected deficit of \$10 billion for this year, which will be made up by means of withdrawals of foreign assets. But, unofficially, Arab sources expected that Saudi Arabia's deficit could be as high as \$30 billion this year due to a drastic cutback in oil sales.

A small contraction of Eurodollar primary deposits is sufficient to exert substantial upward pressure on interest rates. Although a shift of several billion dollars appears small relative to the \$1.7 trillion size of the global market, the total market size reflects much double-counting of the same primary deposits, which are lent and re-lent between Eurodollar banks, and between banks and borrowers who re-deposit the proceeds of their borrowings. Federal Reserve estimates put the size of the primary Eurodollar deposit base at only slightly over \$200 billion; a movement of \$5 billion of Arab assets, according to a Federal Reserve staff estimate, may account for a 1 percent movement in interest rates or more.

While the attrition of the deposit base exerts upward pressure on rates, additional pressure is due to continued heavy borrowing pressure on the Eurodollar market. The Bank for International Settlements reported the week of July 18 that American banks' interbank market exposure expanded by \$13 billion during the first quarter, an arresting development in the context of a \$10.5 billion contraction in the total size of the interbank market—the latter the result of European preparations for real trouble. This apparently was due largely to Ibero-American interbank borrowings, while during the second quarter, most borrowing demand came from the banks of France, Italy, Spain, Denmark, and other European countries. In terms of overall financial deterioration, the Europeans have moved into the relative position of Ibero-America during the last quarter of 1982.

Although it is difficult to estimate the extent of such interbank borrowing demand, interviews with market participants in New York, London, and Paris suggest that it is a substantial factor in the pressure upon Eurodollar interest rates. Federal Reserve data show that American banks moved funds abroad to their foreign branches or to other foreign banks at a \$72 billion annual rate during the first quarter of 1983—a very big shift of funds. However, some of this shift may be due to the banks' decision to pay off liabilities in the London market and take on deposits, instead, in the domestic market.

Not so much the refusal of Congress to pass the IMF quota authorization—which may indeed throw sand into the gears—but the Federal Reserve's economic warfare program will break this chain-letter game. If Volcker makes good on his promises to the banks, and absorbs large amounts of their Ibero-American portfolios, the worst of the collapse will occur in the market for U. S. government long-term paper, and the Reagan administration will be ruined along with its southern colleagues.

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## Documentation

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### U.S. banker: six months of confrontation over debt

*The following interview with the manager of the Latin America division of one of the United States' s top 10 banks was conducted July 18.*

**EIR:** What's next after Brazil in the debt crisis?

**Banker:** I'd say the order is first Venezuela, which is ticking very rapidly and could blow as early as mid-August; Argentina in mid-September, when the time comes for the IMF's fourth quarter review of their austerity program; and Peru, which like Argentina will have its IMF program blown away by early fall. . . .

Let's discuss Venezuela. The problem is that the banks want the Venezuelans to get an IMF austerity program, and they will refuse to renegotiate the country's huge short-term debt unless the Venezuelans agree. The Venezuelans have been holding back . . . since the arrival of the IMF delegation in Caracas on July 10.

The first major demand is the complete removal of all exchange controls, the abandoning of the three-tier exchange rate, and total free float of the bolivar. The second IMF condition is that Venezuela cut subsidies for basic goods and decontrol the domestic prices of fuel, gas, electricity, and food. The third is that they cut the public sector spending and cut the public sector deficit in half. Fourthly, the IMF is asking them to cut the budgets of the state sector companies.

The most serious demand is removing exchange controls. The bolivar now is officially pegged at 4.3 to the dollar, and the black market or free market rate is 12 to the dollar. If they removed the controls, it would certainly fall to 12 per dollar, a 300 percent devaluation. Given the psychology in Venezuela right now of impending crisis and the tremendous tendency for a resumption of massive flight capital if controls were removed, I think if they did it right now, the bolivar could fall to 20 to the dollar or below. So the Venezuelans



will dig in on the devaluation question, and refuse. . . . What is likely is a total breakdown in negotiations. . . .

Once the IMF seal is removed, the private banks are going to start calling in some loans to Venezuela. While it is true that on June 30, the creditors granted Venezuela another 90-day moratorium until the end of September on all payments on principle of their public debt, no one is locked into this. I expect some small regional U.S. bank who's had enough to play the role of the BIS.

Venezuela is very different from Brazil or Mexico in that Venezuela has a great deal of foreign reserves, much of it in dollars, some of it here and in London, where banks can get at it. The temptation to try and attach some of Venezuela's assets is almost irresistible. . . .

**EIR:** Can there be a run on the bolivar to force the issue now?

**Banker:** Not with the exchange controls. Not as long as the government is paying out some dollars for only 4.3 bolivars, no one would pay too much more for dollars. The controls are too strong. There is no pure foreign exchange trigger on this one.

**EIR:** I hear Venezuela is organizing a debtors' cartel.

**Banker:** That's not true. Suggestions for collective debt renegotiation have been made by former Peruvian Finance Minister Manuel Ulloa, by representatives of SELA, by Roberto Campos, and other private individuals. But I have no indication anyone in Venezuela is supporting it, least of all anyone in the government. Only the small countries—Peru, Ecuador, Bolivia—are. They're pushing it within the Andean group. But no one is going to listen.

**EIR:** What about Mexico?

**Banker:** They have just increased the prices on food, and so far, no labor resistance. The only thing that could blow up the country is the prosecution of Diaz Serrano. President de la Madrid is using the Diaz Serrano prosecution as a direct attack on the López Portillo faction. The Portillo faction has the support of the labor movement, and this could polarize the country.

De la Madrid has a group of close advisers who are telling him that the only way Mexico can make it through the present crisis, which means the government must make peace with the creditors and impose the austerity conditions being requested by the IMF, is for the . . . entire Mexican system of government has to be realigned, away from a closed circle of power groups which control the policy of the ruling PRI. For example, to impose austerity, the power of the labor movement over the PRI must be reduced.

The question is, can de la Madrid succeed in taking on the Portillo group? They are very powerful. They still have the Petroleum Workers Union, for example. . . .

If de la Madrid does that . . . the Petroleum Workers will walk into his office and threaten to shut the country down,

and they can do it. . . .

Apparently his advisers are willing to risk this. . . . If they push the Serrano investigation fast, it could mean mass strikes by as early as July or August. . . .

**EIR:** Right after when the BIS loan is due? I hear it's due on August 23.

**Banker:** Could happen. Of course, if they crush the strikes, that's one thing. The Mexican government has more control than you think. They've never been sluggish about using real repression. But if the strikes get out of hand, that's another thing for the creditors to worry about. . . .

**EIR:** What about Argentina?

**Banker:** Argentina is more of a case of the government and the unions, together, against the military. Argentina met its IMF austerity targets for the first half of 1983, but political pressures are building for loosening government spending and wage increases. By the time the IMF makes its fourth quarter review in mid-September, Argentina will be way outside the guidelines and the IMF will cut them off, just as they did Brazil.

It all depends on the political calendar. The campaign starts at the end of August, and the election is in October. By the end of August, the present government . . . will stop cutting the public sector deficit as much and be outside the limits. There is also a big problem with the military budget. . . . They will increase money supply and be outside the inflation limits. There is real pressure for wage increases, and there will be some, and it will go outside the wage limits.

**EIR:** What happens then?

**Banker:** The present government will still be in, and they will just refuse further austerity and get into a Brazil situation. . . . They will be financing themselves through arrears. Then in October, the new government will probably be the Peronists, and they are even more anti-austerity. . . .

**EIR:** What is the trigger? Will the banks call in the loans?

**Banker:** It could be, like Venezuela. But the real danger is the military. . . . After the IMF negotiations break down in September, and before or right after the October elections, there is tremendous danger of a military coup.

**EIR:** What about Peru?

**Banker:** Peru is almost always outside compliance with its IMF targets. By early fall, probably September, they will be having droughts, floods, and so on which will really aggravate the situation and blow their targets to smithereens. They will have to import food, which will be expanding their credit creation or creation of net domestic assets way beyond the targets, and expanding their public sector spending beyond the targets. Once again, the IMF will call a halt to the game. Once again, the question is, "How will the creditor banks react?"

# Volcker threatens, but Congress is stalling on the IMF bailout

by Kathy Burdman

House Speaker Tip O'Neill July 21 postponed indefinitely the House floor debate and vote on the bill to grant an \$8.4 billion U.S. bailout to the International Monetary Fund, making it "almost certain," according to top House sources, that the IMF vote will not occur until after Congress returns from its August recess in mid-September. Although U.S. Treasury Secretary Donald Regan was urging a quick vote "no matter what," O'Neill, according to House Republican leader Robert Michel (R-Ill.), replied: "I can only count 60 Republicans and 70 Democrats in favor of this bill," fewer than half the 250-odd votes needed to pass it. "I can't see any sense in bringing it up to lose," O'Neill said. "It would be a waste of time."

"This is Ronald Reagan's bill, and 60 Republicans is nothing for a Republican bill," said an aide to liberal Democratic House Banking Chairman Fernand St. Germain (D-R.I.). "We intend to hang the IMF on Ronald Reagan's neck, and if they can't get the votes, by the end of August, that's it. No bill.

"By the time we come back in September," he added with a grin, "Mexico or Brazil could blow wide open, and there will be hell to pay!" If the IMF is shown "ineffective" in the current Ibero-American debt crisis, the aide continued, then Congress might reject funding for the institution entirely when it reconvenes in September.

The apparent congressional rejection of the IMF occurred despite violent threats from Federal Reserve Chairman Paul Volcker, the IMF's leading supporter in Washington, that unless Congress passed the bill immediately there would be an international financial crisis, including major collapses of U.S. commercial banks. Volcker told two hearings on July 20 and 21 in the House and Senate Banking Committees, respectively, that he has only been able to hold down U.S. interest rates recently by looting billions in flight capital from Latin America and other poor nations, to induce a "growing net capital inflow into the United States. But the sustainability of these trends can be questioned," he threatened. The pressing debt problems of much of the developing world—centered in Latin America—remain a clear threat to financial stability. Normalcy has plainly not returned.

"Failure to provide the IMF with adequate resources would deal a devastating blow to the cooperative effort" of the IMF

and BIS to run the world debt crisis, Volcker charged, "with potentially severe consequences for the U.S. financial system as well as the developing world." Failure to pass the bill would minimally mean a rise in U.S. interest rates, he said at the House hearings. "American banks owe more than \$100 billion to developing countries. If they cannot pay their debts, and the IMF is not there, there will be losses and a terrible effect on the capital of U.S. banks. . . . The situation will immediately deteriorate into a series of large-scale defaults. This will feed back into our credit markets and raise U.S. interest rates. Banks will cut back their domestic lending. This is not a risk, but a prediction.

"The breakdown of the IMF process will feed back most dangerously and stop our ability to maintain the U.S. recovery," he threatened at the Senate Banking Committee hearing.

Volcker heard pleas from St. Germain, Senate Banking Committee Chairman Garn, and other members of Congress, desperate for arguments to give to voters still hostile to the IMF legislation. "I've been for the IMF and now I'm should pass it," said Senate Banking Committee Chairman Jake Garn (R-Utah), urging Volcker to "tell the American people" how necessary the IMF is. Said House Banking Committee Chairman Fernand St. Germain: "If the IMF isn't there and the banks are hit, that will mean no loans for housing in the U.S., no mortgages, no credit for U.S. industry, no jobs!"

Following this, the Senate Banking Committee voted 16 to 2 to confirm the Volcker reappointment.

## Development or Malthusian dictatorship

The question now facing Congress and America is what alternate policy can the United States implement to deal with the Third World's \$700 billion foreign debt. The IMF's defeat reflects the national lobbying of two opposing power groups, who both propose alternatives to the crumbling 1947 IMF-centered Bretton Woods system.

The National Democratic Policy Committee of Lyndon H. LaRouche, Jr., which held a major meeting on the world debt crisis in Washington the same week, proposes to junk the IMF altogether in favor of LaRouche's plan for world development named "Operation Juárez." Under Operation Juárez, which has widespread support among trade unionists

in Ibero-America, the U.S. government would negotiate directly with its Third World allies for top-down reduction in debt payment schedules, and the establishment of a new gold-backed international rediscount facility to issue some \$200 billion annually in new trade and development credits.

Congressional mail has run overwhelmingly against the IMF legislation. Rep. Thomas Corcoran (R-Ill.) July 19 founded a congressional group to stop the IMF bill altogether, denouncing the threats of Volcker and the large banks of financial instability as "blackmail." Corcoran's aides say the congressman decided to lead the fight when he was flooded with mail from constituents against the IMF bailout.

However, what might be called the "Swiss lobby" in Congress, including Swiss National Bank consultant Karl Brunner and Mont Pelerin Society leader Milton Friedman, used important influence at the margins of Republican support for the IMF bill to stop it. Representative Corcoran was joined in his efforts by Milton Friedman's National Taxpayers Union; and the Heritage Foundation Front "Free the Eagle," as well as a score of neo-conservative congressmen such as New York's Rep. Jack Kemp who argue the Swiss line that the IMF gives too much help to U.S. banks. U.S. banks must simply "take their losses" in Ibero-America, a viewpoint made popular by Swiss National Bank President Fritz Leutwiler. Also in the Corcoran coalition were extreme left-liberal Malthusian Democrats from the Rohatyn-wing of the party. Ralph Nader appeared at the anti-IMF press conference to demand that the IMF be defeated in favor of schemes to "stretch out bank loans" through an expanded IMF facility that could be forced upon U.S. banks.

## **Restructuring the U.S. Economy**

St. Germain and his liberal allies plan to use what they call the "September Scare," caused by the failure of the IMF bill to pass, to put through two major programs to restructure the U.S. domestic banking and government credit system along 1930s style corporatist—fascist Malthusian—lines. The first plan, masterminded by St. Germain and the main topic at Volcker's hearings before his committee July 20, would restructure the Federal Reserve as a depression-style Reconstruction Finance Corporation, as Rohatyn previously proposed. The new Fed would give up on targeting monetary policy as impossible, and would set national goals for GNP, production, employment, and other economic standards to be run from the top on the Soviet model.

St. Germain's predecessor, Rep. Henry Reuss (D-Wisc.), introduced legislation—of which the Proxmire-Reuss 1980 "decontrol" legislation was the wedge—which would have put the United States under immediate direction of the Federal Reserve, rather than the Executive Branch or Congress. The model for vesting an "independent" central bank with such extraordinary economic powers, in the Reuss version, was Hjalmar Schacht's Reichsbank of the 1930s, which John Maynard Keynes also cited as the ideal vehicle for his economic theories. Reuss's effort was interrupted by the election of President Reagan; with the 1984 elections in mind, St.

Germain has picked up where Reuss left off.

In his opening remarks before the Volcker hearings, St. Germain described the result of his recent poll of 300 U.S. economists, 55 percent of whom agreed with St. Germain's assertion that the Fed, as presently constructed, can no longer define either "money" or "credit" and can control neither. St. Germain then proposed that the Fed shift, and set actual policy plans, similar to Soviet Five Year Plans, for "GNP growth, inflation, unemployment, interest rates, and/or commodity prices," to which he claims 63 percent of the economists agreed. St. Germain also proposed, and 66 percent of the economists agreed, that the United States subordinate its currency policies to a new system of "international exchange rate" coordination to be run by—the IMF.

St. Germain told Volcker that if the Fed did not agree to go along with the new corporatist program, "the Congress will go ahead and set the policy objectives for the economy, and tell the Fed what to do."

Although the Senate Banking Committee leadership, under free market ideologue Jake Garn, is not ready to support such programs openly as yet, the Senate Volcker hearings, which centered on whether the Fed can control money and credit, raised the subject substantially. One Senate witness, Princeton economics professor Alan S. Blinder, declared that the Fed's current policy of targeting the money supply is dead, that M-1, M-2, and other aggregates are irrelevant to the economy. He called for the Fed to be made to focus on "interest rates, investment, inflation, and real GNP." World Federalist Sen. Alan Cranston (D-Calif.), in a statement explaining his vote against Volcker's reappointment, added that the Fed's monetary policy has proved "successful only in blunting economic recovery," and called upon Congress to reassert and take back the "tremendous power" it has given the Fed.

A second plan for corporatist restructuring of the U.S. banking system was meanwhile introduced by Sen. Jake Garn for Treasury Secretary Donald Regan. Garn's "Financial Institutions Deregulation Act of 1983," was introduced into the Senate Banking Committee on July 18. This legislation would remove most remaining federal regulation of the U.S. financial system, allowing banks and brokerages to combine with insurance companies into "financial supermarkets" modeled on the old Morgan Syndicate which brought on the Great Crash of 1929-31, with its cartel-like abuses of financial powers. Under it, Regan proposes that holding companies such as Citicorp NA, which own banks such as Citibank, be also empowered to buy up smaller banks around the nation, and buy brokerages, insurance companies, real estate firms, and any other company they desire. It was to halt such practices that most of federal bank regulation was established after the 1930s crash.

Both these domestic legislative packages will be ready for congressional legal action by September or October, a St. Germain aide boasted. They will be "sped up" quite nicely by Volcker's threatened "September Scare" international financial crisis around the IMF, he gloated.

## Telegrams record Volcker opposition

*As part of his testimony on July 14 before the Senate Banking Committee against the reappointment of Paul A. Volcker as chairman of the Federal Reserve, National Democratic Policy Committee Chairman Warren Hamerman, the only representative of a national organization opposed to Volcker's policies who testified, read the following telegrams into the Congressional Record.*

### **Ibero-America**

#### **Workers Confederation of the Peruvian Revolution (CTRP), and Confederation of Peruvian Workers (CTP):**

The Peruvian workers reject the policy of increasing the interest rates, the same that have sunk our industry and the rest of the capital production of our nation, stranding our people in misery and unemployment.

At the present moment you are debating the confirmation of Mr. Paul Volcker, the author of this policy, to the Federal Reserve. We confidently expect you will not reconfirm him.

Jose Zafra, general secretary CTRP; Ricardo Espinoza, general secretary, CTP.

#### **The Union of Engineers of the State of Rio de Janeiro:**

At a meeting held in Brasilia in the month of April, 93 unions, representing 1.5 million workers in Brazilian State Enterprises, condemned the accord with the IMF in light of the damage that this represents for workers and for national sovereignty. At the moment when the U.S. Senate is deciding about the maintenance of Mr. Paul Volcker on the Federal Reserve Board, it is important that we register our protest against the economic directives imposed by the American government on countries such as Brazil. Jorge Bittar, president.

**Union of Workers of Bogotá and Cundinamarca (UTRABOC):** In the name of thousands of workers, we reject the policy of high interest rates which has caused poverty, misery, and unemployment. We expect the non-confirmation of Mr. Paul Volcker.

Jorge Carrillo, president; Pedro Rubio, secretary general.

### **Europe**

**General Revault D'Allonnes France, member of France and its Army Committee, Aide to Marshall Le Clerc, World War II:** I support the policy of President Reagan, in particular, for beam-weapons. I am opposed to any policy of high interest rates, blocking productive investments necessary for both civilian and military purposes, in the United States and in Europe. I oppose Mr. Volcker's renomination.

**Italian Agriculture Trade Union, Come, Italy:** There can be no farmer anywhere in the world who is not aware of the disastrous consequences of the high interest rate policies

of Paul Volcker for the agricultural production of his own country, and for world food supply. Such policies which destroy food production in a hungry world are as direct a cause of death as a bullet in the brain. . . .

Modesto Dematte, recipient of the Medal of a Knight of Honor of the Italian Republic.

**Metal Workers' Trade Union, Dortmund:** The present mass-unemployment in West Germany, in the steel industry of the Ruhr region in particular, and the associated contraction of the West German economy, is primarily due to Paul Volcker's high-interest rate policy. . . . I demand that the relevant U.S. authorities reject Volcker's renomination.

Werner Dietrich, former first general secretary.

**IG Metall, Frankfurt:** In the name of my fellow workers, I oppose the renomination of Paul Volcker as chairman of the Federal Reserve because his interest rates policy has caused the collapse of West German export markets in the developing countries. Therefore, another four years of Volcker's policies would keep the United States from supporting the New World Economic Order that our industries need so urgently.

E. Wenzel, factory council chairman.

**Kurt Frankborn, chairman of the 500-firm industrial association Utveckla Sverige, executive director, Hoegstad Aluminum, Mjoelby, Sweden:** As a Swedish industrial entrepreneur and as representative of Swedish high-technology oriented industry, I oppose the high interest rate policy Paul Volcker stands for, a policy which has destroyed export markets for Swedish nuclear industry in countries like Mexico and Turkey. . . . The high interest rate policy of Volcker has also had a devastating effect on ship-yards, steel industry, and pulp industry. . . .

### **United States**

**United States farmers, including members of the NDPC, of the National Farmers Organization (NFO), and the Agriculture Policy Committee:** We urge you to oppose the \$8.5 billion appropriation for the IMF and the reappointment of Paul Volcker. . . . Senate bill #24, sponsored by Walter Huddleston (D-Ky.) points the way to the solution of the international debt crisis by declaring a moratorium on the FHA farm debt. . . . Ibero-American countries are forming a debtors' cartel to force the same type of moratorium on the IMF. . . . President Reagan should accept these moratoria and dump Volcker and the IMF.

**Members of the National Association for the Advancement of Colored People (NAACP):** Volcker, over a three and one-half year period, has instituted a policy of keeping interest rates in the 16 percent range. This has directly brought about the collapse of manufacturing and agriculture, and an increase by several millions in total unemployment. It has destroyed the capability of the developing sector nations to obtain credit. . . .

We believe it urgently necessary to block Reagan's nomination of Volcker.

# Volcker's rout of U.S. labor movement

by Richard Freeman

The U.S. labor movement is in the worst rout since the period of 1931-33. Workers have given up more than \$50 billion in wages, work rule changes, and benefits over the last four years of the Paul Volcker-led depression. Their skill levels are being systematically downgraded; worse, their cognitive powers, their ability to acquire new skills, assimilate new technologies, and to invent better ways of utilizing existing technologies, are being destroyed by prolonged layoffs and the spread of mind-destroying drugs.

Nothing that AFL-CIO boss and Socialist International figurehead Lane Kirkland has done has slowed the pace of this destruction even a little. In fact, Kirkland, by blocking all AFL-CIO opposition to Federal Reserve Board Chairman Paul Volcker's destructive high interest rate policy, is the indispensable collaborator without whom this rout of labor could not have occurred.

There are institutions, such as the MIT Sloan School of Management, one of the country's foremost "business schools" with plans to speed up the destruction of the American workforce. Sloan Professor Thomas Kochan boasted to a reporter July 11 that "Paul Volcker has played a tremendously important role. . . . He has created widespread unemployment and the climate for making changes, which otherwise may not have happened. . . . There will be basic changes in work organization which will be more successful if there is excess capacity and unemployment to induce workers to make the changes." This same theme was the subject of a cover story in *Business Week* May 16. This is what Volcker had in mind when he told the U.S. Congress in October 1980, "The standard of living of the average American has to decline."

Leading the wage decline has been American basic industry, auto and steel, where 30 to 40 percent of capacity is idle. In March 1981, for example, the United Autoworkers concluded a pact with General Motors providing for the workers to forego \$3 billion in wages over 30 months. The UAW gave up over \$1 billion each to Ford and Chrysler corporations at approximately the same time. This year, the United Steelworkers of America took a \$1.31 per hour pay cut, effective Jan. 1, that they had negotiated last year. Since the unionized basic industry sets the pattern for the rest of industry's wage levels, the rest of the nation's workforce also

retreated.

In 1982, one out of three union workers covered by contracts negotiated during the year received no wage increases at all, excluding possible increases from cost-of-living adjustment (COLA) clauses. Those workers who did win increases received the smallest increases since 1973—a year of wage and price controls.

In 1983, pitting unemployed against union and non-union employed workers has forced even greater concessions. For the first three months of the year, wage settlements, influenced by the steelworkers' wage cut, averaged a 1.4 percent *decrease* in wages for the first year of the settlement, the first outright cuts in recent memory. (There were small increases negotiated for the second and third year of contracts negotiated this year.)

An estimate of the price price tag of these cuts begins from the fact that in 1979 there were 21.040 million manufacturing workers and at the end of 1982, there were 18.849 million, a loss of 2.191 million jobs. The wages lost can be calculated by multiplying the average yearly wage by the number of manufacturing workers laid off each year, relative to the 1979 employment level, with half the wage level restored in the form of unemployment benefits. On this basis, there were \$5.448 billion in lost wages in 1980, \$6.938 billion in 1981, and \$18.111 billion in 1982. This yields a three year total of \$30.497 billion. Cuts in construction, mining, transportation and energy worker wage levels, similarly calculated, were above \$10 billion.

Then there are the above-mentioned cuts in auto and steel, and those that accrue from the following practices:

- *Piece-Work and Speed-Up*: In many rubber plants, workers are paid according to piece-rate formulas. (The worker is given the "incentive" of getting paid by the piece.) *Business Week* reports that, "Traditionally, these incentives have been changed only if employers brought in new equipment or altered the structure of a job. But workers learned how to produce as much in six hours as they were expected to do in eight when the incentives were designed."

- *Hiring-Out Of Work*—The Massachusetts Bay Transportation System has reduced its workforce by 10 percent or 700 employees since 1980. The MBTA farms out the cleaning of buses and subway cars, and has hired 300 part-time bus drivers to fill in during peak traffic periods.

- *De-skilling and Recycling*: At Gulf Oil Company's largest refinery in Port Arthur, Texas, workers who are skilled boilermakers are forced, if there is no work for them in their job category, to work at lower job categories, including *helper*, with cuts in pay. This de-skilling process was correctly attacked by one worker as "destroying my sense of identity."

Other gimmicks include the elimination of seniority and enticing workers—in the Wilson Food Company case—to cut their wages in half to keep their jobs. The cited \$50 billion in wage cuts does not include what U.S. workers should have gotten if they earned a minimal necessary 5 percent real increase (after tax) in wages per year, rather than the flat

wage levels they received. That would add an *additional \$80-\$100 billion* in wages lost.

It is this huge amount gouged out of the labor force, which the *EIR's* LaRouche-Riemann model calls a deduction from variable capital, which has transferred several tens of billions of dollars into the treasury of U.S. corporations. This sum is a chief sustainer of the fake U.S. recovery.

### The value of labor power

Some readers in the business community or members of the U.S. Treasury Department may gloat that "we have finally broken the back of labor." But this labor-crushing policy is a case of short-sighted stupidity that will eventually destroy not only the U.S. workforce, but the entire nation. The value of an economy is measured by the economy's potential relative population density—how much in material and cultural-educational conditions is necessary for a population to impart to the next generation a potential for that generation's expanded growth. Cut the standard of living of the current workforce, and one destroys both the current *and future* workforce—the reproductive capability of the United States.

Stupidity apart, there are those who *intend* to do just that: the same people who put Paul Volcker in as Federal Reserve Board chairman in the first place. Thomas Kochan, professor at the MIT Sloan Management School, hopes that "If we continue to have excess capacity and employment during the recovery [sic], then maybe this time, instead of labor asking to get back what it gave up during this recession, we will move into a new labor-management relationship." Kochan and other professors at the Sloan School are incorporating into a three-year study a new plan utilizing labor-management teams along the lines recommended by Eric Trist of the Wharton School, to get workers to give up their cost-of-living adjustments entirely for "performance contracts." Explained Kochan, "We get workers to agree to tie their wage increases to how well the overall plant produces."

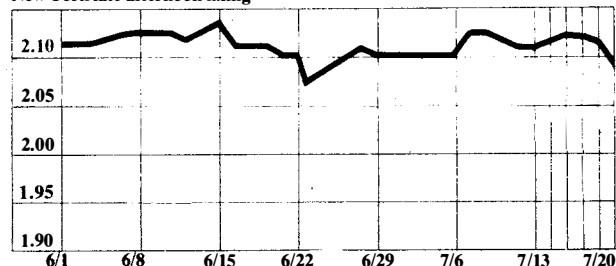
Kochan elaborated, "You see, you can get a worker to do speed-up through piece rates. But the worker, as an individual, cannot maintain the motivation." But a group of workers in labor-management teams can and will speed themselves up "voluntarily" if properly manipulated. Kochan brags that such so-called "Quality of Work" teams are being set up throughout industry; there are over 85 in the steel industry alone. By this method, all work-rules can be torn up, or as *Business Week* anticipated, "Industrial America grew up and prospered with a work system that is rapidly becoming obsolete."

Since U.S. industry under Volcker's rule is not replacing plant and equipment, this means that workers will be promised wage increases only through agreeing to speed-up. This is the system of "Arbeit macht frei" ("Work makes you free," the motto at Auschwitz), which was the final stage of the process initiated by Hjalmar Schacht in the first three years of the Nazi regime.

## Currency Rates

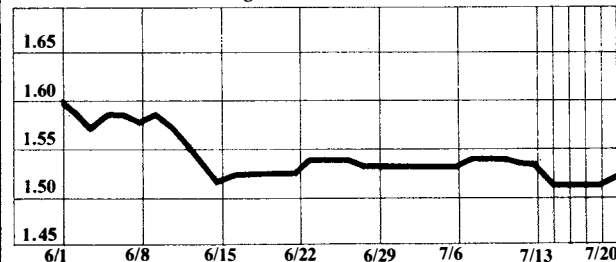
### The dollar in Swiss francs

New York late afternoon fixing



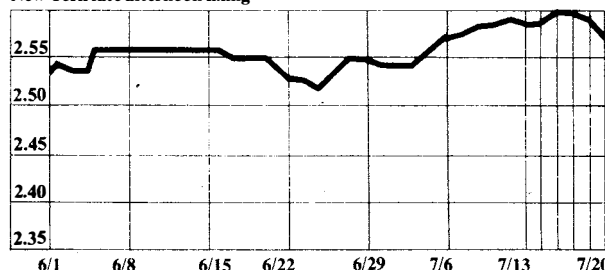
### The British pound in dollars

New York late afternoon fixing



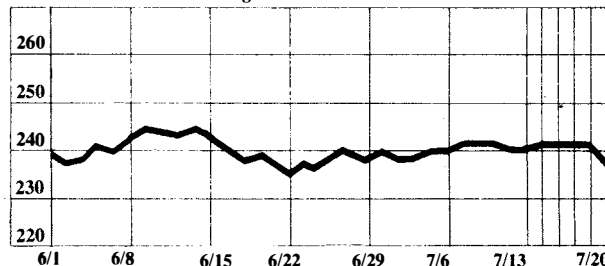
### The dollar in deutschmarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing





# How debt, commodity speculation made U.S. agriculture the economy's 'Third World sector'

by Leif Johnson

American agriculture is now entering the end-game of a structural reorganization that began in 1973, coincident with the first major rise in oil prices. To the forces largely responsible for engineering that restructuring, the goal of a permanent cap on the output of American farms is now in sight. Such an output cap gives the major international grain and commodities trading companies greatly enhanced control over world grain production, a virtual "food weapon" to be wielded against the world.

The major political goal of the cartel this year and next is to push the United States to relinquish sovereignty over its food production. This is the intent of those who demand that the "government get out of agriculture" or that agriculture be given to the "free market."

The method by which America's farms have been subjected to a ten-year restructuring is clearly seen in the wild changes in sources of credit to the agricultural sector occurring in 1982 and continuing through 1983. The Payment In Kind (PIK) program of the U.S. Department of Agriculture (USDA) which relies on an immense increase in commodity-based loans coming from the Treasury-based Commodity Credit Corporation (CCC), has radically shifted the burden of farm debt away from farm real estate (mortgages) and producer credits (loans to produce future harvests) to loans against already existing commodities.

The farm sector has been put through a financial bubble that bears strong resemblance to that which has brought financial desperation to the Less Developed Countries (LDCs). The deterioration of the terms of trade (prices paid for goods versus prices received for goods) of the LDCs and the American farmer since 1973 are remarkably congruent. The U.S. farm sector is, in its financial characteristics since 1973, essentially a Third World sector within the U.S. economy. Both U.S. agriculture and the LDCs are controlled by the world commodity markets and both were adversely affected by the 1973 and 1979 Oil Hoaxes.

As the world market ruined the terms of trade of U.S. farmers and LDCs, both sectors were compelled to seek loans to maintain production. Beginning with the steep rise in U.S. farm real estate values in 1973, a bubble was created where farmland prices soared while net farm income, on average, continued to drop. Not only did this put U.S. farmers progressively more in debt but, beginning with the Volcker

policies of 1979, the interest rates on that debt soared. By 1981, eighteen percent of gross farm income was diverted to debt payments—more than all expenses for seed, fertilizer and pesticides combined.

The real estate bubble began to deflate in 1981, then with increasing force through 1982 and to the present. Farmland values have declined about 16 percent from the 1980 peak, as insurance company and commercial bank mortgage lending activity reversed from net lending to net liquidation. Since producer credits also declined sharply, the lender of last resort—the bubble maintainer of last resort—is the Federal government. This accounts for the voluminous increase in CCC credits last year and this, pushing the cost of Federal intervention into the farm sector to record levels, in turn set off the chorus of free marketeers demanding an end to Federal "price supports."

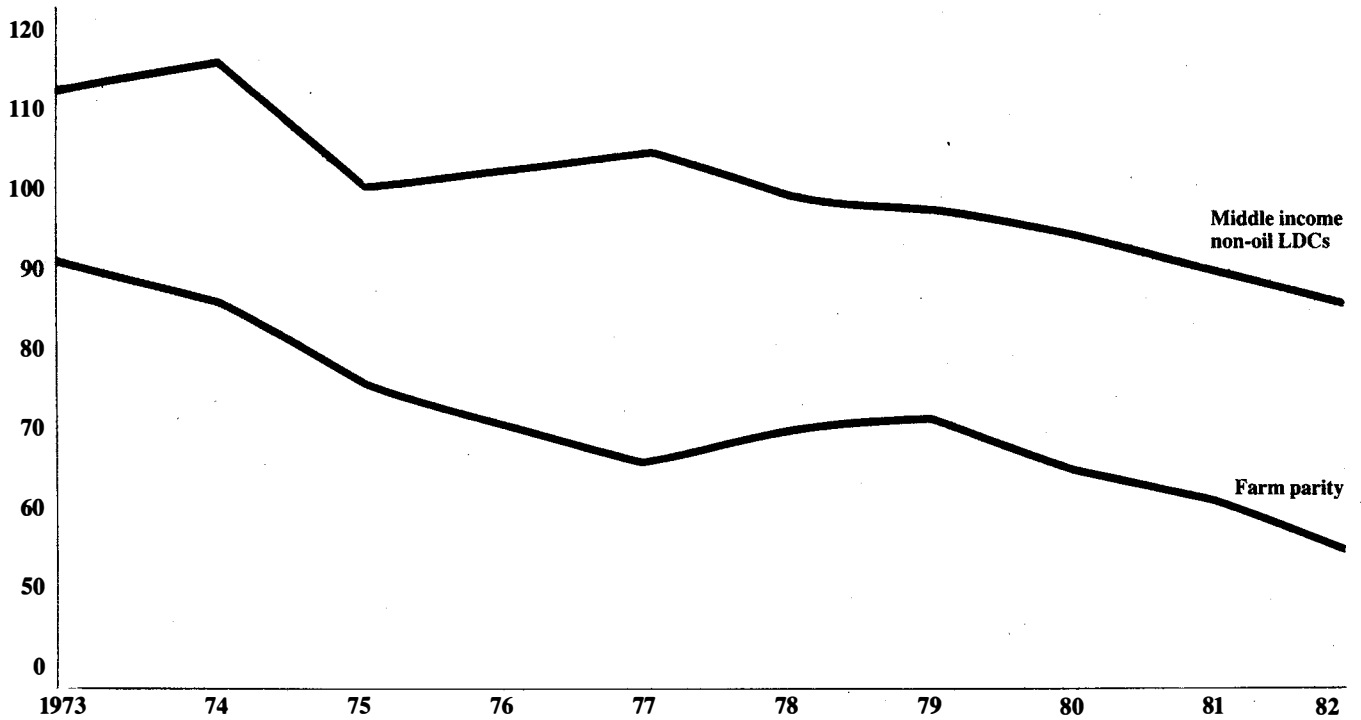
If and when the Federal government pursues such a "free market" program by quickly curbing farm credits, as it has done with Farmers Home Administration lending, the agricultural debt bubble will be burst, precipitating widespread farm bankruptcies, and thereby putting the "restructuring" into an end-game. Thus would the American government yield its control—whether well or poorly exercised—over the supply of its food to the international commodity cartel.

A cap on U.S. agricultural production means eliminating both the existing farm system and destroying the potential, which now still exists, for rapid enlargement of the output. If a permanent cap on U.S. food production is achieved, the United States will not have the production necessary to carry out Operation Juárez, the program to liberate both LDC economies and the United States from the present world depression. In the longer run, the United States may be unable to produce sufficient food to satisfy domestic needs.

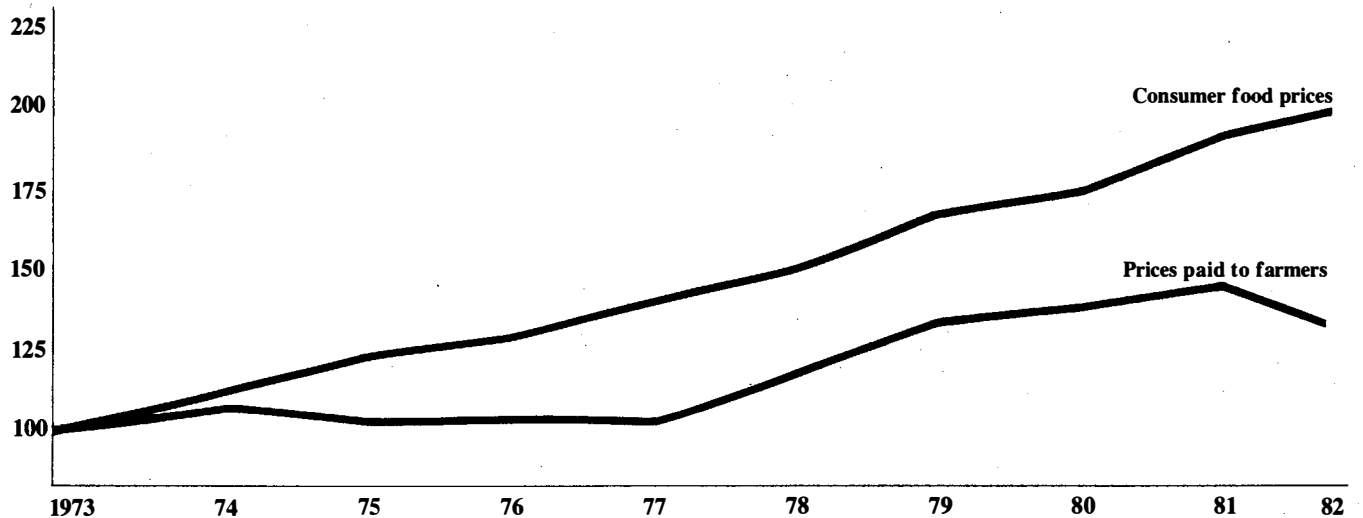
The intended shape of the end-game restructuring includes, over the next decade:

- 1) Permanent retirement of 300 to 400 million acres of U.S. farmland.
- 2) Eliminating the family farm as the fundamental unit of production in favor of absentee ownership (much of it foreign), and various forms of sharecropping, with a remainder of "super-efficient farms" still actually owned by Americans.
- 3) Virtually complete control of transportation, market-

**Figure 1**  
**Terms of trade for middle income non-oil LDCs compared to U.S. farm parity index**



**Figure 2**  
**Food prices: What farmers receive and what consumers pay**  
 (1967 = 100)



ing, and processing of food supplies. This goal of the commodity cartel has been largely accomplished.

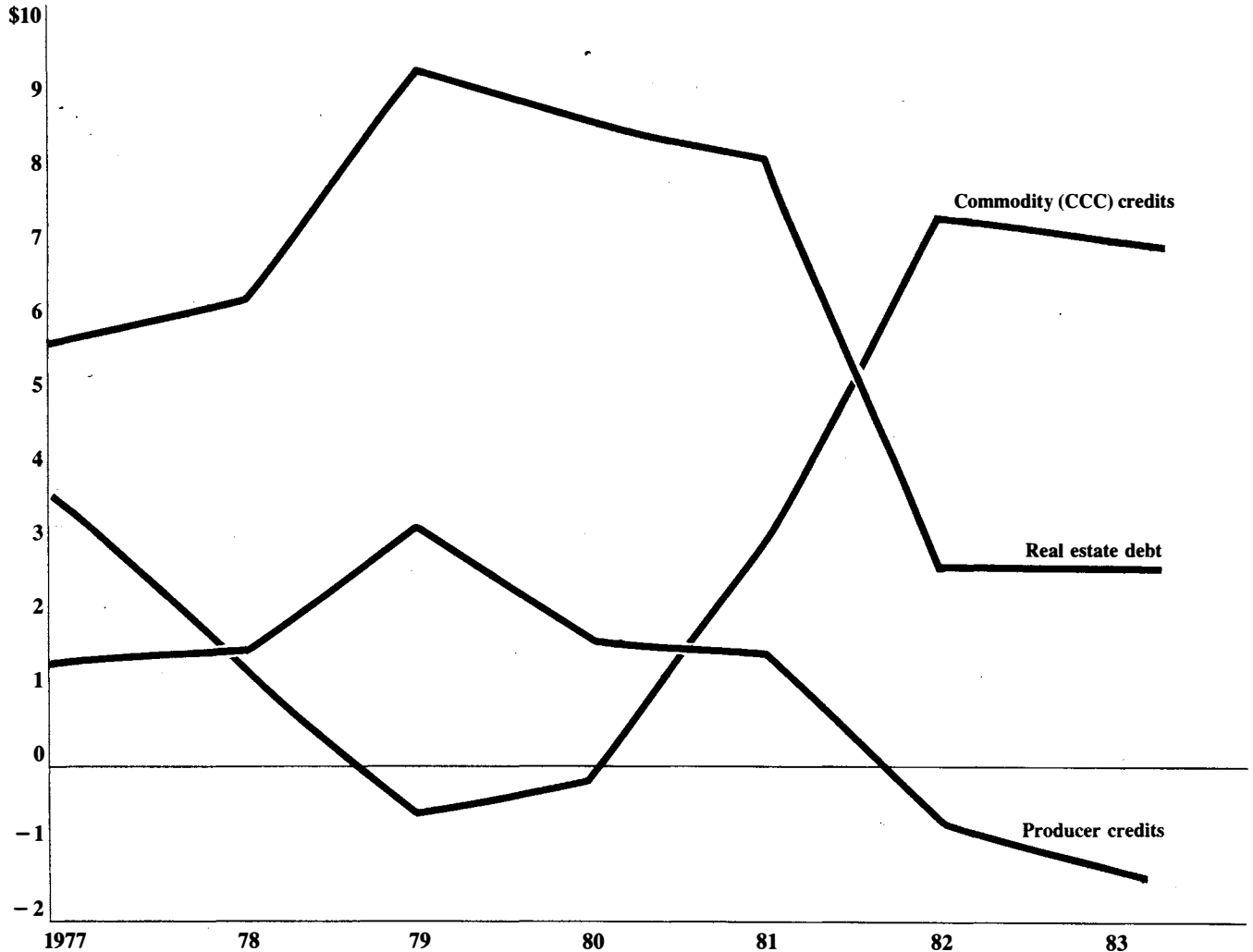
The "feudalization" of American agriculture has a double effect on American industry. First it curbs immediate demand since there will be fewer farmers to purchase capital goods

and less land overall in farming. The U.S. agriculture sector is one of the largest consumers of steel, machinery, and chemicals.

Second, with the collapse of LDC industrial development, which in the short term is heavily dependent on U.S.

**Figure 3**  
**Changes in farm loans outstanding year to year**

(in billions of dollars)



**Source:** Federal Reserve System, *Agricultural Finance Databook*, June 1983. The net of Commodity Credit Corporation (CCC) loans are not actually producer credits but rather credit on produced commodities. The Producer Credit Association (PCA), one of three parts of what is called the farm credit system, claims that the net liquidation of its producer credits is due to the lack of creditworthiness of farmers. The shift towards CCC credits is dramatic.

exports, our industrial markets in these nations are withering away. Over the medium term, greatly reduced markets for U.S. industrial goods, especially capital goods, will severely damage the nation's ability to produce such goods.

The present policy course of the USDA, Secretary of Agriculture John Block, the U.S. Department of State, the Federal Reserve Board, certain farm organizations such as the American Farm Bureau, and the KGB-influenced Heritage Foundation is intended to achieve the farm sector restructuring described here.

The similarity in deteriorating terms of trade—the difference between what is paid for what is bought and what is received for what is sold—which the U.S. farm sector shows

to the LDCs is striking. It results, as we have indicated, from the fact that the American farmer must produce within the constraints of world commodity markets run by the international trading institutions that were originally created by the Genoese banking houses and based heavily in the Odessa grain trade. The second factor was the drastic increases in oil prices in 1973 and again in 1979 (see **Figure 1**).

Another way to visualize the terms of trade or parity for the American farmer is to compare the prices at which farmers sell their produce against the prices paid for food by Americans (see **Figure 2**).

The increasing divergence between what the farmer receives and what the American population pays is the famous

“middleman” problem. The middleman is not merely the international commodity cartel itself but all the other forces in the market that the cartel is able to shape, the futures markets, deregulation and abandonment of transportation, the storage rates, insurance rates, and in particular, the loan rates.

It is hardly surprising that the net income of American farmers—despite years of record crops and improved productivity—should fall. In constant 1972 dollars, the net income of farmers fell 50 percent from 1979 to 1982. The ratio of net farm income to debt is shown in **Figure 4**.

One asks, how do the farmers remain in business if their net income collapses and the ratio of prices received to prices paid falls by 37 percent from 1973 to 1982. The answer is apparent in the agricultural financial statistics: the farmers were offered debt to cover over their collapsed incomes—an accelerating descent into ruin.

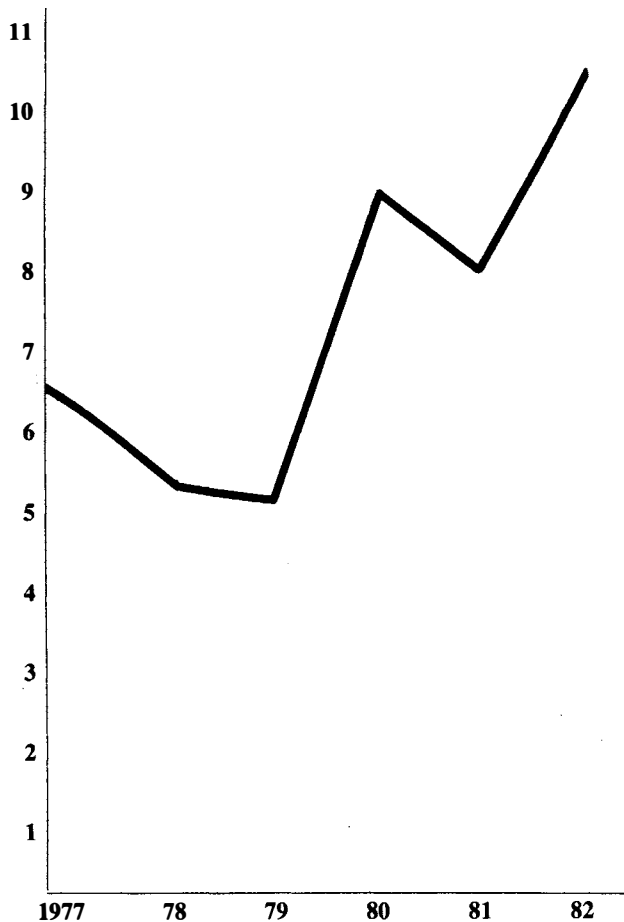
The farmers were offered the curse of the mortgage. Since their products were selling at such disadvantage, the only

thing left was the land. Miraculously, considering the fact that net farm income has dropped off more or less steadily since 1973, the price of farmland began to go up. In constant 1982 dollars, the total value of U.S. farmland bounded from \$520 billion in 1971, the starting year of the bubble, to \$915 billion in 1980, the peak year. No comparable land bubble of either such magnitude or duration had occurred in the post World War II period.

In the 1971-1980 land bubble, the actual demand for farmland was relatively weak. Farm purchases did not equal those of the World War II years. Instead, farmers in possession of land were increasing the mortgage on the the property they owned or were buying adjacent property of farmers being forced off the land, thereby assuming the debt of the bankrupted farmers.

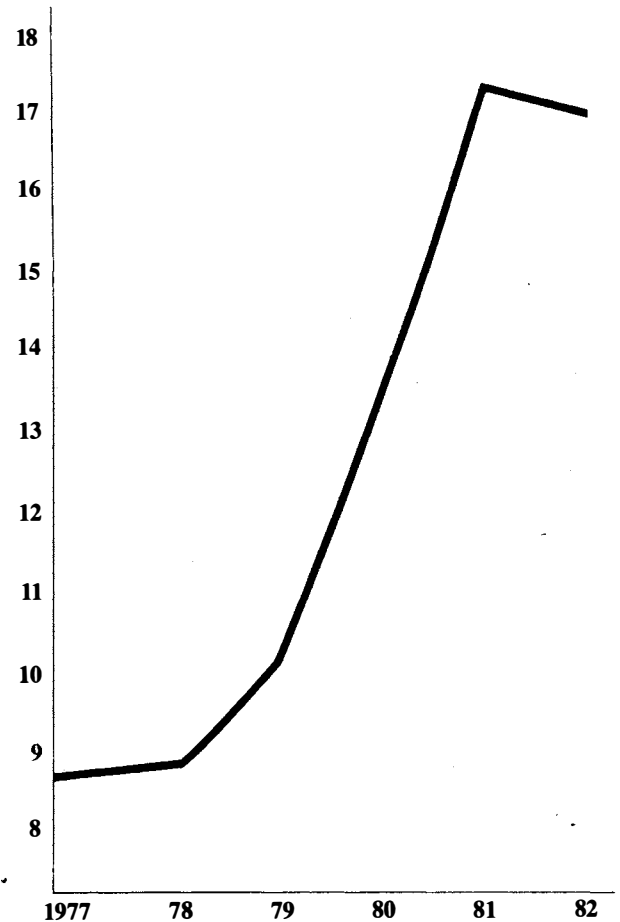
How is it possible that commercial banks, insurance companies, and the Federal Land Bank were lending heavily on land, when the return on the land, the net farm income was declining? Can mortgages be piled onto commercial or office

**Figure 4**  
**Ratio of farm debt to farm income**



Source: FRB, *Agricultural Finance Databook*, June 1983 and USDA.

**Figure 5**  
**Average bank interest rates on farm loans**



Source: Federal Reserve Board

real estate if the return of that real estate shows a pattern of continued decline? The answer is simple: such can be the case if the flow of new mortgages continues and there is not sufficient selling of that property to break the bubble.

The bubble was broken by the October 6, 1979 policy measures of Paul Adolph Volcker, the then-recently appointed chairman of the Federal Reserve Board. The Volcker measures had two immediate effects on farm mortgage financing. First, they severely restricted the funds available to the regional farm-related commercial banks for relending as mortgages, while the money center banks sought higher rate loans in the Eurodollar market and elsewhere. Second, holders of whole life insurance policies were encouraged to borrow against their policies at fixed rates lower than the prevailing rates at the commercial banks. This drained the funds the insurance companies would normally use for farm mortgage investment in such a way that the insurance companies began liquidating agricultural land mortgages. The temporary injection of Farmers Home Administration credits was reversed by the end of 1981, and with the continued shrinkage of new producer credits, it appeared that the entire farm bubble would break.

There remained, however, one more source of funds: the Treasury. Beginning in the fourth quarter of 1981, the Treasury began issuing record amounts of CCC credits against the stored crops of farmers. From the fourth quarter of 1981 to the first quarter of 1983, net CCC credits outstanding increased by \$10.1 billion.

Thus over the last decade, the American farm sector has been put through a classic financial bubble. From normal production credits, the debt shifted toward mortgages and then, in its final phase, was assumed by the government, the lender of last resort—and indeed, the last lender. The basis of credit has shifted from that which is extended to promote new production to that based on mere land to the CCC credits which are based on past production, as shown in **Figure 3**.

In **Figure 3**, the total of producer credits is listed net of CCC loans which are not truly producer credits but credit on produced commodities. PCA is the Producer Credit Associations, one of three parts of what is called the farm credit system, which claims that the net liquidation of its producer credits is due to the un-creditworthiness of farmers. The shift toward CCC credits is dramatically seen.

The result, shown in **Figure 4**, is a drastic deterioration in the ratio of farm debt to net farm income. As seen by the interest rates paid by farmers, the debt burden is unsustainable (see **Figure 5**). The debt crisis in U.S. agriculture must be solved in the same manner as that of the LDC nations. The world must be pulled out of depression by an international and domestic Operation Juárez: long-term, low-interest credit for expanded production within the context of nation-to-nation agreements for industrial development. Debt moratoria must be used if necessary to enhance production.

The American farmer's role in world development is a critical one, and world development is the only hope of saving the American farmer.

## Special Report:

# KISSINGER'S PLOT TO TAKE OVER THE REAGAN ADMINISTRATION

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

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

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

**The report is available for \$250.00**

**For further information call or write:  
William Engdahl, *EIR* Special Services,  
304 W. 58th Street, 5th Floor MC-1,  
New York, N.Y. 10019  
(212) 247-8820**

# Shuttle will carry scientists, engineers

by Marsha Freeman

The two years of operation of the U.S. Space Shuttle, culminating in the June 18-24 flight, have demonstrated that it is, unlike any previous rocket system, far more than a successful space transportation system. The real importance of the Shuttle is that it is a reusable, temporary manned space station which has finally made the launch into space benign enough so that scientists who have not trained for years as astronauts can go into space to do their own experiments.

Such operations as transporting satellites can be carried out by unmanned spacecraft; the Shuttle's laboratory and work station capabilities are unique. Though the Shuttle can only stay in low Earth orbit for about two weeks, in that time astronauts can deploy satellites, repair and do maintenance on already-orbiting objects, and supervise commercial systems. At the same time, scientists can perform biological, astronomical, and other experiments.

The four test flights of the Shuttle, and the three operational flights since, were planned by NASA to try out each of the capabilities the spacecraft provides. Each has expanded the "envelope" of Shuttle operations and laid the basis for an ambitious Shuttle schedule for the next few years.

The last flight of the Shuttle was the first space trip in which the majority of the crew were not pilots but rather scientists and engineers. The ninth flight, scheduled for the beginning of October, will be the first trip for the European-built Spacelab. This facility, which stays nested inside the payload bay of the orbiter for the entire trip, will carry scientists into space with a laboratory in which to work.

The facilities and research tools, including biological instruments, will be comparable to regular earth laboratories. For the Spacelab-1 flight, the first European astronaut will be a payload specialist on the Shuttle. Ulf Merbold, a German physicist, will work on some of the 38 scientific packages onboard Spacelab. These experiments will include the work of more than 70 different investigators from Europe, Japan, and the United States who have placed their packages in the lab for the mission.

All these scientists will receive the results of their exper-

iments, and in future, more of them will be able to actually travel in space to conduct experiments.

### Working in space

During the past Shuttle missions, NASA has instructed the astronauts and mission specialists to test out the vital equipment that will be required to do satellite repair, maintenance, and check-out on orbit. The 50-foot-long remote manipulator arm that sits inside the payload bay has already been tested, moving a small payload outside the orbiter. On the next, eighth mission it will be tested with a heavier satellite, to give the astronauts greater ability to use the arm.

An important objective completed on the last mission was the demonstration that the arm could grapple and grasp onto a satellite. It was able to bring one back into the payload bay that was free of the orbiter.

On the sixth Shuttle flight, two mission specialists did the first space walk in the payload bay. They worked their way from one end of the 65-foot bay to the other and practiced with tools that will be needed for future satellite repair.

On the 13th mission next year, astronauts will bring the orbiter within range of the damaged Solar Maximum Mission satellite. The arm will be used to grapple the satellite, and the crew will replace the damaged part with a new one which will allow it to continue to gather scientific information about the Sun.

Over the next decade, Shuttle crews will check out new satellites, so they are not deployed if they have been damaged during launch. They will replace empty modules with more fuel or new instruments, extending the life of expensive spacecraft. And new scientific instruments, such as the Space Telescope which will be Shuttle-launched in 1986, will be built so they can be updated while in orbit. If more complex work is required, the crew can bring the satellite back to Earth.

### Commerce and industry in space

The Shuttle has proven itself reliable for commercial operations in space. A handful of commercial communications satellites have now been launched into orbit by the Shuttle—on time and as scheduled. About one-third of the Shuttle's payload manifest for the next few years will be commercial satellites.

Industrial companies have also signed agreements with NASA that provide them free Shuttle launches while they test out new manufacturing technologies in space. When these processes become operational, the companies will pay for the flights, and entire new space industries will be born.

The military will also depend on the Shuttle for its unique capabilities. The Air Force will test new technologies that will be needed for directed-energy beam weapons and new weapons systems, in addition to launching next-generation satellites. Air Force astronaut crews will perform repair, deployment, and other functions with the Shuttle which parallel the work of the NASA crews.



## France builds 'laser lobby'

*Supporters of laser technology development are gaining political strength in France.*

Created June 18 to promote development of laser technologies, the La France et Son Armée (France and Its Army) Committee has already achieved considerable results in building a "laser lobby."

The initiative came from associates of Lyndon LaRouche in France—the European Labor Party (POE) of Jacques Cheminade and the Fusion Energy Foundation—in collaboration with prominent military and Resistance figures.

France's economic well-being and strategic security lie in a close alliance with the United States in the development of defensive laser systems. Realizing this, about 500 people have already endorsed the committee's call.

The 500 signers include parliamentarians, and business, labor, military, and science leaders. Many are members of the Gaullist RPR party.

One of the committee's prominent founders, Gaullist Gen. Renault d'Almones, recently sent a telegram to President Reagan demanding that Fed Reserve Chairman Paul Volcker not be reconfirmed because his high interest-rate policy "runs counter to the need for development of the economy" with laser technologies.

A rush of press articles have noted the race against the clock by the advocates of a beam weapons defense policy. The Paris evening daily *Le Monde* ran a recent article announcing a major breakthrough in free electron laser research at a scientific lab in Orsay (see *EIR*, July 19). This breakthrough follows the 1981 successes of Prof. Eduard Fabré's research group

in the Ecole Polytechnique in the area of laser-matter interaction.

One of the country's leading weekly magazines, *Le Point*, featured lasers as its recent cover story. "Lasers For All Purposes," a seven-page article, noted in its introduction:

"In the factories, lasers cut, pierce, and weld. . . . They sense, measure, and control bank notes as well as helicopter propeller blades. . . . In the hands of the surgeon, they become scalpels: they cauterize, prevent blindness, cure sterility, and vaporize tumors.

"But lasers are also, in the hands of the military, the 'death ray,' the anti-satellite weapon, the cannon of star wars. They can also be, tomorrow, an extraordinary source of energy. In short, lasers are everywhere, serve every purpose, and invade everything."

The article described the various applications and future offsprings of lasers, noting the use of lasers in inertial confinement fusion energy, beam weapons, metal processing, and medicine. The only thing lasers cannot do, *Le Point* concluded—even though they are used in California to measure tannin in wine—is to taste the wine.

It is in this pro-laser climate that the recent statements of Hubert Curien and Frederic d'Allest, the two directors of the Centre National d'Etudes Spatiales (CNES), must be viewed. After the first successful commercial flight of the Ariane rocket three weeks ago, the CNES directors announced their next project.

Their plan (after the five succes-

sive versions of Ariane—the last one to enter in service around 1988) is to build a manned space shuttle, if possible in cooperation with other European countries. This shuttle, named Hermes, is to be smaller—and less expensive to use—than the American version.

The only question remaining is if CNES will be granted funds for the project. It is known here in Paris that the main reason for the cancellation of the 1989 World Fair project in Paris is financial: the French state is broke and cannot afford what are wrongly termed large prestige expenses.

The Hermes project would thus have little chance of getting off the ground, *were it not for the military*.

Said Curien, "In the U.S.A., 50 percent of the funds allocated to space comes from the defense budget, in Europe, only 2 percent. It would be surprising if the situation does not change in Europe in the next years."

The enemies of a beam weapons policy are also moving. Reports in Paris indicate that certain American scientists living in Germany, and known to oppose President Reagan's new defense policy, have been commissioned by French circles to write a report on beam weapons—in effect, against beam weapons.

The primary individual involved has worked at the Lawrence Livermore Laboratories. His affiliation with Livermore will lend a "stamp" of a supposed expert. The report is to come out in Paris in the next days.

The nature of this petty operation indicates the fearfulness of the adversaries of beam weapons—and advocates of a conventional buildup and nuclear disarmament.

In spite of the traditional political truce during the French summer holiday, the present debate on beam weapons is expected to continue at a rapid pace.

## Gold hoarding

*At the expense of official stocks, the long-term accumulation of gold continues.*

Consolidated Goldfields' annual report, "Gold 1983," contains at least one qualitative judgement which I, despite the authoritative weight accorded to this document in the gold-trading community, might be permitted to doubt:

"Institutional and large-scale investor demand proved to be non-existent during 1981. Instead, widespread disinvestment took place. Much the same occurred in the first half of 1982, and investors continued to sell gold as the price declined. In 1981, we estimated that more than 300 tons of disinvestment must have occurred in order to meet demand for fabrication and hoarding. During the first half of 1982, the high levels of demand must also have been satisfied by a disinvestment in excess of 200 tons of gold, as the normal supplies of new gold coming on to the market would have been insufficient . . . in the market as a whole, gold continued to move out of investment hands for the second year running, absorbing a good deal of the investment build up which occurred between 1977 and 1980."

Not that the report's numerical conclusions may be doubted; unquestionably the bare facts are as stated. However, the implied conclusion is that Western investors have lost interest, as opposed to buyers of hoarded jewelry in the Mideast and Asia; this is not quite the case. "Gold 1983" comes closer with this statement:

". . . there are undoubtedly still individuals and institutions holding

gold as an insurance against the excesses of financial and political disaster. Often the only difference between so-called investors and those described as hoarders is in the greater quantity of gold held by the former and the fact that it may be held offshore in some safe bolt-hole. The European investment banks are probably still the main upholders of the belief that a client should maintain a small portion of his assets in gold, but there are signs that this custom is spreading as far afield as Japan."

First, the geographical distribution of gold hoards is not an accurate guide to beneficial ownership; the Near East ties of Brazil's most predatory gold house, Safra, have century-old roots, and the Monte dei Paschi Bank of Siena, chief financier to the Florentine gold market, is intimately tied to the flow of jewelry to the East; now that Swiss funds are seeking diversification in the Far East, this apparently growing section of gold demand might betray the hand of the old European *fondi*, who, after all, are often Byzantine by origin.

Most important among the tendencies noted by "Gold 1983" is this:

"In 1981, the increase in official holdings offset communist sales so that mine production was in effect the only source of new supply to the market. In 1982 the activity of both the communist and official sectors resulted in the net movement of 109 tons of gold to the market . . . central bank purchases are not expected to match last year's

levels, which will increase the supply of gold available to the market."

In 1980, central banks bought 230 tons of gold, and 276 tons in 1981, about a quarter of all the gold sent to market in the two years. Last year their purchases were only 98 tons, and this year, their net purchases will be zero.

It is probable that 1983 will become the most important year for national bankruptcies since the financial collapse of the Versailles Treaty's clip-and-paste countries in the early 1920s; the news that Brazil sold off its entire gold reserve, worth over \$1 billion, during the past year says much for the relative weakness of the gold price.

As I have maintained, the price of gold is determined by the balance between the need to hold present liquidity of a sort which may become useless in the near future, and the need to build a reserve for that point in the future, not by measures of money supply or even political instability.

Those gold investors who sell when the price falls are relatively insignificant in the march of things; those who prefer a low gold price, that they may obtain the largest amount of gold for the smallest amount of paper, the European *fondi*, accumulate more when the price is low; when the price rises, they continue to accumulate, but with less enthusiasm.

At the \$400 to \$450 price range, gold is just expensive enough to persuade bankrupt countries to part with their gold reserve, and low enough to provide a guaranteed market for whatever amounts of gold may come onto the market at this price, among the long-term accumulators of gold.

The International Monetary Fund tips over the finances of developing, and soon, some industrialized countries; gold falls out; and the *fondi* catch it. The present gold price is the expression of this transaction.

## Flight capital one-fifth of world trade?

*Some astonishing admissions have been made by the International Monetary Fund in a recently issued report.*

Federal Reserve Chairman Volcker's bland statement July 20 that capital flows into the United States represent a determinant of interest rates out of his control, subject to disruption by the Ibero-American debt crisis, contained one element of truth, and one element of deception. The statement is true, but leaves out a crucial fact: most of the cited funds enter the country illegally, reflected in America's \$42 billion current account "errors and omissions" item which is recorded in the 1982 balance of payments.

In an appendix buried in the recently-published *World Economic Outlook*, the International Monetary Fund reveals that well over \$100 billion in "statistical discrepancies" in payments represent capital flows contrary to national laws.

The "statistical asymmetry in global current account balances," as the IMF calls it, represents the difference between all countries' surpluses and deficits once they are totaled. Supposedly, every deficit represents a surplus elsewhere. The excess of deficits over surpluses, however, rose to \$89 billion on a global basis last year. That figure understates the problem, since the global figure permits some deficits and surpluses of different countries to cancel each other out. If all the discrepancies between countries' payments and receipts on current account were totaled up individually, rather than aggregated on a global basis, the total would be close

to \$200 billion, pushing towards a fifth of world trade.

Since 1973, the IMF adds, the total volume of such "discrepancies" has mounted to a cumulative \$800 billion, an astonishing sum:

"The principal factor accounting for the growth of the world payments asymmetry on current account has been the fairly rapid increase in the negative balance on invisibles. After being approximately balanced in 1973, estimated payments and receipts for services and private transfers have diverged progressively more widely in subsequent years, and the excess of record payments over receipts in these accounts reached some \$800 billion in 1982."

Invisibles, of course, refer to insurance, shipping, interest payments, and so forth; these represent the accounts that are most easily faked by flight-capital operators. After a half-hearted attempt to explain the mess by reference to lags between reporting of export payments and receipts, the IMF reports that the main payments accounts which make up most of the discrepancy are "invisibles."

These include "shipment," "reinvested earnings," and "other earned income." As the report notes, "The most readily identifiable part of this large excess of debits over credits is that rooted in the services provided by fleets flying so-called flags of convenience. The payments for services of these fleets are, for the most part, duly recorded in the balance of payments

statistics of the countries using such services. The corresponding credits, on the other hand, are typically not entered in any country's balance of payments."

Of the balance-of-payments category entitled, "other investment income," the IMF writes, "the payers tend to be larger and more readily identifiable than the final recipients. The latter (many of whom receive payments through financial intermediaries) tend to be numerous, scattered, and often interested, for reasons relating to taxes of exchange controls, in avoiding regular channels. . . . Many of these payments are made to multinational enterprises whose operations are difficult to assign to particular countries of residence, while others go to private individuals who have fiscal incentives for underreporting or routing payments via tax havens."

Of course, the statistical discrepancy is not precisely equal to the volume of illegal flight capital. Some flight capital is disguised through transactions that appear perfectly legitimate, i.e. deposits made into overseas banks by narcotics traffickers which are then given back to the traffickers in the form of "loans."

Nonetheless, most of the well-known mechanisms for avoiding exchange controls, such as double-invoicing and other means of overcharging for imports (while confederates abroad deposit the proceeds in the importer's Swiss banking account), will ultimately show up as a discrepancy in payments accounts. In Count Max Thurn's favorite example—the Argentine importer who buys dollars at the official rate to import a \$100,000 machine, but imports a \$10,000 used machine instead—the discrepancy will show up as a difference between Argentina's imports and some industrial country's exports.

# Business Briefs

## *Eastern Europe*

### **BIS imposes austerity package on Yugoslavia**

The Bank for International Settlements (BIS) reported July 20 that a \$4.5-billion-plus credit package for Yugoslavia has been negotiated and is ready to be signed. The Yugoslav government has agreed to BIS-IMF-World Bank conditions: no rescheduling of debt, "supply and demand" deregulation of internal price structures, convertibility of the Yugoslav dinar, opening of a domestic foreign currency exchange market, scrapping of development projects and "unprofitable" branches of industry.

Another precondition for the loan is the introduction of a law making it legal for Yugoslavia's state bank to put up its gold holdings as collateral for the loan and foreign currency reserves.

The credit package involves commercial bank pledges of \$2 billion, an IMF/World Bank loan of \$600 million, \$500 million from the BIS, and Swiss government-arranged export credits to make up the balance of \$1.4 billion.

The political consequences of the Swiss-led creditors' strategy were outlined by a Yugoslav specialist at Radio Free Europe:

"I see big trouble ahead. The pay-the-debt-with-austerity line will make the situation explosive politically. The conditions being implemented are the toughest. The 'Liberal-Friedmanite' group in the Yugoslav leadership—including President Mikla Planinc—insist on paying the debt no matter what the stakes and whatever drastic measures are needed. . . . The economic difficulties will lead to great disturbances and unrest. . . . The Kosovo disease will spread to other parts. . . . ethnic strife and fragmentation. In Serbia alone, over 300 enterprises stopped their machines because of lack of raw materials. . . . Unemployment because of cuts in projects will increase. Such great disturbances will force the army to intervene.

"The army is already prepared with contingency plans to take a 'Jaruzelski course' if need be. But even there they will not be able to control the situation like Jaruzelski in Poland because there is no national unity in Yugoslavia. . . . The creditors would not

oppose a military takeover or a 'strongman rule' as long as their debts are repaid. . . .

"Qaddafi is playing a major role in destabilization of Yugoslavia. . . . The Sunnis in Bosnia-Herzegovina have been trained in Libya and are pushing to establish an autonomous Islamic republic. . . . This would lead to the dismemberment of Yugoslavia. Qaddafi believes he has been cheated by Tito. Qaddafi is seized by a maniacal revenge fit. He wants to get back at Yugoslavia because Tito undermined Islam and used Muslims for his own purposes in trying to build a nation. . . . The Soviets on the other hand are tolerant of Qaddafi's sinister ploys in fomenting Islamic fundamentalism in Yugoslavia."

## *Agriculture*

### **Administration lobbying to gut farm programs**

Speaking to the 25th annual convention of the National Corn Growers Association, Agriculture Secretary John Block and Senate Finance Committee Chairman Robert Dole, who is also the ranking Republican on the Senate Agricultural Committee, declared that "farm costs were out of control" and that farmers should expect a sharp reduction in Federal outlays for agriculture.

Senator Dole told the corn farmers that agricultural costs to the Federal government have grown faster than any other program, including defense, and warned that "these expensive facts have not gone unnoticed by nonagricultural interests and non-farm members of Congress."

Both Dole and Block said that the administration wants to cut farm-related expenditures by half next year, including freezing support prices at 1983 levels and cutting the dairy prices support level.

Dole and Block, as top congressional and executive policy makers, are the two individuals most responsible for the current farm program. Dismantling these programs would eliminate the government's buffer against the incessant squeeze on prices by the international commodity cartel, which wants to cut U.S. farm production.

## *International Credit*

### **U.S. bank exposure rose in first quarter**

Bank for International Settlements data released the third week of July show that U.S. banks increased their net lending on the Eurodollar interbank market by \$13 billion during the first quarter, a striking rise in exposure at a time when the total size of the interbank market contracted by \$10.5 billion. The actual rise might have been higher, according to the BIS, through loans to banks not included in the BIS reporting system.

The BIS number does not include New York money market loans made to New York agencies of foreign, especially Ibero-American banks, who borrowed \$37.5 billion in the September 1982-February 1983 period, according to unpublished Federal Reserve data.

It appears that both Ibero-American countries and European countries were financing payments deficits through their national banks in the interbank market, a potentially dangerous procedure. The Ibero-Americans were cut off from the interbank market during the second quarter, but bankers believe that European borrowing accelerated, keeping the growth rate of U.S. banks' interbank exposure high.

## *Research and Development*

### **Japan to develop 21st century technology**

The Japanese Agency of Industrial Science and Technology is creating an R&D system to develop technologies that will take the country beyond the 21st century, according to Kyodo press service. The system will follow up on the work of the ongoing R&D program for "next-generation" basic industrial technologies, to be on line by the 1990s.

The agency and the Ministry of International Trade and Industry (MITI) decided to begin research on what they call "gener-

ation-after-next basic industrial technologies" because of very rapid progress in frontier technologies due to the advance of electronics. Japan wants to ensure its survival in an international technological race.

Sources stated that Japan is actually lagging far behind the United States and Europe in the field of creative frontier technologies, and that U.S. criticism of MITI's "targeting" certain industries for growth is unfounded.

### **Econometrics**

## **EIR: U.S. productive capacity collapsing**

The U.S. economy continued to decline during 1983, and will shake out recent short-term gains in consumer-goods production between September 1983 and April 1984, according to the just-released July Quarterly Economic Report published by *EIR*.

The report, which has the only accurate forecasting record among economics services over the last four years, uses the LaRouche-Riemann economic model as a basis for judgements about U.S. economic behavior. A summary published with the report warns, "Although the tangible output of the U.S. economy will rise at a 2.6 percent annual rate during 1983, the productive potential of the economy (measured by net investment in labor and capital) will continue to decline. This contradictory situation includes strong rises in auto and housing production, combined with continued deterioration of basic industry."

The LaRouche-Riemann model measures not only the current output of the economy, but the way in which present output determines the economy's future capacity to produce. The model's basic measure is the economy's "free energy ratio," which expresses the product available for investment in expansion of goods production as a fraction of total output of goods.

"According to our forecast, the free energy ratio stood at -2 percent at the beginning of 1983, moving toward -6 percent at the beginning of 1984. This means that the economy is now destroying its productive

capacity at a 2 percent annual rate, trending toward 6 percent. This corresponds to the continued collapse of capital investment, measured against the minimum replacement needs of American industry.

"The apparent recovery in the consumer sector will be aborted either when short-term interest rates reach a 'trigger' level of roughly 10.5 percent, or when major trouble emerges in the international banking market. The international debt crisis has reached its penultimate phase . . .

The Third World debt crisis is in large measure the result of the means employed by the Federal Reserve to stage events that might look like economic recovery, according to *EIR*'s exhaustively documented report.

### **Labor**

## **Volcker: recovery needs more wage gouging**

In testimony before the House and Senate banking committees July 20 and 21, Federal Reserve Chairman Paul Volcker demanded that if he were not to raise U.S. interest rates, Congress and the U.S. population would have to meet three conditions: Congress would have to slash the budget by "at least one-fourth—\$50 billion or so;" Congress would have to pass the IMF bailout legislation, and U.S. workers would have to agree to continue to accept wages cuts.

"If we want the recovery to continue," Volcker told the Senate, "we must not move aggressively to raise wages. . . . The rate of nominal wage increases—at about a 4 percent annual rate—is now at its lowest level since the mid-1960s."

At 5-6 percent inflation, Volcker claimed that U.S. workers are now suffering *negative* wage reductions. "This pattern has been assisted," he added, "by sizeable productivity gains"—i.e., speedup.

"Today," he said, "Orders are rising, businesses are hiring, layoffs are diminished. The temptation could arise to revert to what some might consider 'normal' behavior—to return to wage increases characteristic of the earlier decade"—something, he concluded, which must not happen.

## **Briefly**

● **FED CHAIRMAN** Paul Volcker has just been awarded the "Jefferson award" by the American Institute for Public Service, for "guiding the country's monetary policy in difficult economic times." The AIPS has connections to the Kennedy machine.

● **M. M. WARBURG** and Brinckmann in Hamburg see portfolios moving out of dollars. They write in their July monthly market letter: "The strength of the dollar exchange rate has considerable importance for the [German] stock market, especially in the view of foreign investors based in dollars. Those who believe that the dollar is overvalued from a fundamental standpoint and owes its high parity to overly high interest rates must come to the conclusion that a reduction in the dollar rate can be expected in the foreseeable future. Of course, the term 'foreseeable future' is extremely vague; but for long-term-oriented, dollar-based investors, this . . . should contribute to a decision to purchase German shares moderately. In the short-term, rising dollar rates, of course, inhibit such purchases."

● **A CHINA-JAPAN** atomic plant equipment deal is under negotiation. Japan's Mitsubishi Heavy Industries received an inquiry from China to assemble pressurized vessels for an atomic power plant being constructed near Shanghai, reports *Kyodo News' Japan Economic Daily*. Mitsubishi is consulting with Westinghouse, since Mitsubishi's technology in the area is under license from Westinghouse. Recently the U.S. and China entered negotiations for agreement on nuclear energy cooperation, but no pact has yet been reached.

● **A MID-ATLANTIC** homebuilders association executive director told *EIR* July 19 that mortgage rates in his area have risen to 13 1/2 to 14 percent, "just high enough to begin to wreck the housing market. . . . You were right about the direction of interest rates but we always hope that they will stay down just long enough to complete our sales."

## Why I must attack Albert Einstein

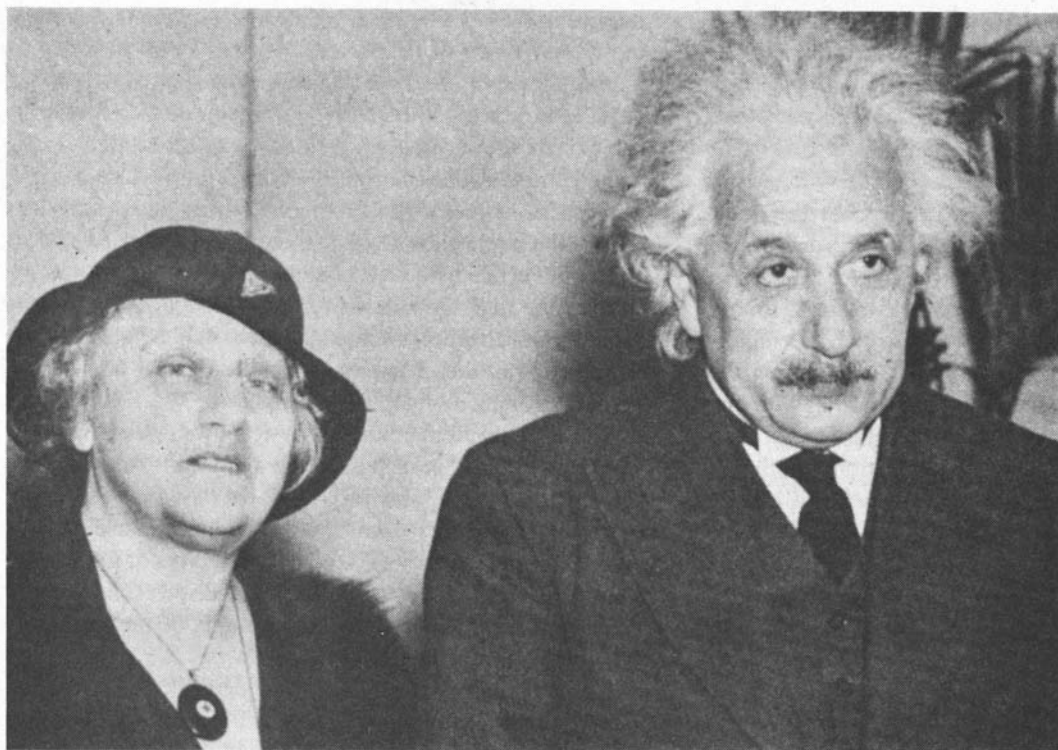
by Lyndon H. LaRouche, Jr.

With great personal reluctance, I find myself obliged to attack certain features of the work of the late Albert Einstein publicly. This reluctance bears upon Einstein as a man, not as a physicist. Although I am not a physicist or mathematician as such—chiefly because I early abhorred, morally, certain leading features of contemporary textbook and classroom mathematics—I am not awed by Einstein's reputation in science. I know enough of the absolute fundamentals of scientific work to know with certainty that important aspects of Einstein's work depend upon childish outrageous blunders of assumption and method. What I like about Einstein is that, although he permitted himself to be used and corrupted to a certain degree, he drew the line beyond which he would not permit himself to be used for corrupt purposes. For that latter reason, and for reason of certain important issues on which Einstein was morally on the right side, I would prefer to defend him, than to be obliged to attack his memory.

My motives for attacking Einstein's memory are eminently, urgently practical ones, reasons he would admit are of an obligatory moral as well as practical character. Briefly, the threat of a new general war, this time probably a thermonuclear war, and the threatened collapse of the world's economy—unless a technological revolution intervenes—require a very special kind of "crash-program" effort in development of three interrelated areas of scientific investigation and technological applications. These three areas are: (1) Controlled thermonuclear fusion and related aspects of relativistic physics; (2) A general, radical revision in the theory of quantum electrodynamics, with emphasis on the need for a comprehensive and coherent doctrine of coherent radiation—new, rigorous distinctions between *energy* and *work*; and (3) Revolutionary breakthroughs in biophysics, centered upon control of aging of tissues within the whole processes of human bodies, a fundamental breakthrough in the physical definition of the word *life*. These three breakthroughs can not be accomplished without throwing overboard the *axiomatic notions* of a statistical theory of heat, axiomatic notions embedded in much of Einstein's work, and the root of every major error in his work.

In these matters, my own special variety of competence lies both in my mastery





Dr. and Mrs.  
Albert Einstein

of empirical principles of economic science, and a life dedicated chiefly to mastery of what is best described as “the third level of scientific hypothesis,” what Plato’s writings define as the notion of an *hypothesis of the higher hypothesis*. In my own case, my susceptibility to the Platonic (or, Neoplatonic) viewpoint was an outgrowth of a childhood and youthful saturation with matters of theology, most emphatically that of the Gospel of St. John. It was consistent that during the age-interval of my thirteenth and fourteenth year, I should have been won totally to the methodological outlook of Gottfried Leibniz, most emphatically the Leibniz of the Leibniz-Clarke correspondence and the *Monadology*. This theological point of entry into scientific work has been no defect, as the instances of St. Augustine, and the founding of modern science by the fifteenth-century Cardinal Nicholas of Cusa best indicate the connections to be noted.

What turned me away from mathematics as I encountered taught mathematics in the textbooks and classrooms of my youth, was the recognition that the lattice-structures of a logically consistent mathematical edifice depend upon the validity of the axiomatic and postulational assumptions which underlie all mathematical systems. It has always appeared morally indefensible to me to assert that anything is true mathematically merely because of plausible empirical consistency with mathematical schemas. If the underlying assumptions are in error, then the entire edifice of existing mathematics collapses. Perhaps, at any given point in progress of knowledge, it may not be possible to settle these problems respecting underlying assumptions, and scientific work must not be halted merely because we know some more

or less pervasive defect to exist in given mathematical physics. Yet, at the same time, it is morally wrong, and ultimately destructive of scientific work, to pretend that the existing mathematics is self-evidently right as to principles when it is demonstrable that some underlying assumptions are of a dubious character.

This doubt proved most fruitful. The Wiener-Shannon doctrine of “information theory,” derived from the statistical theory of heat, expresses the most immoral features of existing scientific opinion, depending most directly upon assumptions which are provably absurd, assumptions conclusively proven absurd long before the work of Boltzmann, Gibbs, et al. *Negentropy*, it appeared to me during late 1947 and early 1948, when I first encountered the Wiener-Shannon dogma, is characteristically the quality of living processes. *Life* as an active, efficient principle, must be adduced directly, empirically, from living processes. It was my preferred argument then, and still today, that the professor who undertakes to discover whether or not life is possible, from the standpoint of the statistical theory of heat, or the mechanistic standpoint otherwise expressed, is posing actually the question whether he himself exists to have the power to express an opinion on any matter of inquiry. Therefore, I was led through the work of Nicholas Rashevsky on mathematical biophysics, to challenging Rashevsky’s methodological assumptions. This led ultimately to a year of wrestling with Georg Cantor’s notion of transfinite orderings, a vantage-point which made the essential, underlying features of the work of Bernhard Riemann directly accessible. My own fundamental discoveries in economic science, dated from 1952, were the result of that.

Energy unquestionably exists, to the effect that increase of measurable energy-flux density of processes is the proper first-approximation measure of work accomplished by thermodynamic processes. Yet, "energy" and "work" are not the same thing. Work produces energy, and the conversion of energy into work is the crux of the matter. It is the comparison of the work gained with use of energy against the work required to produce energy in the form required, which is the essential definition. This recognition, and its bearing upon the measurability of technology as such, was the basis for my original discoveries of 1952, a discovery which has undergone a radical improvement in depth and scope during the recent five years—chiefly due to my collaboration with Dr. Uwe Parpart, Dr. Jonathan Tennenbaum, and others, who have enabled me to locate my earlier conceptions within the broader range of fundamentals of mathematics and mathematical physics.

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*Most of the formal fallacies which afflict mathematics and mathematical physics are derived not from physical experiments as such, but from substituting an axiomatically algebraic mathematical structure used to describe physical processes for those processes themselves. In a word, nominalism. Since such mathematics . . . prohibits specification of causation as a term of description, it should not be surprising that such mathematics is often inappropriate means for studying principles of causation in a created, existing universe.*

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The most recent developments in my own work began during 1980. The LaRouche-Riemann method of economic forecasting has proven itself the only competent forecasting

method in existence today, but there are shortcomings within the present form of the forecasting practice, such that the method is of the highest accuracy presently available for short-term general forecasting, but not satisfactory to the same degree for short-term forecasting of sub-sectors of the same general economic process. Therefore, a constant improvement, refinement, in the program has been characteristic of the work since it was launched in December 1978.

The direction of these continuing refinements took a wrong turn during mid-1980, a wrong turn I recognized to be disregard for the deeper implications of the "delta" in Leibniz's formulation of the differential calculus. This, I warned my associates then, obliges us to emphasize the fact that the notion of a quantum-value in physical processes is nothing but Leibniz's notion of the fallacy of "infinite divisibility," one of the points upon which he based his (accurate) argument, that Newton's form of the calculus was useless and false to physical reality. To solve certain tasks of refinement in economic analysis, I concluded, it is indispensable to brush aside prevailing, accepted interpretations of the quantum-notion and to derive the necessity of this notion from the same basis as Leibniz's approach, rejecting the assumptions underlying what is called quantum mechanics. When my associates failed to effect quickly enough the breakthrough of the form I saw necessary, I mobilized myself to set the required solution into motion, demanding that we examine the matter from the standpoint of a rigorously synthetic-geometrical approach to construction and interpretation of conical (complex) functions.

This program began, during 1981, with an attack on the simplest phenomenon of all conical functions: the determination of the correct, well-tempered values for the musical scale as an elementary exercise in differential geometry, as completed by Tennenbaum and Schauerhammer during the Autumn of 1981. This led, further, into Tennenbaum's reconstruction of Minkowski's doctrine of special relativity through use of paired cylindrical functions, in respect to which I insisted this must be corrected by an additional, crucial step, of substituting conical functions for the cylindrical. This led to Tennenbaum's discovering a fresh view of Gauss's arithmetic-geometric mean. Through the collaboration with Tennenbaum, I pointed out that the view of generalized elliptic functions, as subsumed by Gauss's derivation of the arithmetic-geometric mean, was the basis for both Riemann's famous 1854 habilitation dissertation, "On The Hypotheses Which Underlie Geometry," and the proper basis for defining both the principle of the quantum and Leibniz's "delta."

The outgrowth of Tennenbaum's continuing work on this matter gave us a much more powerful apparatus than I had previously employed for economic science. This, and its general implications, I reported to the recent, July 3-4 conference of the International Caucus of Labor Committees in Reston, Virginia. The included judgment is that a "general theory of relativity," as distinct from "special relativity,"

does not exist, that the search for a unified field within the scope of a supposed general relativity is a result of wild, unrecognized fallacies embedded in an incorrect formulation of what is called "special relativity." This argument does not depend upon any complex analysis of the matter; the errors are entirely of the most elementary kind, the most primitive errors of assumption, which therefore admit of direct, simple demonstration.

I summarize the bare essentials of the case which I presented to that recent conference, beginning with a definition of the notion of an hypothesis of the higher hypothesis.

### The three levels of hypothesis

In scientific work, there are three levels of hypothesis:

(1) *Simple Hypothesis*. The underlying assumptions of prevailing scientific knowledge are assumed to be valid, both for scientific work generally, and also for the particular area of inquiry to which some experimental hypothesis is addressed. The assumption of consistency with existing structures and underlying assumptions of scientific work, especially mathematical physics, is the basis for design and testing of the experimental hypothesis.

(2) *Higher Hypothesis*. This is an experimental hypothesis addressed to the question whether evidence requires us to overthrow one or more of the fundamental assumptions underlying contemporary scientific work. A successful higher hypothesis produces a greater or lesser scientific revolution, and, by implication, greater or lesser technological revolution.

(3) *Hypothesis of the Higher Hypothesis*. This presumes that a succession of scientific revolutions represents an orderable series of higher hypotheses, on the condition that the succession correlates with an increase in the potential per-capita power of society over nature. This poses the question, whether a succession of higher hypotheses meeting that requirement is demonstrably the result of some common principle of discovery. In other words, is there some principle of discovery which can be successively applied to successive scientific revolutions to generate the next scientific revolution in that series? Experiments which test hypothetical principles of discovery of this sort define the notion of an hypothesis of the higher hypothesis—the *third level of hypothesis*.

There is a current of modern science, beginning with the discovery of the *isoperimetric principle* by Cardinal Nicholas of Cusa during the 15th century, which insists that all of the fundamental questions of scientific knowledge exist for comprehension only on the third level of hypothesis. This current of science is typified by Cusa, Leonardo da Vinci, Johannes Kepler, Gottfried Leibniz, the Carnot-Monge Ecole Polytechnique, Karl Gauss, and Bernhard Riemann, a current sometimes identified in English literature as "continental science." This is the current to which this writer adheres.

This adherence takes the practical form today of the writer's specifications for design of a needed "crash program," both to implement the President's strategic doctrine enunci-

ated first on March 23, 1983, and to cause that work in military technology to spill over efficiently into the world's civilian economy, to foster a general explosion in economic growth. The designs proposed by this writer are modeled, as a matter of reference, on the combined military, scientific, and educational work of the Ecole Polytechnique under Lazare Carnot and Gaspard Monge. Otherwise, the writer situates within that model of reference the question of a governing administrative-methodological principle approach to make such a social instrument of "crash-program" work effective for the specific objectives in view today.

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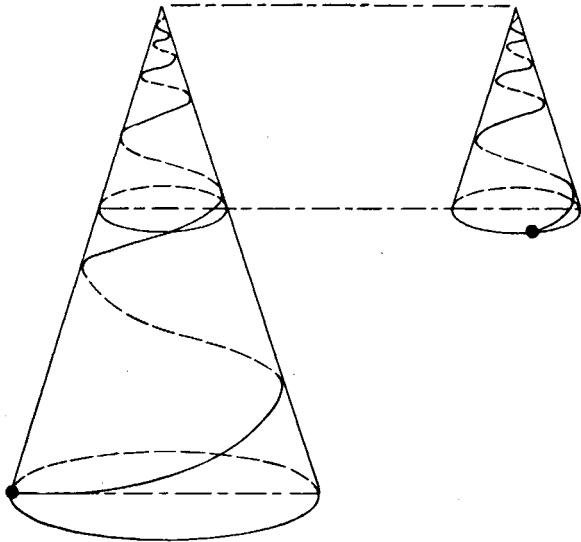
*What we measure, ultimately, in economy, is the relative increase of the power of a population to sustain its own existence. This is best described as the potential relative population-density of a society (economy). This measures man's per-capita power over nature, and thus defines what changes in behavior correspond to an increase or decrease in man's knowledge of the lawful ordering of the universe.*

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The importance of this approach is most readily demonstrated from a military standpoint. In opposition to those "systems analysts" whose influence has ruined the defenses of the United States, military technology defines a domain of accelerating technological attrition. The best measures deployed today produce countermeasures, countermeasures which require more advanced measures to overcome them. The succession of measures and countermeasures so defined is sometimes named "technological attrition," and is sometimes called an "arms race." There is no alternative to such an "arms race," but to prepare to lose the next war.

The same principle of "competition" exists in the non-military economy. However, one may ignore this principle of "competition," on the assumption that a nation may survive national economic bankruptcy, but might not survive losing a war. Hence, it is the unfortunate reality of modern history, that great advances in technology of civilian economies have often been a by-product of mobilization for wars. It is not that war is the indispensable instrument of progress—



**Figure 1:**

A self-similar spiral on a cone, the mathematical definition of work. The self-similar characteristic of the figure is that a cut made anywhere parallel to the base of the cone produces a smaller cone and spiral identical to that of the larger cone except for its scale and rotation.

usually it is not; it is that nations refuse to do what they should have done in pursuit of peace, until the hot breath of war is upon their necks.

Technological attrition converges upon the notion of successive scientific revolutions, at least, successive technological revolutions. The distinction between the two is that a technological revolution is a scientific revolution put into practice—too often, belatedly. The idea that there exists a “world-line” based on successively ordered series of scientific breakthroughs, or technological breakthroughs, is the implied feature of technological attrition, and therefore the implied feature of all “crash programs” resembling that which we have proposed. This represents the ideal case for direct application of the third level of hypothesis.

### Conical functions defined

The fundamental fallacy of the work of Einstein—and many others—was his refusal to accept the fundamental principle upon which the preceding development of European science depended: the treatment of the implications of the five Platonic solids from the vantage-point of Cusa’s rediscovery of the isoperimetric principle: the principle that the *action of circular rotation*, Leibniz’s Principle of Least Action, is the only form of action self-evidently existing in visible (Euclidean) space. All of Einstein’s major errors are derived from this consideration, including his misinterpretation of Riemannian physics.

Briefly, circular action in a measureless, formless void, creates a circular area of measureless extent. The repetition of this same action upon that circular area creates the straight line, and also creates the first degree of measure: division of circular rotation by one-half. This is the only definition of a straight line permitted within a rigorous mathematical physics. The same circular action repeated upon a semi-circle creates a point. From circular action, and the line and point created by circular action (singularities), all forms constructable in visible (Euclidean) space are constructed, using no other means but the hereditary principle of construction from the starting-point of circular action. No axioms or postulates are permitted in rigorous mathematical physics, or geometry.

The limitations upon construction in visible space are two. First, only five kinds of regular polyhedra can be constructed in visible space—the five Platonic solids. All of these solids (4, 6, 8, 12, 20 sides respectively) reduce to one elementary such solid, the 12-sided dodecahedron whose sides are equal, regular pentagons. The pentagon and the dodecahedron are both constructed on the basis of a harmonic characteristic called the Golden Section. Nothing can be constructed in visible space except by reference to the unique feature of the Golden Section. The second, ultimately identical limitation, is the fact that certain classes of occurrences within visible space can not be constructed within visible space, those constructions which depend upon transcendental functions—including the regular heptagon.

However, all existences within visible space can be constructed as projections of continuous, conical functions upon visible space. These conical constructions have the elementary form of a self-similar spiral on the outer surface of a cone. This spiral has the 2-space projection of an Archimedes spiral whose characteristic proportion is the Golden Section. Each cycle of the spiral defines a circular cross-section of the cone. All existences in visible space are thus defined by transcendental conical functions. *The conical self-similar spiral of the reflected continuous manifold is the only self-evident form of physical action in the universe.* (See Fig. 1)

This is the foundation of all rigorous forms of mathematical physics. This is the elementary root of the third level of hypothesis for mathematical physics.

Pacioli, da Vinci, and Kepler emphasized that all living processes have the morphological characteristics of growth and function of the Golden Section. *Functions with such characteristics are negentropic functions.*

Kepler proved, and that conclusively, that the Platonic harmonic system, as presented by Plato’s *Timaeus*, is the basis for the universal laws of astronomy. With aid of corrections supplied chiefly by Karl Gauss, Kepler’s astronomy is valid to the present date, whereas all opposed doctrines are not.

The most fundamental breakthrough in science after Kepler and Leibniz’s, was the discovery of the arithmetic-geometric mean by Karl Gauss. Without this discovery, no fundamental discovery of post-1830 European science would

have been possible (after Legendre, Fourier, Poncelet). This is what Einstein rejects implicitly.

The most elementary complex variable is the stretching of a rotating radius-line as the radius rotates around the axis of a cone. (See Fig. 2.) The simplest case is that in which the radius increases by a fixed ratio as it rotates, such that, after each complete rotation, the radius has increased by the ratio of some fixed number. If the ratio of the radius's increase is "1," the result is a constant spiral on the outer surface of a cylinder, the ideal representation of *energy*. If the ratio is greater than "1," the result is a self-similar spiral on the outer surface of a cone, the ideal representation of *work*.

In the second case, the Gauss arithmetic-geometric mean follows immediately.

The first integral of such an elementary complex variable is the spiral-action (for an interval of time). The second integral (for our purposes here) is the definite integral of the spiral-action for one completed cycle of rotation: the volume defined by two successive circular cross-sections of the cone, at the beginning and end of that cycle. The characteristic of this volume is the ellipse defined by any diagonal cut of the volume by a plane. (See Fig. 3.)

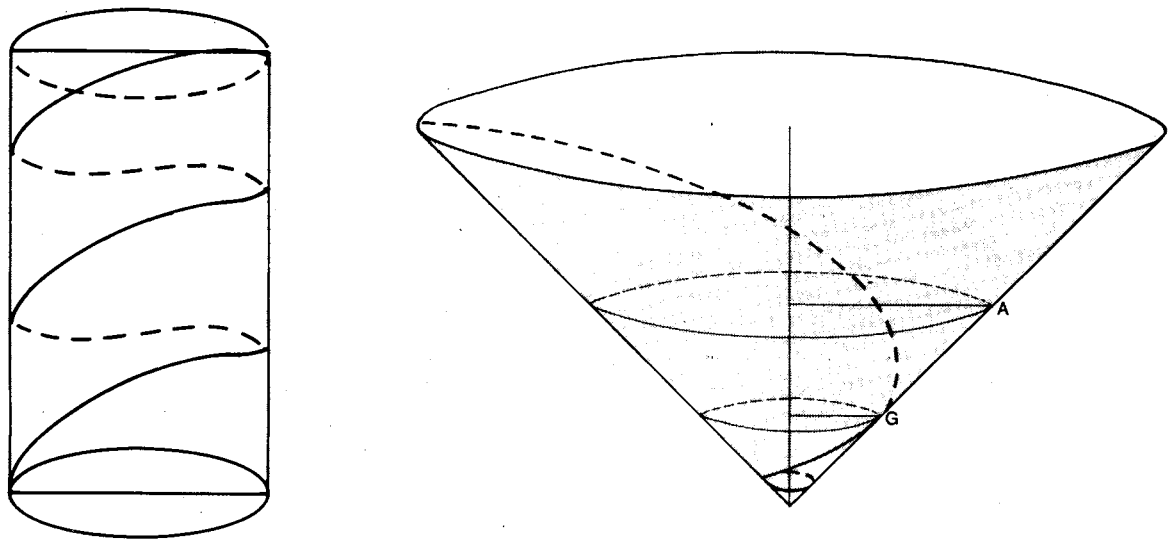
If the volume is cylindrical, the spiral rotates half its rotation at the mid-point of the volume: the geometric and arithmetic means are coincident. The elliptical cross-section

defines energy, but not work.

If the volume is conical, the spiral rotates less than half the distance along the central axis of the cone during the first half of the rotation. In this case, the geometric mean lies below the arithmetic mean; the two are not coincident. The one focus of the ellipse cutting the conical volume diagonally will be the perihelion focus, lying upon the axis at a point corresponding to the geometric mean (the position of the Sun in the Earth's orbit). The other focus will lie in the cross-sectional, circular plane of the arithmetic mean.

Next, examine the volume defined by the circular cross-sections of the cone intersecting the two foci. Cut this volume with an elliptical diagonal. Repeat the operation for the volume defined by the foci of this new ellipse. Repeat a large number of times. The question is: when does one stop this recursive process? This is the kernel of Gauss's theory of elliptic functions.

At whatever point the recursive process ceases, the remaining volume defined by the two foci of the last ellipse defines a degree of rotation of the spiral generating the cone, and also defines a relative value for an interval of displacement along the central axis of the cone. In a universe whose metric is the speed of light, this will correspond to a wavelength, a frequency. If this is determined in some necessary way, we have Leibniz's "delta" and the notion of the quantum

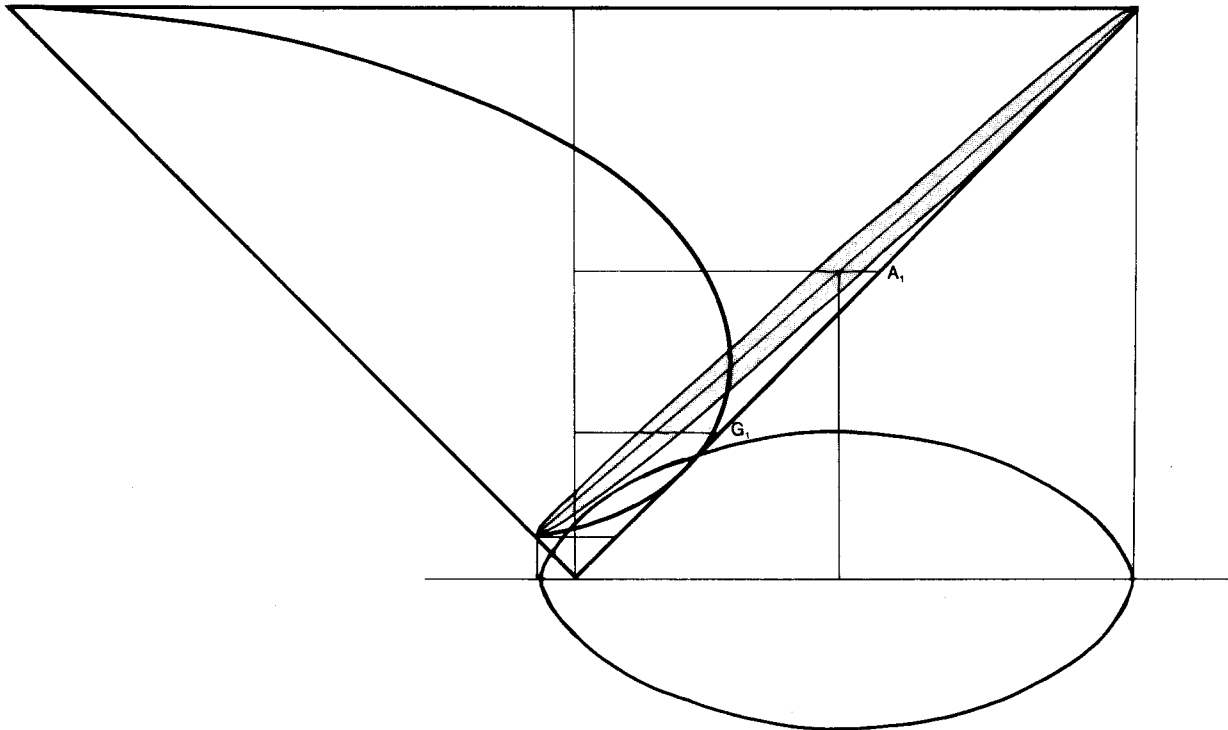


**Figure 2:**

At left, a spiral on a cylinder, the mathematical definition of energy. We use a conical function (work) to generate a cylindrical function (energy): then we cause the cylindrical function to behave as a conical function which does work.

At right, the line between the two circles shows the path of the spiral on the cone, the first integral of the complex

variable (work). The shaded area between the two circles, representing the volume, defines the second integral, net work. The geometric mean G, the midpoint of the spiral rotation, is less than half the distance between the two circles. The arithmetic mean A, the midpoint of the vertical distance traversed by the total action, is at a point more distant.



**Figure 3:**

The arithmetic mean  $A$  defines the semi-major axis of the ellipse: A circle which is the average of the lower and upper circle defines an average work impulse. The geometric mean

$G$  is half the rotational action of the spiral and is the semi-minor axis of the ellipse. One focus of the projected ellipse lies upon the center axis of the cone, where the sun is located within the planetary orbits.

of action. (See Fig. 4.)

The physical significance of this was first established in available scientific literature, by Riemann's 1854 habilitation dissertation, "On The Hypotheses Which Underlie Geometry." Assume the prior self-elaboration of the universe as a whole, or some phase-space to correspond to some well-defined number  $N$ , such that the singularity of the Gaussian elliptic-function series for the conical interval represents  $N + 1$ . This means that action corresponding to a well-defined notion of work acts upon the universe (or phase-space) as an entirety, such that that action is bounded uniquely, in scope and division of itself, by the relationship implied by values  $N + 1$  and  $N$ . This defines a smallest division of action, below which only a singularity in physical space can occur. That is a quantum of action, a value which varies relativistically as the universe evolves to higher states, or as the phase-space evolves similarly.

That is what the quantum represents from the standpoint of the third level of hypothesis: a smallest wave-length of continuous action, below which only a singularity can exist.

This was the basis for Riemannian electrodynamics, in which retarded potential, rather than notions of the statistical theory of heat, is characteristic. This has been the underlying

issue of the factional furor within physics for more than a hundred years.

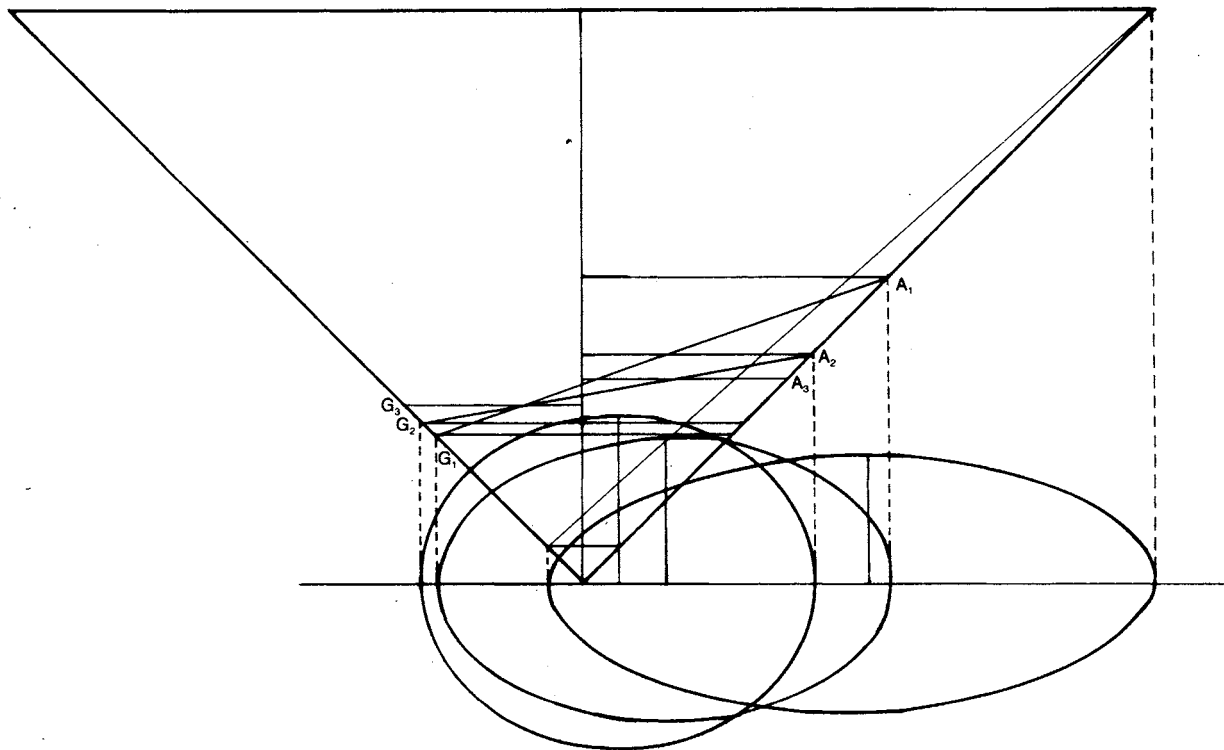
However, this quantum can be measured empirically not only as a smallest wave-length of a continuous (e.g., electromagnetic) function. Changes in the value of the quantum, relative to functional notions associated with  $N$  and  $N + 1$ , also correspond to relativistic metrical changes in the characteristic rates of action within the phase-space concerned, as Riemann specifies. This, from the standpoint, again, of the third level of hypothesis, defines relativistic physics.

### Contrast to Newton and Maxwell

Any system for describing physical processes which is modeled upon the syllogistic system of Aristotle, eliminates representation of such forms of action as "create" and "cause" within the mathematical system itself. The use of the equality-sign or inequality-signs has the same function as the middle term in the Aristotelean syllogism. Hence, mathematics usually confronts us with the ludicrous spectacle that we speak of creation of the universe, and speak of and observe causal relationships in physical processes, but can find no expression of either in conventional mathematical schemas.

The paradox does not exist in a rigorous geometry of the





**Figure 4:**

The diagram shows the cone, cut by a succession of ellipses (shown sideways as diagonals), with the ellipses projected onto a flat surface below. Points  $A_1, A_2, A_3$  define the arithmetic means of the successive ellipses; points  $G_1,$

$G_2, G_3$  mark the geometric means; these means define the projected ellipses. At the smallest self-similar subdivision of the spiral, the process must stop; here, the volume bounded by the arithmetic and geometric means defines a quantum of action.

sort we have indicated here. Circular action, as the mirror of conical-self-similar action, is the form of the verb "to create," and also the description of action congruent with the verb "to cause." Creation and causation are one and the same, at least essentially. This requires, of course, that we cast aside all of the axioms and postulates of Euclid's Elements, or anything resembling them, and replace entirely the syllogistic lattice-work of deductive theorems by the "hereditary principle" of rigorous construction of synthetic geometry from the unique principle of circular (conical self-similar) action, Leibniz's Principle of Least Action.

Most of the formal fallacies which afflict mathematics and mathematical physics are derived not from physical experiments as such, but from substituting an axiomatically algebraic mathematical structure used to describe physical processes for those processes themselves. In a word, *nominalism*. Since such mathematics does not tolerate the existence of a creation, such as our universe, and prohibits specification of causation as a term of description, it should not be surprising that such mathematics is often inappropriate means for studying principles of causation in a created, ex-

isting universe. Such mathematics has merit as a language of description, but it is a fool's enterprise to attempt to wring out of such mathematics any evidence bearing upon causation: one would have better luck attempting to wring blood from a stone. When one uses such a language of mathematical description, one must be aware at all points of what this mathematics can and can not accomplish, and not employ it for the sort of analysis which it prohibits on axiomatic principle.

The same general problem arises in connection with notions of probability. The same word, probability, has mutually exclusive meanings from the standpoint of Gauss on the one side, and Descartes or LaPlace on the other. In Gauss, it signifies the necessarily determined division of action according to principles of a conically defined continuous manifold. In LaPlace, it has a mechanistic-numerological interpretation. In the latter connection, we locate the intrinsic fallacies of assumption underlying popularized notions of a statistical theory of heat, and of related notions of statistical dynamics, quantum mechanics. There is no doubt that the action described probabilistically occurs as a phenomenon in more or less the form described. The issue is that of what sort

of causal notion one might wring out of the two, mutually exclusive modes of description—Gauss's versus LaPlace's, for example. The latter prohibits incorporation of causation into mathematics: Lo and Behold! such mathematics argues from examining its own probable navel, that causation does not exist!

Admittedly, the sort of notions we have described for the third level of hypothesis do not provide us an elaborated physics. They provide only what that level of hypothesis is defined as providing: principles of discovery. However, the process of experimental refinement of such principles of discovery converges upon the underlying principles of lawfulness of the universe in general, and thus constitutes as much as we can know respecting the fundamental laws of that universe. Not only does this level of hypothesis define a *method*, it also defines as much as we can know respecting the lawful *ontology* of the universe as a whole. Not only is science fundamentally *methodologically transfinite*; the universe explored is itself *ontologically transfinite*.

This addresses an issue which much occupied German science at the beginning of this century, a shift from the ontologically transfinite standpoint of Cusa, Kepler, Leibniz, Gauss, Riemann, et al., to the only-methodologically-transfinite approach of German science at the turn of the century. This latter represented a limited concession to Helmholtz, Boltzman, et al., the leading enemies, together with Maxwell, Rayleigh, et al., of the rigorously geometrical approach to physics. The geometrical method was degraded from a method of physics, to a method for clever intuitions into matters bearing upon the interpretation of mathematical physics' problems.

The legitimate problem, which the purveyor of statistical mechanics cites against the mechanistic system of Descartes and Newton, is that action in the universe does not conform to the notions of one-on-one interactions among isolated particles in empty space. There are determinations which belong to the manifold as a whole, which override what might appear to be inferred from a mechanistic misinterpretation of space. Probability appears to fill the gap between the two, and, within limits, appears to provide an efficient guide to practice in those matters for which the mechanistic method fails otherwise.

The fallacies intrinsic to statistical mechanics generally, and quantum mechanics in particular, are, therefore, these.

(1) It overlooks the fact that physical reality can not be constructed within visible space, but that this reality can be constructed only as projections of a continuous manifold upon the discrete manifold of visible space. Our sense-perceptual apparatus is such, that we distort the real universe (the continuous manifold) into the form of the visible (discrete) manifold of sense-perception. The result is as if a distorting mirror were everywhere embedded in space, such that we see only the distorted reflection, not that which is reflected. Therefore all inductive-empiricist method is intrinsically false as to principled features of the cause of

phenomena.

(2) It assumes that least-action is straight-line action as defined by a naive view of the discrete manifold as self-evidently reality, whereas the only real form of action in the universe is Least Action defined by the projection of self-similar-spiral conical action as the isoperimetric principle of visible space. Thus, mathematical physics is made intrinsically incommensurable with the action causing the phenomena.

(3) It makes energy and work simply equivalent, and ignores the fact that all action is essentially negentropic work, congruent in principle with increase in the areas of conical cross-sectional circles defined by a self-similar, harmonic conical function. *It confuses mere effects with work*, and therefore distinguishes entropy and negentropy as a mere construct of such effects, rather than properly recognizing that effects are singularities of negentropic or entropic action as primary realities.

These problems vanish once the successive standpoints of Gauss and Riemann are adopted.

This does not signify that we can derive physics simply and directly from the third level of hypothesis. It is merely a method for effecting improvements in physics, and also for judging what is outrightly absurd in existing physics' doctrines respecting fundamental matters. It is simply a rigorous way of thinking about the universe, which means that a physicist employing such rigor is vastly superior to one of equal training lacking such rigor.

## Economics and physics

Popular opinion is so much conditioned to confusing economics with monetary doctrines, that the connection of economics to physics is simply overlooked or violently denied. It is forgotten that modern economic science was founded by Leibniz, who defined economics as "physical economy," as did the founding fathers of the United States (e.g., Hamilton's *Report On The Subject of Manufactures*).

What we measure, ultimately, in economy, is the relative increase or decrease of the power of a population to sustain its own existence. This is best described as the potential relative population-density of a society (economy). This measures man's per-capita power over nature, and thus defines what changes in behavior correspond to an increase or decrease in man's knowledge of the lawful ordering of the universe.

Those changes in behavior which overcome effects of depletion of natural resources, or which advance mankind's potential relative population-density absolutely, are increases in technology. Thus, the net work accomplished by society is properly defined as the role of work in mediating advances in technology for the practice of the society as a whole. This form of work is intrinsically negentropic, corresponding to the simplest sort of ideal-conical function indicated above. That is our proper definition of work, and the proper measure of technology's equivalence to work. This

connection was the discovery the writer effected in 1952 on the basis of implications of Riemann's 1854 habilitation dissertation.

In other words, increase of the potential relative population-density of an economy is the unique experimental authority for determining what are in fact valid scientific conceptions. Any purportedly scientific notion which contradicts such criteria is ipso facto scientific absurdity. Any notion, however correct, which can not account for itself in these terms of reference, is to that degree scientifically illiterate.

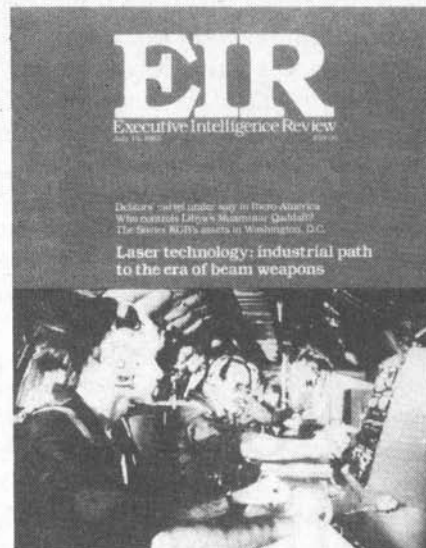
This was understood by Leibniz, who developed thermodynamics from the vantage-point of his development of economic science: his generalization of the implications of the heat-powered machine for increasing the power of an individual operative to perform work. The fact that two machines, consuming the same amount of coal per hour, contribute differently to an operative's power to accomplish work, is the basis for the notion of technology.

Technology, in turn, reduces, in the case of machines, to the Principle of Least Action: conical functions as we have indicated here. This is generalized for electromagnetic action. Although we have failed to solve this for chemistry and biology, the terms of mechanical and electromagnetic work-action have proven adequate even for biological processes. Today, we reduce the formal aspect of technology to electromagnetic equivalents, and measure increase in productive power per-capita in such electromagnetic-geometrical terms of reference for measuring technology.

By correlating technology so defined with the work represented as increase of potential relative population-density, we correlate technology with economic growth, the latter properly defined. Thus, we prove that those principles of discovery generating successive scientific revolutions are consistent with man's increase of per-capita power over the universe. That is the ultimate scientific experiment, upon which the authority of all scientific knowledge ultimately depends.

There is much talk of the function of morality in science, a matter which was of great concern to Einstein, but a conception which eluded his grasp, and which thus misled him and his associates into many immoral directions. Reason and Love are inseparable qualities of the Logos. A love of Reason (the Logos) expresses itself as a love for the improvement of the condition of mankind through technological progress, and a love for that potentiality within each human personality which corresponds to the power to develop, assimilate, and apply technological progress. This is loved not merely because it enables mankind to improve his material conditions of life, but because this improvement relies upon the development of those powers of the human individual which converge upon agreement with the Logos, with the divine.

The problem of Albert Einstein, in matters of science, is that he fell in with such political company as the most evil man of the 20th century, the late Bertrand Russell, as did the "Dr. Strangelove" of the Pugwash Conference, Leo Szilard.



## Correction

*Due to a production error, the conclusion of Steven Bardwell's article, "X-ray lasers could mean deployable ABM systems within three years," (EIR July 19, page 24) was truncated. We print here the conclusion of Bardwell's article, and apologize to our readers for any confusion.*

This design (for an x-ray laser proposed by the Fusion Energy Foundation) shows that once the scientific principle of the lasing principle has been demonstrated (which was two and a half years ago), it is only a question of known bomb technologies combined with communications and control capabilities that remain to be answered.

Two conclusions follow from these facts:

1) The United States is close to the deployment of an x-ray laser. First deployment would seem to be possible within two to three years.

2) The technologies required for this deployment are those in which the United States is known to be ahead of the Soviet Union. First, this is true of the construction of small efficient nuclear weapons. In an ironic turn, the large heavy hydrogen weapons of the Soviet Union are totally inappropriate for generalization to x-ray laser pumping. The small efficient bombs which are the focus of U.S. R&D use precisely the focusing, filtering, and materials technologies required for x-ray lasers. Second, the command and control demands on the x-ray laser require computer and communication capabilities in which the United States has excelled. The U.S. industrial base for the software and hardware required for these lasers is far in advance of that in the Soviet Union.

## Did Kissinger kill the CIA Mideast team in Beirut?

by Nancy Coker

In April of this year, a powerful bomb blast shook war-ravaged Beirut, destroying the American embassy and killing a number of top Middle East specialists from the Central Intelligence Agency who had worked closely with President Reagan to formulate Middle East policy. Intelligence sources intimate that Henry Kissinger was behind the operation.

An examination of the evidence at hand is most revealing, particularly in light of Kissinger's long-standing service, since at least 1946, as a "back channel" for the Soviet KGB into the United States, and his recent, official emergence in a central policy-making role for the Reagan administration. Kissinger also maintains a close working relationship with British intelligence through his friendship with Lord Peter Carrington, his business partner in Kissinger Associates, Inc., and also a top "back-channeler" with the Russians.

The elimination of the Beirut CIA team was crucial for implementing the end-stage of Kissinger's decade-long partition plan for Lebanon. At the time of the embassy bombing, the Reagan administration—President Reagan personally—was known to be officially committed to the sovereignty of Lebanon and the efforts of Lebanese President Amin Gemayel to restore Lebanon's integrity. However, with the killing of the CIA team, U.S. operational capabilities in the area were severely compromised and Washington's support for Lebanon suddenly flagged. It was at this point that Kissinger's scheme for carving up Lebanon went into high gear, resulting July 20 in a decision by the Israeli cabinet, worked out in coordination with Kissinger, to redeploy Israeli forces to southern Lebanon, a move certain to result in the permanent partition of Lebanon between Israel and Syria and the renewal of civil war.

The destruction of Lebanon as a sovereign nation-state is only one tragic aspect—a byproduct—of Kissinger's maneuvers. Kissinger's ulterior motive is to work out a "New Yalta" arrangement between the United States and the Soviet Union, whereby the U.S.S.R. recognizes the U.S.A. as the "dominant factor" in Central America, and, in return, the U.S.A. recognizes the U.S.S.R. as an "important factor" in the Middle East. As part of this "New Yalta" arrangement, U.S. influence in Western Europe and the Middle East is to be sharply reduced, while Western Europe emerges as a "Third Force" equidistant from Washington and Moscow.

### Kissinger in Israel

Kissinger apparently knew as far back as June 26, when he arrived in Israel for a visit, that he was soon to become "the single most important member of the Reagan cabinet." At least that was what he was telling Israeli officials with whom he was meeting, including President Chaim Herzog, Prime Minister Menachem Begin, and Defense Minister Moshe Arens.

During his stay in Israel, Kissinger worked out with the Israelis an agreement for "partial withdrawal" from Lebanon, with Israel consolidating its hold over southern Lebanon and Syria digging in in the Bekaa Valley in the east, while the U.S.-led multinational force moves in to fill the vacuum in central Lebanon. Kissinger secretly pledged to mediate such a deal, despite his knowledge that the President wanted a total troop withdrawal along the lines worked out in the May 17 U.S.-mediated agreement between Lebanon and Israel. "I have the impression that the Syrians have not closed their minds to some kind of negotiation on withdrawal from Le-

banon," Kissinger told an audience at Tel Aviv University June 29. "Meanwhile, the opportunity should be taken of discussing with them the possibility of partial withdrawals—on military, not political grounds. Such partial withdrawals should be by both sides. The basis must be one of reciprocity."

According to unconfirmed reports, Kissinger then made a secret trip to Syria to discuss partial withdrawal with President Hafez Assad, just days before Secretary of State George Shultz arrived there. Shultz had been asked to go to Syria by Reagan specifically to bring about Syrian compliance with the May 17 plan for complete withdrawal from Lebanon. Needless to say, Shultz failed. Kissinger's deal-making with Damascus around partial withdrawal had ensured Syrian non-compliance with Reagan's desire for complete withdrawal.

Israel's July 20 decision to pull back to the Awali River in the south, in accordance with Kissinger's gameplan, not only means partition and civil war for Lebanon, but sounds the death knell for the United States in the region. "Reagan's Sept. 1 peace initiative is dead. The May 17 troop withdrawal agreement is dead. America is badly discredited in the eyes of the Arab world," commented one Arab diplomat. Meanwhile, Moscow's client state Syria has now, as a result of Kissinger's maneuverings, emerged as a central player on the Middle East stage.

Israel's announcement of its partial pullback was timed to coincide with the arrival in Washington of Lebanese President Amin Gemayel. The number one topic of discussion that Gemayel had intended to take up with Reagan was the urgent need for U.S. pressure on Israel to prevent a partial pullout from central Lebanon. Thanks to Kissinger, the topic was passé. To rub things in, Israeli Prime Minister Begin canceled a visit to Washington, scheduled for next week, on the grounds that he and Reagan had nothing to talk about. Reagan had intended to pressure Begin, during the latter's visit to Washington, not to carry out a partial withdrawal.

### **The Chamoun connection**

Kissinger's current Middle East wrecking operation comes as no surprise to *EIR*, which late last year reported on a secret meeting that then-Israeli Defense Minister Ariel Sharon, Rupert Murdoch of the *New York Post*, Charles Douglas-Home of the *London Times*, and others associated with Kissinger Associates held in August 1982 in the Chouf Mountain village of Dir-el-Kamar at the family home of Lebanese warlord Camille Chamoun. Among the topics of discussion were West Bank real estate speculation, real estate and water diversion schemes for southern Lebanon, and the partition of Lebanon. One month later, in London, Kissinger Associates met to discuss the West Bank "land scam" operation further. It can be assumed that the Chouf Mountain meeting at the Chamoun estate was convened in either direct or indirect association with Kissinger Associates.

The Chamoun-Kissinger connection is critical. Chamoun is known throughout the Middle East as a shared asset of British intelligence and the Soviet KGB. This works principally via his association with the Litex Bank of Beirut, which

is affiliated with the Bulgarian State Bank. Moreover, Chamoun is on the board of the London-Moscow Narodny Bank, an institution that predates the Soviet revolution and that is today used as a channel for shady deals between the KGB and the West. Chamoun is also a close friend and business partner of Rifaat Assad, the brother of the Syrian president. Their numerous joint enterprises center around gun- and drug-smuggling.

Chamoun has established strong connections with various ethnic groupings in Israeli-occupied southern Lebanon and is a strong ally of the Israel-backed militia leader there, Col. Saad Haddad. He also maintains good relations with Lebanon's Druse sect, currently in revolt against the Gemayel government, and with the pro-Syrian, anti-Gemayel Franjeh clan in northern Lebanon. "Chamoun's main role now is to defeat Gemayel," commented one Arab journalist. "The Chamoun clan is being used as a battering ram against the presidency of Amin Gemayel."

There is strong evidence implicating Chamoun in the Kissinger-orchestrated bombing of the U.S. embassy in Beirut. Chamoun is known to maintain close contact with Hussein Mousavi, the leader of the pro-Khomeini Lebanese Shi'ite group that claimed responsibility for the embassy bombing. Mousavi is involved in illegal arms-trafficking to Khomeini's Iran and has worked with Khomeini's leading arms purchaser, Sadegh Tabatabai. It was Mousavi and his group who kidnaped President Dodge of the American University of Beirut two years ago. The release of Dodge July 21, which is being credited to the efforts of the Assad brothers, and also to Chamoun; was timed explicitly to enhance Syria's and Chamoun's image and make the United States "beholden" to Syria.

### **The Bronfman-Kimche connection**

Kissinger arrived in Israel on the same day that 15 Soviet Pentacostalists arrived there, having just obtained permission from the Soviet government to emigrate. According to the July 18 *Washington Post*, the arrival of the Pentacostalists in Israel was part of a "secret deal" between the United States and the Soviet Union.

The clue to this secret deal is to be found in U.S. negotiator Max Kampelman's almost simultaneous announcement that a breakthrough had occurred in the Madrid negotiations of the Conference on Security and Cooperation in Europe. The breakthrough involved secret clauses allowing large-scale Soviet Jewish immigration into Israel. At the same time as the Kampelman "breakthrough," World Jewish Congress head Edgar Bronfman published a column in the *New York Times* calling for the abrogation of the "Jackson-Vanik Amendment" and the resumption of U.S.-Soviet trade on a larger scale. On July 18, the same day that Kissinger made his "comeback," Radio Moscow prominently featured the visit to the Soviet Union by a number of Israeli Knesset members, who called for the Soviet Union to be recognized as a "principal factor in Middle East politics."

Bronfman was invited to Moscow by Georgii Arbatov in

January 1982 to discuss the following mutual problem: Israel, alarmed at the growing demographic preponderance of Sephardic Jews, is interested in large-scale immigration of Ashkenazim from the U.S.S.R. The Soviets, Arbatov assured them, cannot oblige unless Israel comes to recognize Moscow as a "principal factor in Middle East politics." A negotiating channel was opened up, which is handled by David Kimche, a Swiss banker and director of the Israeli foreign ministry.

As Syria and Israel prepare to chop off chunks of Lebanon as part of their respective "Greater Syria" and "Greater Israel" designs, civil war again threatens to destroy the center of the country and the government of Amin Gemayel. Fighting between Shiite Muslims and the Lebanese army has broken out in Beirut, while in the nearby Chouf Mountains Druse militiamen continue their attacks on Lebanese army units assigned to patrol the area. Gen. Ibrahim Tannous, the chief of the Lebanese army, has warned that if the attacks on the army do not cease, the army—newly reconstituted with the help of U.S. advisers—could split along sectarian lines, which is what destroyed the force in 1975 and led to civil war.

Walid Jumblatt, leader of the militant Druse sect, is refusing to call off his forces, and continues to organize them to prevent the Lebanese army from asserting control over the Chouf. Jumblatt has threatened Gemayel that unless he gives more power to the Druse in the Lebanese government, the Druse will fight the Lebanese army "endlessly."

In mid-July, Jumblatt, along with Nabi Berri, head of Lebanon's Amal Shiite forces, visited their patrons in Syria for a strategy session. From Damascus, Jumblatt and Berri announced that if political power in Lebanon were not shared on a wider basis by the Gemayel government, there would be civil war once again in Lebanon.

In Washington July 21, Gemayel angrily blasted the Syrians for backing the violence and insurrection in Lebanon.

The Soviet-Syrian-backed operation against Gemayel coincides with a growing Soviet presence in the region, particularly in the Persian Gulf. The increase in Soviet influence is being assisted by the Kissinger-dominated U.S. State Department, as well as by Kissinger himself. In a recent interview published in the *Egyptian Gazette*, Kissinger lined up behind Moscow's operation to destroy the moderate Arafat leadership of the Palestine Liberation Organization. Kissinger endorsed the need for a "new leadership" for the Palestinian movement.

Kissinger's former President, Richard Nixon, is similarly cited by the *Egyptian Gazette* as urging the Reagan administration to "recognize" the important Soviet role in the Middle East.

Circles close to Saudi Arabia's King Fahd are reported increasingly puzzled over the pressure which the State Department has begun to put on the Saudis and other Gulf states to open relations with the Soviet Union, despite Moscow's open support for radical Arab and Muslim terrorist movements which are seen in Riyadh as a threat to the Saudi monarchy.

## Contadora group sets for Central America—

by Josefina Menéndez in Cancún

The naming of Henry Kissinger to head President Reagan's new Bipartisan Commission on Central America July 18 came just 12 hours after the presidents of Mexico, Venezuela, Colombia, and Panama—the so-called Contadora Group—met in emergency session at this Mexican resort to halt what they termed "the rapid deterioration" of the "critical Central American situation."

The Kissinger appointment itself now constitutes the most serious new element in the "rapid deterioration" the presidents attempted to avert. In fact, events immediately preceding and following the naming show that one of the principal purposes behind the creation of the Commission and Kissinger's appointment to head it, was the elimination of the Contadora grouping as a mediating force in the region.

The formation of the Commission "shows absolute disdain for the viewpoint of Latin America, because the existence of Contadora is ignored," declared Prudencio Cosío, Bolivian ambassador to Mexico, on July 19. "Kissinger's designation is bad news for Latin America. We know his nefarious career. We know he represents the Trilateral Commission and groups that are building hegemonic entities with power above governments themselves."

The Contadora presidents, meeting on just three days' notice at the invitation of Mexican president Miguel de la Madrid, issued a dual program to avert imminent war in the region: an end to all intervention in the region from outside powers, and a demand for economic development as the only solution for the region.

In private discussions, the heads of state gave special attention to fostering South-South barter and trade as the first step toward the formation of an Ibero-American Common Market. This side of the talks went unreported in the international press; yet it constituted the core of a program to both stabilize Central America and prevent the spread of Central America-type disintegration across the rest of the continent.

The 10-point program of steps for military disengagement urged by Presidents Miguel de la Madrid of Mexico, Belisario Betancur of Colombia, Luis Herrera Campins of Venezuela, and Ricardo de la Espriella of Panama, included the following new elements, beyond the previous calls for mutual reductions in levels of arms and military advisers deployed into the region:

- "a mutual commitment among the nations of the [Cen-

# dual peace plan despite Kissinger

tral American] region to prohibit the installation of another nation's military facilities on its territory";

- "a commitment to prohibit the use of one's national territory as a base of operations for warfare against a neighboring state";

- "a commitment to create joint security commissions to prevent and, in case they occur, resolve any border crises."

The conflict between Nicaragua and Honduras, a hair-trigger away from full-scale war, was the special focus of the meeting.

Nicaragua, on the occasion of the fourth anniversary of the Sandinista victory over Somoza July 19, astutely moved to accept the new Contadora formulations. Junta coordinator Daniel Ortega in fact went further, and accepted two key demands that had been made by the Reagan administration: that peace talks be on a regional, not bilateral, basis; and that the issue of Nicaraguan supply of arms to El Salvador be on the agenda.

## Slaps in the face

The response from Washington to the Contadora meeting call was splashed in giant headlines across the U.S. and international press: the dispatch of an 8-ship flotilla to Nicaragua's Pacific coast, a first step toward a sea blockade; and the beginning of large-scale ground exercises of up to 5,000 U.S. troops with Honduran units directly on the Honduran-Nicaraguan border.

The land portion of the exercises will be similar to joint American-Honduran maneuvers in February, according to administration officials, in which U.S. Air Force planes carried Honduran troops to the border with Nicaragua. The earlier exercises provided large amounts of military supplies to Somocista "contras" invading Nicaragua, and helped set up large Honduran military installations along the border with Nicaragua.

## Kissinger's 'Panama Card'

A shift of Panama toward being the "Trojan Horse" inside the Contadora Group seems closely coordinated with the Kissinger naming. Henry is probably boasting to White House critics that this shows he can deliver on "divide and conquer" promises.

The smell of a deal between Kissinger and some figures

in the Panamanian leadership first surfaced when Kissinger was the special attraction at a reception for Panamanian strongman, General Rubén Darío Paredes, in Washington in early June. Soon after, Paredes—who as recently as six months ago was threatening to expel the U.S. ambassador from Panama for "interfering in the country's internal affairs"—delivered a speech in which he said Panama must be prepared to break relations with Cuba and Nicaragua, and send troops to "protect Costa Rica from Nicaragua," if the situation in Central American continued to deteriorate. The speech, a radical change in line, was a shocker to Panamanians.

At the Contadora summit of presidents July 17, whispers in the corridors insistently asked "what's up with Panama? Why is it raising problems?" And on U.S. television two days later, Panamanian president de la Espriella went out of his way to praise the Kissinger appointment, while saying hardly a word about Contadora.

Diplomatic sources tell *EIR* that "Panama is out of Contadora in fact, though it officially will stay in." The same sources suggest that financial blackmail, involving Panama's just-completed negotiations for an IMF stand-by agreement and restructuring of \$300 million in 1983 debt, may have been a factor.

## Moves toward a Common Market

The Contadora group's Cancún summit stressed the necessity for emergency economic inputs into Central America from a broad range of sources. Colombia President Betancur appealed to the European Economic Community, the European Parliament, the Non-Aligned Movement, the United Nations, and the Organization of American States to use their capabilities to make major investments in health, education, infrastructure, and employment generation in Central America. The point was reiterated by Venezuelan President Herrera Campins and the other presidents.

In addition to the Central America crisis, the four presidents discussed the necessity for an economic revival throughout the continent. Speaking at a press conference on arriving in Cancún July 16, Colombia's Betancur noted that now was the time for the continent to form a "common market." His country had many things to offer its neighbors, he said, such as its vast coal reserves and metal-worked products. He proposed a multinational project involving minimally Colombia, Brazil, and Mexico—"including product for product if necessary."

Betancur warned that the world situation today "is like a patched balloon. If the patch blows out, the entire balloon deflates." The patch is Central America.

At the summit, Mexico and Venezuela signed an extension of the San José Accord, by which the two countries supply 160,000 barrels per day of oil to the small Central American and Caribbean countries at special discounts for development. Though the discounts were reduced, the basic framework of the accord was reasserted. There has been extreme pressure from Kissinger circles to break off the agreement.

# Ibero-American unions lead strike wave to demand joint debt talks

by Gretchen Small

A political strike wave is under way across Ibero-America, led by trade-union federations of several countries, against the genocidal economics of the International Monetary Fund and foreign financiers. Counterposed to IMF rule is a reconstruction program of industrialization, integration, and scientific cooperation, put forward by union leaders determined to stop the destruction of their countries. In outline—from collective debt renegotiation to the calls for an Ibero-American common market as a defense against economic warfare from the North—the programmatic points reflect Operation Juárez of *EIR* contributing editor Lyndon LaRouche.

“Latin America is now demanding the collective negotiation of its debt,” the president of the Union of Colombian Workers (UTC), Víctor Acosta, explained in a speech to a recent International Labor Organization conference in Geneva, published the week of July 18 in Bogotá, “a clamor joined without exception by those crushed by the enormous weight imposed upon us by the Great Financial Clans, whose desires for usury surpass all boundaries of morality. The evil customs of the monied oligarchs are spreading, and are being learned and applied by pressure groups in all countries.”

“The governments will do only what their populations push them to do,” commented one observer associated with the Latin American Economic System organization just before the July 24 summit of Andean Pact presidents in an assessment of Ibero-America’s immediate prospects. Brazil’s yielding to the IMF, he said, “is not settled because the population cannot tolerate it, and the government therefore cannot either. . . . You can’t ask people to pay their every last dollar for 3 percent spreads on interest rates, for usury.”

No country in Ibero-America has any cash left for payments on the over \$300 billion in foreign debts. Between now and the end of September, the governments of Venezuela, Mexico, Brazil, Argentina, Colombia, and Peru will be forced to choose between the economic program put forward by labor, or turning over the industries, raw materials, and populations themselves to foreign bankers.

The first action in the coordinated strike wave took place in Brazil July 21, when a protest strike against the IMF hit Brazil’s largest industrial city, challenging the government’s July 13 capitulation to IMF austerity demands before Brazil’s “Paul Volckers” had even signed the promised IMF “Letter of Intent.” Held without violence or incident, the labor-or-

ganized strike shut down industry and subways in the Greater São Paulo area, encompassing some 13 million people, in a 24-hour message to the government that the population will not stand for more austerity. Support actions, including a march of 30-50,000 in Rio de Janeiro, were held in Belo Horizonte, Porto Alegre, Rio Grande do Sul, and other regions.

“Industrial, commercial, transportation, and bank workers are going on strike against the IMF, the increase in the cost of living, low wages, the government ‘pacotes’ [austerity packages], and increases on home mortgages,” read one leaflet circulating by the thousands in São Paulo. Hundreds of banners were raised at the Rio de Janeiro rally against the IMF, unemployment, and in favor of a “moratorium” on the debt.

The labor unions are out to roll back a 12 percent cut in real wages announced July 13 as one of the conditions exacted by the IMF. “Our emphasis is that this is going to be completely peaceful,” one Rio strike organizer emphasized in an interview. “Our strike is not against the government, but against the IMF. It will be completely political.” Beyond simple wage demands, an end to IMF policies has become a question of national sovereignty, argued an advertisement placed by the Federation of Bank Workers in the same city. The chant “IMF—Inflation, Misery and Famine,” made popular during demonstrations in June, encapsulates the population’s mood.

## Andean Labor Council born

Andean labor unions are watching Brazilian events closely. A week-long meeting of delegates from the major labor federations of Colombia, Boliva, Peru, Ecuador, and Venezuela concluded July 14 with the formation of an Andean Labor Council, to be headquartered in La Paz, Bolivia. Its first action, the Andean Labor Council announced, will be to organize a simultaneous one-hour strike against the IMF across all of Ibero-America. Brazilian unionists have already responded positively to the idea, organizers report.

The new Labor Council adopted as its own a document drafted by the Union of Colombian Workers (UTC), whose Secretary General Alfonso Vargas was also elected vice-president of the new body. The document (*EIR*, July 26) outlines a strategy for recovery: “Collective renegotiation of



the foreign debt . . . for a period of 25 years or more” is the first of the seven points.

Other measures proposed include the creation of an “Ibero-American Common Market”; the development of a capital goods industry in the Andean region, “which for the first time in our history would allow us to produce . . . industries that produce industries”; and investment in “great, joint infrastructural projects and other joint projects in steel, metalworks, petrochemicals, and other technological processes.” An Andean Pact University must be established, to be the “center for the education of the present and future labor force, and to improve the quality of labor.”

Maximum impact upon the summit of Andean Pact presidents in Caracas July 24 was an immediate target. Copies of the Council’s final document were sent to all the presidents, and to staff at the Andean Pact headquarters. The Workers Confederation of the Peruvian Revolution sent a telegram to the Andean presidents offering “the complete backing of the Peruvian workers . . . for a joint Latin American action to confront the world economic crisis,” reminding the presidents of the need “to unite to impose conditions that will permit us to keep our sovereign rights to develop.”

Drafts of the presidential declaration prepared by some of the five Andean Pact governments are known to address the debt as a collective problem of the region. Political forces in Peru and Colombia, the two weak points in a Andean Pact common-action strategy, launched last-minute mobilizations to ensure their governments did not represent banker’s interests at the summit.

The secretary general of Peru’s leading opposition party, Alan Garcia of APRA, convoked a press conference July 15 to urge the government to take the program of collective renegotiation of the debt and integration for industrialization into the meeting as Peru’s position. In Lima, Garcia’s call replaced the barbarism of the Sendero Luminoso terrorists as the lead news item for the first time in weeks. Questioned on Garcia’s proposal, President Belaunde—previously adamant that Peru can meet all its international commitments without fail—only stated that the international banks had better recognize the debtors’ interests, since avoiding a collapse of the international financial system is in the interest of all.

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## Documentation

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### ‘Colombia is no exception’

In an interview to *EIR* on July 13, Colombian Liberal Party leader and former presidential candidate Luis Carlos Galan declared that a joint debt renegotiation for the Ibero-American continent was “a necessity” but that the individual

countries have yet to prove their preparedness to act as a collective on the question.

Galan, who had just returned from attending the Latin American Conference on Political Thought in Caracas earlier in July, told *EIR*’s Patricia Londoño, “It is logical that there be collective renegotiation of the foreign debt but unfortunately the interested countries have been unable to coordinate a joint position and when reality catches up with them they have begun individual negotiations. I understand that already Argentina is negotiating, Brazil is negotiating, Mexico is negotiating, Venezuelan is independently negotiating. But given the magnitude of the Latin American foreign debt and that of the developing countries in general, I think the possibility is remote that the international monetary system or what remains of the international monetary system will survive. I believe that it is just a question of time that it will fall in pieces.”

Asked if he thought the Andean Pact summit July 24 would produce a joint declaration on the debt, Galan answered: “Certainly. It is a necessity. And the problem of the Colombian case begins to acquire more importance than was believed in the beginning. We thought we were an exceptional country in the Latin American context for the quantity of our debt and the debt service costs. The truth is that first larger figures are appearing than what was first thought. They are already speaking about 11 billion dollars as the total value of Colombia’s foreign debt. But what nobody mentions is that the debt service is already approaching 2 billion dollars a year; that is the totality of our coffee exports and a little of our non-traditional exports as well.”

The Colombian daily *La Republica*, whose views often reflect those of President Belisario Betancur, editorialized July 19 on the likelihood of a debtors’ cartel being formed in Ibero-America. *La Republica* noted that debtor nations “have no reason to go beyond their real capabilities for survival . . . the creditor countries have the ability to foresee what might occur and therefore assume the risk of lending in a changing world.”

The debtor nations, *La Republica* continued, “must agree among themselves to know under what circumstances they can pay what they owe . . . they cannot sacrifice their national existence on the basis of a contract whose clauses are no longer valid. It is not a question of non-payment, but of accepting changes in the circumstances that make non-payment possible. In this matter, common sense must prevail without resorting to methods of force, such as those being applied by some creditor nations. [Nations] that have suffered [these methods] and are forced to go beyond their capacity to pay, have the right to self-defense. The formation of a debtors league to confront this situation has been proposed. On the other hand, the creditor nations try to maintain only bilateral arrangements, applying the Roman principle of divide and conquer. They will try to prevent Brazil, Argentina, Venezuela and Mexico, for example, from joining in a common front.”

# Brazilian labor resists IMF deal

by Mark Sonnenblick

In an uncharacteristic outburst of honesty, Brazilian central bank president Carlos Langoni told reporters at his July 21 press conference at Banco do Brasil in New York, that "Brazil has made an enormous effort at internal shrinkage, with obvious social costs; now, the banks have to do their part."

After two days of talks in Washington and New York, Langoni, once again, could not report any progress on Brazil's request for a jumbo loan of \$3.6 to \$3.9 billion from the banks—money needed to keep Brazil out of default for the rest of the year. Langoni's claims that the International Monetary Fund (IMF) would accept a new letter of intent from him July 19 proved premature. Langoni confessed it would be yet another 15 days before Brazil and the IMF finally agreed on a program. He could only hope that the private banks would disburse the loans which have been held up since May before the IMF formally approves Brazil in late September or October, at the earliest.

On July 13, President João Figueiredo decreed the partial de-indexing of wages. This will gradually reduce real wages by 25 percent by August of 1985, with faster reductions in the financially troubled industries that are being totally de-indexed. Such prostration to the IMF seems to have achieved nothing more than putting off a declaration of default, otherwise expected on July 15.

Can this wage-reduction program and similar measures, as yet unannounced, such as cutting state sector companies, be made to stick?

While Langoni was talking in the Banco do Brasil penthouse on Fifth Avenue, the industrial belt around São Paulo was hit by a disciplined 24-hour strike against the IMF (see article, p. 38). Although hardly a national general strike, it was far stronger than any other labor action since 1964. One of the biggest marches was in the state of Rio Grande do Sul, where legislators from all the parties, including the government party signed a manifesto calling for debt moratorium. (That state is the home base of General Ernesto Geisel, the president from 1974-79; whose discreet hand can be discovered behind almost every frustration the IMF is having in Brazil.)

Late on July 13, a senior Brazilian military adviser told *EIR*, "There will be commotion in the streets, I guarantee it. This is very dangerous." A union leader said, "Those people [the government] are crazy. This could really get ugly, you hear?" There is sharp awareness that trying to enforce this latest IMF measure could destroy the "abertura," or democratic opening, and that would leave the armed forces stranded in power—the last place they want to be. What, one must ask, would induce the military to endanger their political strategy of the past five years and risk a social blowout?

Of course there was intense pressure from the banks, but Brazil had them in check. The critical pressure was apparently geopolitical threats made from Washington, where Kissinger was returning to power. Brazil was likely to have been threatened on a number of sensitive points, including oil supplies and access to the U.S. market, especially for aircraft and other military related goods. Treasury Undersecretary Tim McNamar called Brazil July 12 to suggest that Brazil invoke the National Security Law to crush labor. Brazil's military ministers may have been spoken to by Ambassador Anthony Motley, whose adeptness at going around the foreign ministry to the generals earned him a promotion to Assistant Secretary of State for Inter-American affairs. Washington apparently warned Brazil that it would be made to pay dearly for blowing out the financial system of the West if it remained intransigent in the face of the IMF and Bank for International Settlements. The deal was probably that, if Brazil sacrificed its internal well-being to the IMF, the administration would guarantee its help with a bailout.

Nationalist columnists in the daily *Folha de São Paulo* allege that Delfim cut such a deal in London with George Shultz and Donald Regan during his July 8-10 visit, and imposed it on Figueiredo with the help of the military ministers. *Folha* columnist Newton Rodrigues contends "the President-general went so far as to speak of resignation in which he would be accompanied by the vice-president."

The military did not try to repress the July 21 strike, as many people, including some strike leaders, had feared. "The armed forces have taken an observer role," one of them told *EIR* after the strike. São Paulo army units were put on alert and then taken off. For the first time in almost 20 years, an overtly political strike was tolerated by the regime. It did not escape attention on July 13 that, right after Figueiredo announced the wage cuts and formally turned over the presidency to Vice President Aureliano Chaves for the duration of his illness, Chaves told the national TV audience, "We presume that the information [justifying the wage cuts] given the president by his economic team is correct."

On the eve of the strike, Chaves went back on TV to ask for calm and for collaboration with the government; but he neither opposed the strike nor supported any deal with the IMF. Chaves implied his regime would not bring the bloodbath some bankers hoped for and would instead integrate the labor movement into the complex equation of Brazilian politics.

# Qaddafi's Libya the base of operations for separatist attempt to redraw map of Europe

by Thierry Lalevée

Though it may have been the Soviets who gave the green light for the July 15 terror bombing at Paris's Orly airport by the Armenian Secret Army For the Liberation of Armenia (ASALA), Libyan madman Muammar Qaddafi's footprints were left at the scene. The ASALA terrorists' July 15 attack, the French daily *Liberation* pointed out, may well have been to "please their master," who is waging his own war against France in Chad.

A week before, Qaddafi's puppet, Chad rebel leader Goukouni Oueddei, had declared to the French press that continued French support for Chad President Hissen Habre will "lead us to transport the war directly into the heart of Paris." Qaddafi himself told the weekly *Le Point* that, "France should forget about Africa."

Libya has for years financed organizations in Spain, France, continental Italy, and on the islands of Sicily, Sardinia, and Corsica. Members of these separatist groups are invited to Libya for training. Corsicans of the FNLC and Basques of the ETA, for example, have gone through terrorist boot camps such as that near Sebha led by Col. Messaoud Abvabal. Shiploads of arms are ferreted to Corsica, the Basque region, and elsewhere from Lebanon—pre-paid by the Libyans. The boats are jointly owned by the PFLP of Habash and ASALA. ASALA finances its operations through drug smuggling in collaboration with the Mediterranean mafia, which uses Corsica as an important base.

ASALA is but one among the many terrorist groups which are using Libyan territory (where ASALA has one of its headquarters) for military training under the auspices of Qaddafi's own masters—the East Germans and the Soviets. Among ASALA's bedfellows in Libya can be found representatives of most of the European-based so-called ethnic minorities which are fighting for autonomy and what they claim to be "nationhood." There, in Libya, they can easily mingle with those ecologists and "pacifists" who are open about planning a hot autumn in West Germany and elsewhere—using the pretext of cruise missile deployments.

Under the long arm of Qaddafi's leadership, a several-month effort has been aimed at merging the pacifists and the minorities into a single apparatus. May meetings, sponsored

in Brussels by the European Federation of Ethnic Minorities, and led by Qaddafi's friend Alexander Langer of the South Tyrolean autonomists in Bolzano, Italy, officially worked on developing a common platform for separatists and pacifists for the 1984 European elections. Less official, but nonetheless known, were their discussions of joining forces in a European-wide wave of uprisings—revolts that Qaddafi will, as usual, finance. Joining these protesters will be another kind of "ethnic minority," as some refer to the Muslim immigrant workers in France, Spain, and Germany.

Using the apparatus of his paid agent, former Algerian President Ahmed Ben Bella, Qaddafi has prepared for violent racial clashes. Some have already erupted, causing deaths in the Paris and Lyons regions of France, where "Support Committees for Ben Bella" have been created.

## The case of CIEMEN

A look at a little-known umbrella organization based in Barcelona—the Center for the Study of Ethnic Minorities (CIEMEN)—best shows how Qaddafi's European operations work. CIEMEN was created in the mid-1970s at the Montserrat Benedictine abbey near Barcelona by Abbot Aurilli Argemi, who then moved on to the St. Michel de Cuxa abbey on the Franco-Spanish border. Argemi and other leaders of CIEMEN claim no connection to Qaddafi whatsoever. They do not need such connections. Theirs is ideological work primarily.

The abbey of Montserrat has, since its founding in the 11th century, labored for minorities—the Catalan first, then French-based minorities in the Roussillon.

During the time of Franco, the abbey became a center of resistance, both against the national centralism of Madrid as well as against Francoism, seen as a "Castilian" invasion of Catalonia. Initially Catalan, CIEMEN has become the most important umbrella organization for all of southern Europe's minority autonomists. With offices in southern France, Paris, Milan, and Sicily, CIEMEN and its "secondary" channels, have long been financed indirectly by Qaddafi. In Andalusia (in Spain), autonomists are fighting side-by-side with the Andalusian-based Association for the Return of Islam, which

## Socialist Defense Minister sells Italian arms to Libya

On June 3, an interesting bit of news appeared in the pages of Italian daily *Il Tirreno*: two ships had sailed to Libya from the tiny, seldom-used port of Pisa. The Pisa magistracy had attempted to stop the ships and confiscate the weapons, since Libyan strongman Qaddafi owes enormous sums to several Italian industries, and is refusing to pay. The magistrates' position was that the purchased weapons be confiscated, sold, and the revenue used toward paying Qaddafi's debts. But the arms exporters found a legal loophole and prevented the action.

On one of the ships, the "Lucky Star," there were seven to eight tanks of the Palmaria model, a very fast tank designed for desert combat, and equipped with very sophisticated targeting systems. The other vessel, "Sol Carrier," sailing under Cypriot flag, carried an unspecified number of Otomat air-to-sea missiles. Both weapons are produced by the state-owned Oto Melara firm, the biggest Italian weapons producer. The shipment had been authorized by the Italian Customs Police.

Some weeks earlier, Italian Defense Minister Lagorio had reiterated in parliament that Italy would no longer export any weapons to Qaddafi. Italy is bound by international treaties not to sell weapons to a country which, like Libya, is considered an enemy of the West.

Lagorio defended himself, as *Il Tirreno* subsequently reported, by pretending that those weapons were part of a deal signed in 1976, before the ban on sales to Libya. Lagorio's self-defense could not have been more pathetic. The weapons in question had been developed only in the past several months; it is widely known that they could never have formed part of a package signed in 1976.

The Palmaria tanks were developed in late 1980. The Otomat, a joint Oto Melara-Matra production, was developed only after the Malvinas war. The Otomat's function is like an Exocet missile, but with three times the range. It is virtually impossible to intercept.

How is it that Italy sells such deadly arms to an enemy country? Probably the answer lies in the fact that Defense Minister Lagorio is a Socialist. A close collaborator of Socialist Party head Bettino Craxi, Lagorio is working in the direction of transforming Italy into a center for the destabilization of the entire Mediterranean, as Moscow's Third Rome policy dictates.

announced in February its determination to transform Andalusia into an "Islamic Republic"—a project financed by Qaddafi himself. The Libyan dictator has met repeatedly in Tripoli with the leaders of the association.

The Andalusian Liberation Front is otherwise known as part of a "Libyan separatist package," as some in Madrid call it. It links groups in the Canary Islands, parts of Portugal, the Basque region, and probably a few regions of the Iberian peninsula which have not yet discovered that they have been subjected to "cultural genocide." CIEMEN has tried to avoid trouble by publicly associating with only the "above board" separatist organizations—the Herri Batasuna instead of the ETA, and the Sinn Fein instead of the IRA, for example. Who would suspect innocent Benedictine priests of being involved in a large Libyan-financed operation?

But one look at the Argemi/Basso connection penetrates the facade of innocence. Lelio Basso, the late founder of the foundation of the same name and of the International League for the Rights of the Oppressed (created at the Montserrat abbey) was CIEMEN founder Argemi's friend. Now Argemi is a friend of Pietro Basso, Lelio's son. The Bassos are of the same Basso family known to be the Libyan connection par excellence. It was Basso senior who introduced Qaddafi to Michele Papa, of Billy Carter fame. Papa was called to Sardinia in mid-July by Judge Marchetti and interrogated for his connections with Sardinian autonomists and Libyan General Thabet, known to have financed attempted armed rebellions in the islands in 1979 and 1980.

This summer at one of CIEMEN's yearly conferences, "minorities and foreign military presence" will get the attention of the conference's participants. The primary focus will be: How should Sardinian autonomists react to NATO nuclear submarines based at the island? Coordinated action by German pacifists and Sardinian autonomists is expected to come from the conference.

### Dismantle Yugoslavia and blow up Europe

One of the most recently devised projects of both Qaddafi and CIEMEN is to blow up Yugoslavia with ethnic and religious warfare. Both Qaddafi and CIEMEN know that the disintegration of the country may become the catalyst for redrawing the entire map of Europe between East and West. The future of the Slovenians living in Italy, Yugoslavia, and Austria has been a longstanding issue of contention between Italy and Yugoslavia, and the subject of more than one world crisis. The Slovenians, who have their base in the international city and free port of Trieste, have now become one of Qaddafi's and CIEMEN's *causes célèbres*.

The recent electoral campaign in Italy was used to promote the cause. Bertrand Russell Tribunal associate Wladimir Dedijer (Tito's official biographer and an old friend of Lelio Basso) sent a letter to Italian President Pertini denouncing the "cultural genocide" by the Italian government against the Slovenians. Just weeks before, CIEMEN had held seminars in Trieste on the Slovenians, the subject of the entirety

of the upcoming issue of CIEMEN's magazine *Etnie*. In more than one discussion Dedijer has admitted that a Slovenian crisis could become the basis for establishing a *Mitteleuropa*, allowing the "German tribe, which is the greatest and biggest of all Europe, [to] be reunified."

To ensure the success of the Yugoslav project, Islamic fundamentalists are stirring up Bosnia (in southern Yugoslavia) where Albanian-connected Muslims are financed by both Khomeini and Qaddafi. Dedijer has accused Yugoslav federal authorities of "violations of human rights of the Muslim communities" in the south. The communities of Dedijer's concern primarily belong to the old Dervish Sufi order of the Bektashis (a known freemasonic operation created by the P-1 lodge in the 19th century), which played a key role in later disrupting Turkey. The modern Bektashis, financed by Qaddafi, will play a similar role, complementing the operations of ASALA and the Kurds.

## Egypt is target of Libyan war on Sudan, Chad

by Douglas DeGroot

The Swiss Nazi International and Russian Third Rome empire-builders who pull the strings of Libya's pro-Nazi dictator, Muammar Qaddafi, are using him to destroy the neighboring countries of Chad and Sudan. Qaddafi is part of a high-stakes game the Swiss and Russians are playing to eliminate sovereign nation-states in the Middle East and prevent their emergence in Africa.

By making it impossible for strong national governments to survive, the Swiss and Russians will be able to rule the region exactly as Byzantium and other Oriental empires have historically ruled their subjects: either creating small ethnic and religious entities easily controlled from the outside, or pulling the whole region into a big confederation incapable of exercising real political or economic power.

But first, the Swiss and Russians must eliminate their opposition. This means forcing the United States out of the Middle East; breaking Egypt, which has the strongest national institutions and biggest population and economy in the region, into a Swiss/Russian satrapy in the Swiss/Russian empire; and eliminating France, which has extensive financial and political connections in Africa, as an independent political factor.

Qaddafi has made clear in recent tirades that he knows that destroying Egypt will also eliminate U.S. power in the

Middle East and North Africa. If Egypt falls victim to the kind of "revolution" already seen in Iran, at the hands of the Muslim Brotherhood fanatics supporting Qaddafi, then pro-American segments of the Saudi royal family will not be able to resist the Qaddafi-Khomeini anti-industrial onslaught. Without Saudi Arabia and Egypt, the two most important countries in the Middle East, the United States will have no effective allies there.

A July 3 Libyan radio broadcast quoted Qaddafi calling Egypt a "regime" that has "turned its back on the Arab nation." Charging that Egypt had committed treachery by participating in the Camp David talks, he asserted: "This regime must be banished from the ranks of the Arab nation." Qaddafi is fomenting civil war in Sudan to make just that happen.

### Target: Sudan

Sudan is not only on Egypt's southern border: the Nile, the Egyptian water supply, flows from Sudan.

Sudan President Jaafar Numayri is in a precarious economic situation, and Qaddafi and his allies are taking full advantage. Aware of the danger, Egypt has attempted to provide aid to Sudan, including aid to develop the impoverished and volatile South. But Egypt's own need for development aid is desperate, and it cannot make the initiatives necessary to actually change the situation. One African diplomat commented: "If the U.S. had aided in setting up a large development initiative in northeast Africa, Qaddafi wouldn't be able to pose any threat in the region. It is the lack of development which gives him the openings to do what he does."

The International Monetary Fund-dictated collapse of the Sudan development effort, which the government had been attempting primarily with its own limited means, threatens to call into question the agreement that ended the war between North and South in 1972 (see box). The South has charged that the North is not trying to develop the South, and both Qaddafi and the Israelis have moved in to once again fan the flames of civil war. Qaddafi, who claims to be a devout Muslim, is arming and training southern non-Muslim rebels. Sudanese officials have also found Israeli weapons in the South. The Israelis were a major factor during the civil war period, working with southern rebel forces.

Government troops had to suppress a mutiny by southern troops in May, which claimed 78 dead. In early July a rebel group, which adopted the name of the rebels in the previous civil war period, Anya Nya, kidnapped five international aid workers who were later rescued by Sudan troops. Affiliates of the Swiss-based World Council of Churches claim that the South is already in a state of war.

Qaddafi is also suspected in fueling problems in the isolated and undeveloped western area of Sudan.

Schisms in Khartoum, Sudan's capital, may pose a more serious threat than the fighting in the countryside. The government is a coalition government between Numayri and his secular circles in the nation's one party, the Sudanese So-

cialist Union, and the Muslim Brotherhood faction. Districts of Khartoum are run by the Muslim Brotherhood, and the Brotherhood has been incorporating more and more Islamic fundamentalism into Sudan's law. In February 1979, after the fall of the Shah of Iran, demonstrations in Khartoum organized by the Brotherhood called for Numayri's overthrow.

### Target: Chad

Sudan's neighbor to the West, Chad, is also the victim of Qaddafi's military adventures, a situation which could affect France's political independence. Qaddafi is supplying anti-government rebel leader Goukouni Weddei with light weapons, artillery, transportation, air cover, and mercenaries recruited by Qaddafi throughout Africa, whom he then claims are Chadian. These mercenaries are part of Qaddafi's Islamic Army, ostensibly recruited to establish an Islamic republic on the ashes of present nations.

The Qaddafi-sponsored offensive against the Chad government, which began in earnest in late June, captured several key towns in northern and eastern Chad. Then a counter-offensive by the Chad government, headed by Hissene Habre, pushed Qaddafi's forces out of all but the key northern city

## Sudan economic crisis fuels decades of civil war

Sudan's political problems have been aggravated by its precarious economic situation. The International Monetary Fund's vicious "conditionalities" policy has forced a ban on development projects in what is one of the least-developed countries in Africa. The IMF was able to move in after Sudan had gotten itself in a financial squeeze by attempting, primarily on its own, to build up at least some of the basic infrastructure necessary to realize its enormous potential. Sudan now reportedly has the largest debt payments in Africa.

Sudan's political problems stem from the regional inequalities left by British colonial rule, and the strength of the Muslim Brotherhood in the country.

Southern Sudan, which lacks roads and other basic infrastructure, used to be looted for the slave trade. During the period of British colonial domination, this area was kept completely separate from the Muslim North, and development was not allowed for the South or its population, which accounts for its backwardness today. From the time of independence until 1972, a 17-year civil war intermittently raged between North and South. The conflict was settled by President Numayri by granting limited autonomy to the South, but the viability of this arrangement is based on the central government's ability to develop the region.

of Faya Largeau.

The Chad government does not expect Qaddafi to end his campaign against Chad, and is urgently calling for military cooperation. Qaddafi's record on Chad is clear. In 1980, Qaddafi invaded Chad with Libyan troops and installed Goukouni as head of state. The Soviets have shown their hand early, calling nomadic rebel leader Goukouni and his Libyan-supplied mercenary cohorts, as well as East German and other military advisers, "freedom fighters."

Habre has repeatedly called for French assistance, but the French have done little except provide 200 tons of military supplies. Habre has sent his foreign minister to China seeking an alternate source of support, and labeled the threat to Chad "Russian social imperialism."

Reports are circulating in the French and African press and the African diplomatic circuit, of some kind of deal between France and Qaddafi, to partition Chad into zones of influence, with Qaddafi dominating the mineral-rich North, and France maintaining influence in the South. The purpose of such an arrangement would be to make the French think that by establishing a close alliance with southern Chad, they could protect their other close allies—their former colonies—in Africa. The London *Daily Telegraph* has suggested that in such a deal, Qaddafi may sacrifice his pawn, Goukouni, in return for recognition of Qaddafi's "manifest destiny" in North Africa.

Zairean troops and planes have been sent to Chad in support of the government, but not under the auspices of the Organization of African Unity (OAU). During Qaddafi's prior invasion of Chad, Zairean troops made up part of the OAU peace-keeping force. Some African circles suspected the Zairean troops were part of a plan to partition Chad. The Zairean forces presently in Chad are French trained, and their presence could complicate matters for anti-Qaddafi African forces to mobilize an operation in the OAU to throw Qaddafi out of Chad.

The power of Qaddafi and his backers has, for now at least, paralyzed the French. "The question of whether or not Qaddafi can get away with what he has done in Chad is a critical test for France," said one French diplomat. "But we do not want to get too involved in Chad. We are afraid that if we do, Qaddafi will escalate also and we will be embroiled in a big conflict"—a frank admission of French impotence in the face of the blackmail of Qaddafi and his backers.

French circles have had hopes of coming to terms with Qaddafi. Libya is an important and badly needed market for France, and the French want to resume arms sales to Libya. Some French circles are still hoping for a state visit by Qaddafi to France later this year.

But such a compromise with the devil, who in this case wants to destroy all nations in the region, would be suicidal. If Qaddafi's machine remains intact, then all of France's African allies and business partners are vulnerable. Under these conditions, the French would not be able to do anything contrary to the wishes of the Swiss and Russians.



# Agnelli dictates new fascist regime for Italy

by Umberto Pascali

“Technocratic” austerity under Socialist Party (PSI) *Duce* Bettino Craxi as Prime Minister: this is what Italians will be forced to swallow after voting heavily against just this possibility in the June 26-27 elections. The Christian Democratic (DC) party of Ciriaco De Mita suffered the highest losses in its history, nearly 6 percent, because, after having been accused of being the party of the “pork barrels” for 30 years, De Mita’s leadership made the DC the champion of “rigor and austerity.”

The real candidate of De Mita, whose name has been linked numerous times to the Neapolitan mafia (the Camorra) was Guido Carli, the former governor of the Bank of Italy, former president of the industrialists’ association Confindustria and former arch-enemy of the Christian Democracy. A DC spokesman, who asked to remain anonymous, told *Espresso* magazine after the elections that the “Carli candidacy has damaged our party more than 30 years of communist propaganda could.” It was precisely this result which had been planned by the Kremlin.

Gianni Agnelli, FIAT’s owner, proconsul of the Trilateral Commission in Italy, and a man who enjoys the confidence of the Soviets, met a few days after the elections with both De Mita and Bettino Craxi. It was the Trilateral Commission, through its leading international thug, Henry Kissinger, which deployed Craxi to bring down the previous government by pulling his Socialists out of the ruling coalition. The official aim of these semi-secret talks was the creation of a new government.

During this meeting, Agnelli issued his orders to De Mita, who was in no position to disobey. The DC rank-and-file and a large part of the leadership wanted De Mita’s head for the election disaster, and, in normal times, nobody could have saved him. This time, however, it was different. Agnelli had issued a series of interviews and statements expressing his preference for “a smaller Christian Democracy led by a young leader like De Mita rather than a bigger but old DC.” Agnelli also said that he firmly believes that the new and smaller DC will be able to carry out the necessary austerity, making clear that the party will no longer be responsible to its constituencies, but will rather be placed fully under the control of

certain power groups in the U.S.A. and U.S.S.R.

During the same meeting, Agnelli offered the prime minister’s chair to Craxi, chiding him, “Now that you have the possibility of becoming prime minister, I hope you will act more responsibly.” This obscene proposal expresses the most blatant contempt for the will of the Italian electors. Craxi, as well as De Mita, was severely punished by the voters. He had hoped for a strong increase in the PSI’s parliamentary strength, an expectation shared by the popular press. While the PSI has consistently received only about 10 percent of the vote, its representation in national and local governments has been significant, particularly since the beginning of the 1960s. Craxi hoped that the PSI’s well-documented links with the mafia underworld and political corruption (which has caused party leaders such as the Liguria socialist boss Alberto Teardo to be jailed) would guarantee the transformation of the PSI into a 20 percent party. These projections were enhanced by the fact that in the 1981 regional elections the PSI garnered more than 20 percent in some areas. But the Socialists received only 13 percent—a major defeat.

Nevertheless, Agnelli has presented the defeated Craxi as his candidate to lead a government, defining in precise terms the kind of government Craxi is to lead: a government of technicians, i.e., a cabinet completely independent from the “party-ocracy,” from the pressures of constituencies which represent the parties’ last link with reality. But who are supposed to be these pure and independent “technicians”? People like Guido Carli and Bruno Visentini, the president of the Republican party and the economic spokesman for the Venetian oligarchy. This government is also supposed to implement an “institutional reform” of the constitution whose aim is to allow a new strongman—à la Mussolini—to emerge.

Shortly after Agnelli had made his plan clear, the directorate of the Christian Democracy unanimously endorsed De Mita and his austerity plan for “economic rigor,” a twisted triumph for the man who had brought the party to its biggest defeat in history. In exchange, De Mita, who had until few days before been threatening to expose Craxi’s terrorist links, declared that the DC is ready to hand the government to the Socialists.

As this scenario unfolds, the Italian economy is being systematically dismantled. Italy just buckled under the demands from Count Davignon of the European Community to cut steel production by a whopping 15 percent. The public deficit is heading towards 100,000 billion liras, or nearly \$70 billion, Agnelli has recently announced that 18,000 FIAT workers put in *cassa integrazione*—temporary unemployment—will never go back to their factories. Industrial production decreased, officially, by 14 percent in one year, and cities like Naples as well as the entire Mezzogiorno are on the verge of a jacobin social explosion.

One seasoned political observer recently noted that Italy is, in the eyes of the Kremlin, a test case for the destabilization of the West. Yuri Andropov has every reason to be satisfied.

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## Book Review

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# The Greens are the 'Fourth Reich'

by Laurent Murawiec

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### **Vers le Quatrième Reich: Ecologistes et gauchistes contre la démocratie en Allemagne fédérale**

*(Toward the Fourth Reich:  
Environmentalists and Leftists  
Against Democracy in West Germany)*

by Jean-Paul Picaper  
Le Table Ronde, Paris, 1983

It is a sad comment on the state of the Federal Republic of Germany that it took a French journalist to start unraveling for the general public the fact that, as author Picaper notes, the "unobserved rise of a Fourth Reich" is under way, in the form of the "Green" movement—i.e., the "peace" and "ecology" movements.

Picaper's well-documented study deserves a wide readership, and certainly an immediate translation into German. He rejects the usual line that the "Greenies" are a "sociological phenomenon," a "lawful product of the rejection of the abuses of industrial society"; he is not afraid, as the French say, to "call a cat a cat," and the Greenies Nazis.

One quarrel, however, must be taken with the author from the start. Over many years and in utter isolation from official media and established politics, the head of the Europäische Arbeiterpartei, Helga Zepp-LaRouche, has relentlessly assailed the Greens as a new form of fascism. Her analysis and its political implications should have been prominently featured in Picaper's book and would have helped him avoid pitfalls he otherwise did not manage to escape.

Picaper correctly states, and documents, that the development of the Green movement is the result of a conspiracy. He properly lambasts the blindness of those inside Germany and outside who, "their eyes riveted to the past, [do not see that] the Nazis' great-grandsons will not wear the swastika. They will do everything they can to avoid looking like them [the Nazis], especially if they intend to do the same, or worse." And he is right when he asserts, "Once more, the crucial act of the drama is going to be played in Germany, in a future perhaps closer than most believe."

Picaper demonstrates how, from 1945 onward, the Soviet and satellite East German secret services planned to build what he calls "a neo-totalitarian Red Reich." He shows how the Lutheran Church (EKD), the Social Democratic Party (SPD), and the liberal Free Democratic Party (FDP) in large

part made themselves complicit in the development of the political intelligence networks that spawned today's "Green/peace" movement.

"The same group of honorable personalities: Helmut Gollwitzer, Wolfgang Abendroth, Heinrich Albertz, Martin Niemöller, Hirsch" lent themselves to this crusade. He shows how a series of weird and unexplained deaths in the West Berlin SPD in the late 1950s allowed one Willy Brandt, who came from a Trotskyist party "which had been created as the liaison between the left-wing social democracy and the apparatus of the Comintern," to make a first giant step toward political power. Picaper also mentions that Brandt's West Berlin mentor Egon Bahr "reportedly worked under the orders of [Soviet KGB] Colonel Tulpanov." The book ventures to ask, "What if [Günther] Guillaume [the aide whose unmasking as an East bloc spy brought down Brandt in 1974] was not the spy, Brandt was?"

Questioning the biographical fictions about the grand old man of West German pacifism, Martin Niemöller, Picaper demonstrates convincingly that the pastor was more than complacent toward Nazism and the Führer. The organization he co-founded with a later president of the Federal Republic, Gustav Heinmann, the *Christen Gegen Atomtod* (Christians Against Nuclear Death), was not only infiltrated but in fact controlled by the East German and Soviet secret services.

Picaper notes the various psychological levers used to generate the Green ideology and brainwash German youth, from Hermann Hesse's *Steppenwolf* to "the rejection of the father, nostalgia for a return to the protective indulgence of the mother," the call for "a hedonistic society," "the unleashing of the inner beast," which have played such a profound role in the psychogenesis of both brown and Green fascism. The book analyzes how the Brandt reforms of the 1960s "collapsed the intellectual level of students" and generated a stratum of "misfits and dropouts" primed for extremist movements, as during the Weimar Republic. Picaper lists five points of identity between the Green-peace movement and the Nazis: the transformation of the *Wandervogel* "back to nature" counterculture into the Nazi *Jugendbewegung* (youth movement); the rejection of "American and Jewish plutocracy and mercantilism"; the rejection of parliamentary democracy; the persecution of minorities; and a highly demagogic nationalism.

The role of Rudolf Steiner's Anthroposophy as a contrib-



utor to Green fascism is also well developed, although it would have been useful to show the links of Steiner and his modern followers to such financial-industrial dynasties as the Bosch family of Baden-Württemberg and the Siemenses of Munich.

Picaper notes the ugly role played by psychoanalyst Alexander Mitscherlich in spreading the self-destructive "anti-Nazi" ideology that was actually a negation of the nation-building aspects of German history and a negation of German classical culture. But he ignores the fact that the ideology of "collective guilt" of Germans for the crimes of Nazism was in large part concocted in Britain by Hugh Trevor-Roper and in the United States by James P. Warburg, and injected into the Germans undergoing "re-education" at the hands of Anglo-American psychological warfare units from 1943 onward, in preparation for the Morgenthau Plan to destroy Germany.

The obscuring of Germany's true history and great culture, the underlying determinant of the malleable mediocrity of so much of today's German youth, thus delivered these youth into the hands of the pied-pipers. This must to a very large extent be ascribed to those who were in charge of the administration of occupied, postwar Germany. Picaper refers to the barely believable proposal of North-Rhine Westphalia's Social Democratic Education Minister, Girgensohn, in 1972, to lower the basic vocabulary of school children from 2,000 to 500-700 words!

But Picaper should have known, for example, how Anglo-American pre-war supporters of Hitler and advocates of Hitlerian race-science, such as General William Draper, the founding father of the Deutsche Bundesbank, were given the job of "re-educating" Germans! Picaper rightly assails Ralf Dahrendorf: "A 'learned' society was even created, the German Society for Research on Conflict and Peace, which brought together liberals of the R. Dahrendorf style, concerned with appeasing and regulating conflicts, with theorists like J. Galtung, to whom the 'structural violence of the state' justifies any type of revolt." But Picaper fails to go up a notch, and look into Dahrendorf's long tenure at the London School of Economics.

Similarly, while shedding useful light on the role of Ekkehard Krippendorf in the genesis of the new fascism, Picaper barely touches on "the incredible liberalism of the Americans" who offered that rabid America-baiter a slew of jobs and fellowships: Harvard, Yale, Rockefeller Foundation. The Ford Foundation funded liberally the Free University of Berlin, "pivot of the movement," well after it had become a "red base." *Why* should the liberal Americans do that? Picaper never asks.

The only explanations offered are "lust for power . . . the pressure of the left wing . . . the opportunism of parties corrupted by a long tenure in power. . . ." It is here that Picaper's exclusive orientation to denouncing the actual KGB origins and control of the Green-pacifist movement breaks down—his refusal to explore the *higher levels of conspiracy*

*in the West which are allied to those in the East.*

Picaper comes close to the mark when he shows how former Green Party chairperson Petra Kelly is very close to "Robert Jungk, i.e., the Club of Rome, the man of zero growth," and to "her guru [Sicco] Mansholt," also a zero-growther. But Picaper does not develop the fact that the Green movement is merely the street-level replica of the Club of Rome doctrine. Of Kelly, in this regard, he says only: "Is she subjected to hypnosis? Illuminated? Or hysterical? . . . delirium of persecution? . . . She needs hypercompensation. . . . She likes older men. . . . I wondered whether she was or was not programmed by an alien power. . . ." And while Picaper is adept at spotting the way that doctrines from the East are piped into the Western left, the "vertical" infiltration *from leading Western figures* remains totally obscured. The fact that the anti-republican Green movement is a battering ram to destroy Germany *on behalf of the Malthusian elites of the West, cooperating with that of the East*, is not mentioned but for a few, allusive references.

Picaper shows that the "movement" has always had "protectors," and he names the names. But who protects the protectors? It is remarkable that the name of Countess Marion Dönhoff, whose prestigious journal *Die Zeit* has been for years one of the main opinion-shapers on behalf of Club of Rome-Greenie ideology, is not once mentioned! The fact that Club of Rome and related anti-technology, anti-nation-state doctrines have made considerable inroads into the Christian Democracy remains unmentioned; CDU figure Eduard Pestel, a Club of Rome member, and the "establishment" (and old Nazi) Weiszäcker families are also *respected* by Picaper's book.

Is it that Picaper decided to "concentrate on the main enemy"? That the red danger is the greatest at the moment? Obviously, the Bonn correspondent of the Paris daily, *Le Figaro*, a resident of Germany for many years, knows more than he gives the reader. But in his *Drive to the East*, which correctly targets the ugly, criminal games played by Moscow to promote terrorism, mass irrationalism, and other forms of fascism in order to help dissolve Western societies from within, Picaper neglects to secure his flanks against assaults from the Western forces of dissolution, neither Soviet, nor Great Russian, nor Communist, but rather feudal-Malthusian.

This criticism is not meant to belittle the merit of Picaper's courageous, taboo-breaking book, which documents with rage and passion the destructive enterprise of forces of evil against the Republic of Germany. His attack against this new "national-Bolshevism," this "Nazi-Communist alliance," is grounded in a highly commendable love for Germany and her culture, for which reason Picaper aptly concludes this important contribution to today's political writing: "Our allies across the Rhine need us to 'uplift their morale.' What they need from us is what de Gaulle told them in Bonn in September 1962, in German 'Ihr seid ein grosses Volk,' and what President Mitterrand said last May in Hamburg, 'Long live the free and proud Germany!'"

## The Jesuit stakes in Puebla

*The Society of Jesus and the PAN party are moving in to add Puebla to their list of recent victories.*

**L**ike the recent elections in Chihuahua and Durango, local elections in Puebla this fall will play a key role in this country's politics in coming years.

This central state of Mexico is being closely watched by political and security specialists because it harbors the most explosive mixture of leftist terrorism and "right-wing" Catholic organizing, both under the direction of the Jesuit order.

For centuries, the Society of Jesus has used Puebla as a base of operations to run its education centers, business and political groups, and other institutions of ideological control. Puebla is also the home base of one of Mexico's most powerful financial empires, that of former banking magnate Manuel Espinoza Iglesias. The president of the Bancomer banking group until its nationalization last year, Espinoza Iglesias rose to prominence as the administrator of the fortune illicitly amassed in the Puebla area by U.S. mafioso businessman William Jenkins.

The PAN separatist party, a close ally of these interests, is strongly moving to take, among other posts, the mayoralty of Puebla city, the state's capital. Alejandro Canedo, the PAN leader in the state and soon-to-be-nominated Puebla mayoral candidate, was one of the main participants in the Third National Meeting of Former Jesuit Alumni late June in that city.

As at all Jesuit meetings, the reunion focused on the political task the former students would have to take to preserve the Society's influence. "We will form a force which nobody will be able to stop," said the local head of

the Jesuits, Carlos Vigil Avalos.

One of these "unstoppable" moves apparently is a PAN alliance with the Mexican Democratic Party (PDM), a group explicitly based on the fanatic "Cristero" ideology of the 1920s, which the Jesuits launched against Mexico's efforts to become a modern industrialized state. The PAN is already in discussion with the PDM's mayoral candidate, Ricardo Villa Escalera, another favorite of the local Puebla oligarchy. Such an alliance is modeled on recent elections in the city of San Luis Potosí where the PAN-PDM candidate Salvador Nava won the mayoralty. Nava's group now is a major asset in a national Jesuit campaign to destroy the political influence of San Luis state governor Carlos Jonguitud Barrios, a key PRI figure and a power in the national teachers' union (SNTE).

Canedo is known to be a follower of PAN ideologue Miguel Angel Conchello, who has let his economic thinking be known by praising Adolf Hitler's finance minister, Hjalmar Schacht. Canedo spreads this ideology through his statewide XHR radio network.

Attending the meeting were all the loyal former alumni of the Jesuits' educational centers, the Instituto Oriente, the Pedro Espina and Sacred Heart schools, the Universidad Popular Autónoma of Puebla, and the Universidad Iberoamericana, one of whose main funders is Iglesias.

The Instituto Oriente has been pinpointed by security forces as the main force behind a call last month for

Puebla residents ("Poblanos") to go on a "week of prayer." The call, transmitted through radio and printed press, had all the signs of a manipulated anti-government "pots and pans" movement like the one that helped overthrow Chile's President Allende.

The Universidad Autónoma de Puebla (UAP), one of the main centers of radical organizing in this country, gives a striking glimpse of the Jesuits' connections to leftist terrorism. After directly running that university for centuries, the Society handed it over to radical left groups. Its director today is Alfonso Vélez Pliego, a former student of the Instituto Oriente who spent the week of April 7-14 in Tripoli studying the *Green Book* of KGB-Nazi terrorist Muammar Qaddafi.

The arrest of Puerto Rican terrorist William Morales in Puebla in mid-June shed new light on the Jesuits' control of left terrorism promoted in right-wing guise by many of the Jesuit institutes mentioned above. On July 8, Vélez Pliego, the PSUM left alliance, and other radical groups put out a statement denouncing the Morales's arrest as a "right-wing" move to repress their leftist activities. The statement also defended Luis Ernesto Arévalo, a professor in the UAP's Faculty of Philosophy and a close collaborator of Vélez, whom security sources have identified as the main Mexican contact of Morales.

Although the stated reason for Morales' arrest was a terrorist plan for an attack on the Mexico-U.S. Interparliamentary Meeting slated for around that time in Puebla, security sources privately pointed to Morales' connections to terrorist groups in Chihuahua and Chiapas. Authorities are now investigating the suspicious activities of a Jesuit priest in charge of the Church of the Sacred Heart linked to the Instituto Oriente.

## The fight for Colombia

*A well-entrenched drug mafia is moving to take power under protection of powerful political allies.*

**M**ultimillionaire Carlos Lehder Rivas startled Colombians when he appeared on national radio in June to acknowledge that he was a cocaine trafficker by trade and that he had plans to "run for political office." To the uninitiated, this brazen display was the act of an eccentric. To the seasoned political observer, Lehder's announcement was the signal that Colombia's drug mafia had done flexing its muscles and was ready to go for power.

In the weeks that have followed Lehder's emergence into the public limelight, he has leaked the names of numerous political figures to whose electoral campaigns he claims to have contributed substantial amounts. The Lehder revelations have triggered a storm of accusations and mutual recrimination within a layer of Colombia's political elite which, in fact, has much to hide, but the net effect has been widespread demoralization because of the belief that Colombia's political institutions and leadership have become unsalvageable.

This sentiment has been played up by cynical statements such as those made the second week of July by Senate President and representative of the López Michelsen faction in government, Bernardo Guerra Serna. According to the Bogotá daily *El Tiempo*, Guerra asserted, "I believe that in Colombia there is not a single Liberal or Conservative politician who does not need a freezer to cool off his hot money."

Lehder, who founded the Movi-

miento Latino Nacional cult, which claims 10,000 adherents, offers a program of nationalization of the banks, transportation, and subsoil; debt moratoria; and political non-alignment, proposals that are just so much ultranationalism to cloak the core of his program: legalized marijuana and cocaine and a ban on extraditing drug traffickers.

Among the political figures Lehder has named as beneficiaries of his largesse are Alfonso López Michelsen, who lost the presidential elections to Belisario Betancur in 1982. Lehder's henchman in the drug capital of Medellín, Pablo Escobar, claims to have personally handed López's campaign manager Ernesto Samper Pizano several hundred thousand dollars for Samper's promotion of legalized marijuana cultivation and export.

Although Samper at first made feeble attempts to deny the charge, he has apparently since changed his line. In an early July interview, he decried the United States's "comparative advantage" in the drug trade—because U.S.-grown marijuana is the most powerful known. For Colombia to regain its market, he proposed, it should start importing the best marijuana seeds from the United States. Then, in a July 18 interview with the daily *El Siglo*, Samper called for legalizing cocaine production and increasing the amount of both marijuana and cocaine legally acceptable for personal use.

When asked to comment on the "hot money" scandal breaking around him, he responded with an open de-

fense of Lehder: "Recently the owners of these great fortunes have expressed the desire to be protagonists in the political process. If these monies have been patrimonially amnestied, no one can deny them the right to invest their money as they see fit." He was referring to the *amnistía patrimonial* promulgated by the Betancur administration last year, which was designed to give habitual tax evaders a "second chance" to begin declaring their income without fear of penalty—an amnesty not extended to the mafia.

While the Liberal and Conservative Parties make regular sanctimonious complaints against the power of drug money in Colombia, it has been left to President Betancur and the Catholic Church to take the mafia's assault head on. A 12-day marathon session of the Bishops' Conference of Colombia ended in mid-July denouncing the immorality of "ill-gotten gains."

Monsignor Revollo Bravo declared at the conference: "To all the ills of society can be added that which is represented by those who, lacking all moral norms, have scaled the highest peaks of wealth—not by honorable and legal means but by the tortured road of easy gain which, aside from being unjust, damages the national economy and creates amoral parameters of behavior. . . ."

In a speech to a gathering of 500 "city fathers" from his home state of Antioquia, President Betancur issued his first public denunciation of the drug mafias and what he termed the "Hong Kongization" of Colombia. He pointed to the drug traffickers, the contraband dealers, and the pornographers, and charged them with having perverted the "creative inventiveness" of the nation and entered Colombia "into the annals of the universal history of infamy."

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# International Intelligence

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## *Dozier's liberators sentenced to jail*

The police officers who rescued NATO Gen. James Dozier from his Red Brigades kidnapers in January 1982 were condemned June 15 to one year in jail, for having "tortured" some of the terrorists immediately after the rescue. The sentence would appear incredible if one did not know that the mastermind of Italian terrorism, Antonio "Toni" Negri, won a seat in Parliament in the June 26 elections. If any political or judicial power, or citizens committed to acting in accord with the dictates of the constitution, still existed in Italy, then Negri would have to be sent back to jail.

The ad hoc parliamentary commission established for this purpose could authorize Negri's arrest, an action it has taken in other cases, such as that of Communist deputy Francesco Morano and the fascist Sandro Saccucci. But with parliament controlled by FIAT head and Trilateral agent Giovanni Agnelli and by the masonic circles on the one hand, and by Soviet chief Yuri Andropov's subordinates in the Italian Communist Party on the other, it looks as though Negri will be allowed to go scot free.

Professor Negri's new project is that of unifying what is left of the terrorist groups with the pro-ecology pacifists into a single movement to try to stop the installation of the Euromissiles in Comiso, Sicily, and elsewhere in Europe.

This new operation is the secret of the electoral pact between "pacifist" Marco Pannella, the head of the Radical Party, and Negri, who ran on the Radical ticket.

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## *Is Peru heading toward civil war?*

The assault of the terrorist Sendero Luminoso ("Shining Path") group on the headquarters of the ruling Acción Popular (AP) party in mid-July has brought to the foreground the possibility of Central American-style civil war and slaughter for Peru.

Acción Popular members are talking of arming themselves, and helping other parties to set up vigilante squads as well. The

press is meanwhile busy interviewing leaders of all parties on whether they think there will be civil war or not. Two leftwing newspapers, the Jesuit-run *Kausachum* and *Marka*, ran articles characterizing the calls from within AP for vigilantism as the first stages of a "dirty war" modeled on the activities of the Argentine junta in the 1970s, which unleashed assassination squads to cause its enemies to "disappear" by the thousands.

Peruvian President Belaunde is showing the effect of several incidents of "accidental" shootings near him by soldiers in the past two months. In a speech this week, Belaunde spoke at length on how "if my day of death comes, I will meet it with honor."

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## *Strauss faces rebellion in his Bavarian party*

Franz-Josef Strauss, the portly Bavarian who for decades has run the Christian Social Union party with an iron hand, now faces a growing rebellion in the ranks. At the party congress July 16, Strauss was re-elected party chairman as expected (he ran unopposed), but with his lowest vote in 22 years. 662 out of 949 delegates vote for him, almost 200 fewer than in the last vote in 1981. Strauss left the conference early, without giving his customary wrap-up address.

The conservative Christian Social Union is part of the ruling Bonn coalition, along with Chancellor Helmut Kohl's Christian Democratic Union and the Free Democratic Party of Foreign Minister Hans-Dietrich Genscher. Strauss, who openly admits his yearning for Genscher's job, recently engineered a huge 2 billion deutschemark federal credit guarantee for loans to the German Democratic Republic (East Germany). Strauss will go to the GDR shortly, and rumors persist that he may meet with the top East German leader, Erich Honecker.

Strauss declared at the CSU congress that the credit he negotiated is merely "part of a bigger political context." This, he said, will include vaguely hinted "historical evolutions" in East Germany in the direction of "another Austria," and which would force the Soviet Union to grant "more rights and national self-determination" to its citizens and allies. Circles around Strauss are among those pushing for a restructuring of Euro-

pean politics around a deal with the Soviet Union and the longer term reunification of Germany.

One leading party member, F. Handlos, resigned from the CSU this week with great fanfare, accusing Strauss of excessive concessions to the East and of being over-ambitious and undemocratic.

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## *Izvestia: Thatcher 'appeases' Reagan*

In a comment on the new British *White Book on Defense*, senior *Izvestia* commentator V. Matveev reflects anger and frustration over the landslide victory of Margaret Thatcher, which the Soviets view as an obstacle to their plan of decoupling Western Europe from the United States. The policy of Thatcher, Matveev writes, is "to turn England into the closest, trusted partner of the Pentagon in realizing the plans of turning Western Europe into a nuclear bridgehead aimed against the U.S.S.R. and the other socialist countries.

"The current British leaders, moved by anti-Sovietism and anti-Communism, follow on the slippery road of their predecessor Neville Chamberlain, who brought such harm upon the British people and contributed such a shameful part to unleashing the catastrophe of the Second World War. This mountain-politician also loved to speak about his 'firmness,' when he systematically rejected the initiatives of our country, which were dictated by the concern for rebuffing the military threat.

"The current followers of Chamberlain in Downing Street No. 10 would like to eliminate from the annals of history, from the conscience of their co-patriots that fact, that namely thanks to the heroic struggle of the Soviet people... the deadly danger threatening also England was crushed and the aggressor defeated."

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## *Khomeini succession struggle intensifies*

There are new indications that the struggle between vying factions of the divided ruling Islamic Republic Party (IRP) of Khomeini's

Iran has dramatically intensified, stimulated by fears that the health of the 84-year-old Khomeini is failing. As *EIR* goes to press, the Iranian dictator has not made a public appearance in six weeks.

The Council of Experts, an elected group of mullahs whose full membership has not yet been confirmed, held a surprise meeting in mid-July to decide upon Khomeini's successor.

The body is reported to have received a copy of Khomeini's will, and the name of Khomeini's own choice of his successor—a choice which many of the Council of Experts are known to reject. Khomeini's son Ahmed made an impassioned plea for unity within the IRP, on national television the same day, calling upon the Council to peacefully choose Khomeini's heir. Rivalries within the IRP have reportedly reached such a degree that mullahs are fighting each other in Isfahan and the southern Iranian town of Dezful.

A former U.S. ambassador to the Middle East stressed that the Soviets hope to see post-Khomeini Iran disintegrate as civil war erupts between groups of heteronomic mullahs.

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## ***Arafat says Kissinger ought to shut up***

In an interview in West Germany's *Der Spiegel* magazine, Palestine Liberation Organization chairman Yasser Arafat strongly attacks Henry Kissinger as responsible for much of the past years' genocidal actions against the Palestinians. Responding to a *Spiegel* question about recent "advice" from Kissinger to the PLO, Arafat states: "Kissinger had better shut up. He wanted to become a second Metternich. But without public relations, he would be a nobody. . . . Kissinger has brought us Arabs a catastrophe. He succeeded in cutting us in pieces and breaking us apart."

Arafat also assigns heavy responsibility for the recent violent operations against his leadership to the regimes of Syria and Libya and, in particular, to the lunatic leader of the Popular Front for the Liberation of Palestine-General Command, Ahmed Jibril. *EIR* documented earlier this year that Jibril was Kissinger's top ally in the PLO, and had

worked out secret arrangements with Kissinger to murder PLO pro-peace moderates and to make the organization as a whole into a radical pro-terrorist group under KGB control.

Jibril works closely with the Damascus-based Abu Nidal terrorist group, which killed PLO moderate Issam Sartawi earlier this year.

The *International Herald Tribune*, co-owned by Kissinger's friends at the *Washington Post*, ran a front-page feature July 19 portraying the Abu Nidal murderers as having gained a new respectability, while quoting one leader of Abu Nidal's Fatah Revolutionary Council warning that Abu Nidal intends to kill Arafat for "treason to the Palestinian cause" at the earliest possible opportunity.

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## ***Indochinese reject ASEAN troop pullback proposal***

A July 20 meeting of three Indochinese Foreign Ministers rejected as "absurd" a proposal by the Association of South East Asian Nations (ASEAN) that Vietnamese troops pull back 30 kilometers from the Kampuchean-Thai border as a precondition for talks. The Indochinese states said they are willing to promote dialogue through direct talks with the ASEAN countries—which include Thailand, Indonesia, Malaysia, Philippines and Singapore—but the dialogue should be held "without preconditions." The Indochinese ministers noted they were ready to meet without the participation of the Heng Samrin government of Kampuchea in order to remove any impediments to talks. On July 22 Thailand formally rejected the proposal for regional talks.

Following early June talks in Bangkok, Thailand between the Vietnamese and Thai foreign ministers it looked as though Vietnam would agree to Thailand's "request" that it pull back and that Thai Foreign Minister Siddhi would go to Hanoi. However, in the course of the late June ASEAN foreign ministers meeting, the ASEAN states, led by Thailand, changed the 30-kilometer proposal from a "request" to a "precondition" for any talks, a status that Vietnam had already said would lead to a negative response.

# Briefly

● **NAPOLEAN DUARTE** charged while visiting Rome in mid-July that priests from the Society of Jesus are "the intellectual authors of the revolution of violence" in El Salvador. Duarte, who was president of El Salvador up to March 1982, emphasized the case of the priest Sebastian who "resigned" from the Jesuit Company and now is the representative of the FMLN (Faribundo Marti Liberation Front) in Europe.

● **LIBYA'S AMBASSADOR** to Jordan has defected, saying Qaddafi is intent on killing King Hussein and destroying the PLO.

● **OTTO VON LAMBSDORFF**, West German Minister of Economics, called for "further expanding and deepening of Soviet-West German cooperation in the economic, scientific, and technical fields," according to a July 1 *Izvestia* account of an interview Lambsdorff gave to the Novosti Press Agency. This would be discussed in an upcoming session of the Soviet-West German joint inter-governmental commission, Lambsdorff said.

● **BOTH CHANNELS** of West German national TV on July 13 carried hour-long feature programs on relations between East and West Germany, stressing the idea of eventual reunification. The following night, the Bavaria-based Franz-Josef Strauss appeared on television to explain his advocacy of the new *deutschemark* credit to East Germany.

● **TIMUR TIMOFEYEV**, head of Moscow's Institute of the International Workers Movement, is reported to have been born Tim Dennis in California, son of Eugene Dennis, one of the founders of the Communist Party USA. According to intelligence sources, the career of Dennis is key to understanding the history of Jay Lovestone—his early and lasting ties to Moscow networks.

## KGB plays the Kissinger card: the President was lied to

by Richard Cohen

During the evening of Sunday, July 17, after a private meeting with his National Security Adviser William Clark, President Ronald Reagan went to the telephone and invited Henry Kissinger to be the chairman of the President's Bipartisan Commission on Central America. As this reporter has repeatedly warned, former Secretary of State Henry A. Kissinger has been the ring-leader of a four-year plot to seize control of the Reagan administration.

In early 1981 this journal alone exposed a political operation which Kissinger directed for the purpose of taking personal control over the incoming Reagan national-security apparatus, in exchange for Kissinger plaything, former President Gerald Ford, becoming Reagan's vice-presidential candidate. This failed Kissinger bribe-operation, which began in the summer of 1980 and culminated in the ugly behind-the-scenes negotiations between Kissinger, former Ford Treasury Secretary Alan Greenspan, and the Reagan camp at the 1980 Republican National Convention, was facilitated by Max Fisher, a Detroit businessman implicated in Caribbean drug- and gun-running and deeply influential in international Zionist circles. Fisher reportedly arranged direct contact between Kissinger and Reagan insiders through the offices of the late Alfred Bloomingdale, an intimate of the Reagans and reported to have been as deeply involved as Fisher with Israeli mafia networks.

Then, in the fall of 1982, this reporter was commissioned to research an *Executive Intelligence Review* Special Report, later entitled "Kissinger's Plot to Take Over the Reagan Administration." That report provided the only documentary evidence regarding a massive second-wave attempt by Kissinger and his closest associates to gain control over Reagan's

foreign and international economic policy, immediately following the July 1982 appointment of George Shultz as Secretary of State.

With Shultz and other Kissingerites in key positions, in the fall of 1982 Kissinger and his friends moved to cripple President Reagan's strategic modernization program, while opening up then-dormant back-channels to the Soviet leadership. Pressuring for a deal with Moscow, the Kissinger crowd also sought to systematically crush a potential rebellion among Third World nations living under awesome foreign debt burdens.

Finally, in the late spring of 1983, this journal alone detailed a massive Kissinger-Shultz centered counterrevolution, commencing in April, aimed at reversing President Reagan's historic command decision of March 23 aimed at freeing the world from the Kissinger doctrine of "Mutually Assured Destruction," replacing it with a Mutually Assured Survival policy based on the rapid development of space-based laser and particle beam antimissile defense technologies.

As this reporter warned it would, presidential failure to immediately implement the program announced on March 23 not only created the context for the Kissinger-Shultz counterrevolution, but, if not remedied, will lead to a serious expansion of that counterrevolution, and the crippling of presidential prerogatives for action on other fronts.

On July 18, the President, speaking before the AFL-CIO-affiliated International Long Shoremen's Association in Miami, demonstrated with shocking precision the truth in this reporter's warning. There, Reagan announced that Henry A. Kissinger would be named chairman of a new independent bipartisan commission dealing with the crisis in Central

America.

Contrary to the self-deluding wishes of worried White House aides, Kissinger's reported secret pledges to Reagan, and the Commission's limited mandate, will not restrain Kissinger from the purposes of his four-year climb back into power.

Indeed, Kissinger's appointment was facilitated by a well-organized network inside and outside the administration, including Shultz, Deputy National Security Adviser Robert McFarlane, and White House Chief of Staff James Baker III. Kissinger was also promoted by important Democrats associated with the now-dormant Coalition for a Democratic Majority, an arm of the AFL-CIO foreign-policy directorate, including Sen. Henry Jackson (D-Wash.) and United Nations Ambassador Jeane Kirkpatrick. Capitol Hill sources also report that Senate Majority Leader Howard Baker played a central role.

However, a growing number of Washington intelligence sources are now pointing to the shocking California murder of Alfred Bloomingdale's mistress, Vicki Morgan, and the subsequent revelation by West Coast mob-connected lawyer Robert Steinberg that there exist videotapes allegedly implicating individuals very close to the Reagans in "sex party" activities. These intelligence sources believe that those tapes are now in the possession of the Soviet KGB and Israeli intelligence services. Sexual blackmail might just be the key to the Kissinger appointment.

Informed Washington sources confide that the disastrous Kissinger appointment was deemed critical by certain traitorous circles to cement a three-pronged strategy endorsed by Kissinger, Shultz, McFarlane, newly reappointed Federal Reserve Board Chairman Paul Volcker, and others in the administration and on Capitol Hill.

First, Kissinger will deal with Central America only as a stepping stone for seizing control of all Washington policy for Ibero-America and beyond. Kissinger's role, according to these sources, will be to apply the same homicidal assaults he once directed at Kampuchea and Chile to all those who resist International Monetary Fund austerity packages modeled on the recent Brazil pact. The impending debt crises of Venezuela, Mexico, Argentina, and Peru are to be brutally dealt with, destroying sovereign institutions of these nations, leading to the implementation of martial law dictatorships.

Second, Kissinger is to reduce the influence and therefore the foreign policy prerogatives of key U.S. regional allies in the "Contadora Group" formed to resolve the Central American blow-up: Mexico, Panama, Colombia, and Venezuela. Instead, Kissinger will seek back-channel communication with Moscow and Havana, making them the important negotiating partners over Central America. This procedure will spread to the rest of the continent as it is "Central Americanized" through Kissinger-Volcker sponsored IMF austerity.

Finally, Kissinger, in league with his State Department allies and McFarlane at the NSC, is now totally obsessed with the prospect of a Reagan-Andropov summit in the spring

of 1984. My sources report that they will press hard for a six-month postponement of the targeted December date for the stationing of Pershing II missiles in Europe. Through a set of arms control negotiations that would eliminate defensive systems and severely curtail strategic modernization plans, Kissinger, the author of the disastrous 1972 ABM and the SALT I treaties, is reportedly operating on a scheme devised by his business partner in Kissinger Associates, Inc., former British Foreign Secretary Lord Peter Carrington, to cut a "New Yalta" deal with the Soviet leadership.

However, frightened U.S. intelligence sources have now warned me that—not surprisingly—Kissinger's appointment and the associated three-pronged strategy may have had direct input from the Soviet KGB. The Kissinger-Carrington strategy stands or falls on the willingness of Soviet leader Yuri Andropov to deal seriously for a "New Yalta"-type scheme. These sources are convinced that the current Soviet leadership is playing a duplicitous game, a game whose success depends on the dupe, Henry Kissinger.

My sources say that the central focus of Soviet strategy at this point is to assure a six-month delay in the deployment of the Euromissiles. KGB planners are satisfied that a spring time-table for deployment will provide them with greater opportunities to manipulate a highly vulnerable Reagan administration, in part because the 1984 Democratic presidential nominee will be clear by May, and Reagan will have to face a defined opposition. KGB planners are also said to believe that the spring weather will be important in ensuring large anti-Euromissile demonstrations in Europe by the KGB's peace movement.

Finally, KGB planners are said to be confident that by next spring the Central American crisis will have reached a point of disaster for the United States. Indeed, the KGB can count on Kissinger to assure that the entirety of Ibero-America reaches the boiling point by that time.

In the meantime, Andropov will send "positive" and "encouraging" signals to his Western counterparts.

In short, by the summer of 1984, just prior to the presidential elections, the KGB will make its maximum intervention into the U.S. electoral process with the aim of cashing in for good both the March 23 defense doctrine and Reagan's strategic modernization program, and perhaps with it, the President himself.

KGB planners believe that Kissinger's marauding and crippling of the Ibero-American economies will not only eliminate the ability of the Reagan administration to reverse track and negotiate a new economic arrangement with our hemispheric partners based on *EIR* founding editor Lyndon LaRouche's proposal for Operation Juárez, but will also permanently doom the U.S. economy, which must depend for any durable recovery on the rapid development of Ibero-America—that is, the development of major industrial goods markets in the developing sector.

During the week of July 11, while the White House sat paralyzed by the "Debategate" scandal, National Security

Adviser William Clark met twice with Sen. Howard Baker in order to hammer out final plans for the "National Bipartisan Commission on Central America."

However, Kissinger's name had reportedly surfaced prior to these meetings. White House sources indicate that it was at a meeting between Clark and McFarlane that Kissinger's name first arose. For Clark to succumb to the suggestion of Kissinger—a man Clark is known to distrust—McFarlane must have been quite persuasive. McFarlane in 1973 rose to become then-National Security Adviser Kissinger's Special Assistant, a role which Al Haig had executed before him. In the Ford administration, McFarlane served in the same capacity under Brent Scowcroft. And it was McFarlane who originated and fought for the creation of the "President's Commission on Strategic Forces"—the so-called Scowcroft Commission—when the MX missile was stalemated.

Indeed, McFarlane, White House Chief of Staff James Baker III, and his close associates, budget director David Stockman and Council of Economic Advisers chairman Martin Feldstein, are reported to be the chief White House proponents of "government by commission." They have successfully persuaded the President to place three of the earliest co-conspirators against his administration at the head of three successive "bipartisan" commissions: Alan Greenspan was handed the Commission on Social Security Reform; Scowcroft got his "Scowcroft Commission"; and now, Kissinger has been presented with a base of operations at the "Bipartisan Commission on Central America."

Indeed, McFarlane's suggestion of Kissinger was, reportedly, immediately seconded by Jim Baker, and Hill sources report that the President was then presented with a list of only two names: Kissinger and Sol Linowitz, the former Carter Mideast Special Ambassador who headed the 1982 Commission on Latin America initiated by Kissinger and David Rockefeller.

## The AFL-CIO

When Clark mentioned Kissinger as potential chairman of the new commission, the choice was eagerly endorsed by Senator Jackson, who had been privately promoting Kissinger for the job in tandem with Senate Majority Leader Howard Baker. The idea for a bipartisan Central American commission was first circulated by Jackson privately and then made public in May. Reportedly, U.N. Ambassador Jeane Kirkpatrick was secretly involved in crafting the plan. In fact, both Kirkpatrick and Jackson are closely connected to the foreign policy directorate of Lane Kirkland's AFL-CIO. The Jackson-Kirkpatrick draft for a bipartisan commission urged, in addition to a so-called Marshall Plan, a broad program to "promote democracy in the region" to be led by the AFL-CIO's Latin American division.

Thus, while Kirkland will sit on the Board of the new commission as a member, Kirkpatrick will function as the President's counselor to the commission, and Jackson will

play that role for the Senate Democrats.

The central foreign policy program of the AFL-CIO, "Project Democracy," is in reality an attempt to create a global espionage network centered on the AFL-CIO and their allies in Israeli intelligence. This will be a centerpiece of the commission's work.

While Kirkland had secured a strong supporter for the Project Democracy program through a series of early visits with his old friend Shultz, then newly-appointed Secretary of State, the program itself was consolidated in mid-April, along with its hardware component, the Israeli Lavie project, as the centerpiece of the Shultz-Kissinger counterrevolution against Reagan's March 23 strategic doctrine.

In this effort, Shultz and Kissinger were critically aided by Kirkland and Israeli Defense Minister Moshe Arens. It was in late April, during Shultz's attempt to secure an Israeli-Lebanese agreement, that Shultz secured Israeli agreement to deploy intelligence and logistical support for Shultz-controlled efforts in Central America. The new Israeli factor worked in tandem with the AFL and the Coalition for a Democratic Majority (CDM) crowd, mushrooming into the endorsement of U.S. Central American policy by a broad array of U.S.-based Zionist organizations.

The influence of these forces on the Reagan administration, operating under the guidance of Shultz and Kissinger, has grown as the 1984 election nears. It is no accident that two weeks ago, President Reagan was invited to speak before the American Federation of Teachers by its president, Albert Shanker. Washington sources report that the invitation was arranged by Kirkland; Shanker himself is a strong supporter of current U.S. policy in Nicaragua, which is virtually under the total control of the Israeli-AFL-CDM nexus operating in the United States under the name of "The Ad Hoc Committee for Democracy in Nicaragua." Virtually all opposition groups currently fighting in Nicaragua are represented on this ad hoc committee. It is also no accident that Reagan made his Central American speech and the Kissinger announcement before an AFL-CIO union.

In June, after the administration encountered serious opposition to its aid program to El Salvador in the Senate and, more particularly, the House, Senator Jackson moved to secure broad Hill support for the Bipartisan Commission idea. Cosponsoring it were Sen. Charles Mathias, a man with deep ties to the Kissinger wing of the Republican Party, Congressman Michael Barnes, a former Ed Muskie aide tied to the KGB-linked Institute for Policy Studies, and Rep. Jack Kemp, an understudy of the godfathers of the Coalition for a Democratic Majority, most notably Irving Kristol.

## 'Sexcapade' blackmail?

The White House was convinced, through McFarlane, Jim Baker's Hill apparatus, and the State Department and Sen. Howard Baker, that the President's Central American policies were on the verge of legislative catastrophe if they



did not move the commission idea. But the indication is that the naming of Kissinger, a man so distasteful to the President and his most intimate advisers, required more than the legislative and electoral blackmail which inspired the previous two "bipartisan" commissions.

Instructive on this point was the shocking appointment to the commission of former Democratic National Committee Chairman Robert Strauss, an intimate of long-time Democratic link to the Soviet Union, Averell Harriman and his wife, Pamela Churchill Harriman. It was known at least a week prior to the naming of the commission members that Strauss, only five days after the return of the Harrimans from a meeting with Russian Czar Andropov, had pulled together a rump meeting of former President Jimmy Carter's trusted inner circle for the purpose of springing the so-called "Debategate" scandal on the White House—a scandal which, according to White House sources, has paralyzed the Executive Branch for the past month.

The appointment of a man known to be the ringleader of an attempt to weaken or bring down the administration through scandal indicates the deployment of far heavier ammunition in forcing the selection of commission members, from the chairman on down.

My sources report that the "sexcapade" tapes associated with the late Vicki Morgan were used to blackmail administration officials and close personal friends of the President for the purpose of getting the pathetic Kissinger his job. These sources suggest that the Morgan tapes came from the Hollywood-based Israeli mafia apparatus linked directly to the Ariel Sharon-Rafi Eytan network.

Israeli sources have reported that during a Kissinger trip to Israel in late June, Kissinger met with Eytan and reportedly bragged about a position he would soon get in the Reagan administration.

The slain Vicki Morgan was the central figure in a palimony suit against the late Alfred Bloomingdale's estate. It is reported that the same forces behind this politically embarrassing suit are currently using the tapes for blackmail regarding the chairman and members of the Central American commission.

### **Preparing the stage**

On June 3, Kissinger chaired a secret, emergency meeting in Houston under auspices of his Center for Strategic and International Studies. The topic: the political-economic crisis of Mexico. Sources present at that meeting have told me that Kissinger's remarks represented an ultimatum to the Mexican government. According to this source, Kissinger repeatedly emphasized that Mexico would be doomed unless it "rectified" its policies in Central America. In short, Kissinger demanded that Mexico hand over its sovereign foreign policy prerogatives or face even tougher bargaining conditions when its loan with the Bank for International Settlements comes up in August.

Kissinger's immersion in the Ibero-American debt problem and related political problems began in earnest in 1982 prior to the August Mexican debt crisis. In fact, in early 1982, Kissinger and David Rockefeller visited the White House to report on their plans to form a new, hemisphere-wide organization, later known as the "Linowitz Commission." The final report of this group, known officially as the "Inter-American Dialogue," offered only IMF recipes for dealing with Ibero-America's debt problem.

Of greatest interest, however, the report made the radical recommendation that, in order to resolve the Central American crisis, direct negotiations be held between Washington and Havana and Washington and Moscow. This recommendation was once again aired during a nationally televised interview on June 8 by Sen. Howard Baker, who stated that a solution to the Central American crisis will come from Washington and Moscow. The Senator then urged that immediate talks begin on the matter between President Reagan and Soviet chief Andropov.

As Kissinger moves to give the "Brazil treatment" and worse to the rest of Ibero-America, replete with civil wars and border wars, he is eager to follow the Linowitz-Baker formula and strike a deal for supposed Soviet acquiescence in the Latin American carnage that Kissinger plans. Kissinger and his friends are reported willing to push the six-month delay in Euromissile emplacement. Indeed, some describe the atmosphere in the State Department and certain quarters of the White House as intoxicated with either the strategic or political implications of a spring 1984 Reagan-Andropov summit.

In late May came the decision to perpetuate the Scowcroft Commission—on the advice of McFarlane. On June 8, President Reagan announced a shift in the U.S. START negotiating position, a shift which many White House insiders now say is much broader than publicly acknowledged. Then, after intensive meetings between Soviet Ambassador Dobrynin and Shultz, and the early June Harriman trip to Moscow, Andropov issued a series of deceptive, "positive" signals; there was a sudden change in the Soviet position at the Vienna MBFR talks in early June, immediately followed by a cosmetic shift in the Soviet position at the START talks. State Department officials, reportedly led by Deputy Secretary Lawrence Eagleburger, have been strongly hyping the success of the Pope's visit to Poland and the alleged positive moves from Moscow that made this possible. Eagleburger has since reportedly held the first substantive discussions with Polish embassy representatives since the declaration of martial law.

Playing to the Israeli leadership and the AFL-CIO, Andropov released a number of Pentacostal Russians who emigrated to Israel. Then, Soviet compromises paved the way for a final agreement at the "Conference on Security and Cooperation in Europe" (CSCE) talks in Madrid. The Soviets agreed to a no-holds-barred 1986 conference on the reunifi-

cation of families and free travel. These topics are of most immediate importance to the West Germans and the Israelis.

The parade of "positive signals" culminated on July 11 when West German Foreign Minister Hans-Dietrich Genscher met with President Reagan and Shultz to convey the content of West German Chancellor Helmut Kohl's July 4 meeting with Andropov. Pushing the Reagan-Andropov summit idea, Genscher stated publicly, "It turned out in Moscow that direct talks with the Soviet leadership have a positive effect on forming opinion in the Soviet Union. This is why the Federal Chancellor and I believe that [summits] are very favorable, that meetings between the American and Soviet leaders would be very fruitful."

But Kissinger and his associates had started well before Andropov's "signals" to push for a Reagan-Andropov meeting. Following President Reagan's May 24 announcement of the creation of an upgraded hotline between Washington and Moscow, Jackson—this proposal's key promoter—hailed it as an opening that should lead to a summit with Andropov. Ron Lehman, the author of the proposal, had only recently been named Reagan's Special Assistant for Defense Policy and Arms Control. Max Kampelman, the U.S. Ambassador to the CSCE talks who is associated with the CDM crowd, performed a central role in accommodating the Soviets there.

Another CDM associate, Paul Nitze, chief U.S. negotiator at the Intermediate Range Nuclear Force talks and originator of the now-heralded "walk in the woods" formula for a Euromissile agreement, is known to be pushing accommodation with the Soviets.

In addition, Kissinger sources secured another critical position in the two months leading up to Kissinger's appointment. David Abshire was appointed U.S. Ambassador to NATO amidst strong rumors that Lord Carrington himself would replace NATO Secretary-General Joseph Luns at year-end.

Washington sources now report that the evolution of this process over the past two months has convinced Secretary of State Shultz that a soon-to-be-announced meeting with his counterpart Andrei Gromyko at CSCE commencement exercises will rapidly lead to a Shultz meeting with both Andropov and Gromyko in Moscow later this year. That meeting, Shultz believes, will provide the necessary groundwork for a Reagan-Andropov summit in the spring of 1984, at which time a new, loosely formulated strategic arms agreement will be initiated. For this to occur, it will be necessary to postpone the December Pershing II deployments in Europe—for as soon as they are deployed, the Russians will collapse the START talks, declaring the Pershings "strategic missiles."

"Summit fever" has also struck the White House. According to informed sources, McFarlane is promoting an even grander scheme in which a spring summit would become the arena within which the United States and the Soviet Union develop a ten-year perspective on arms control aimed at a general reorganization of both sides' strategic force structures.

## New evidence on Carter to Khomeini assassins:

by Edward Spannaus

New evidence has just been disclosed which confirms that the Carter administration was providing covert protection to Iranian arms dealers and terrorists in hopes of securing a politically favorable release of the U.S. hostages during the 1980 election campaign.

The new revelations are contained, first, in an article in the July 25 issue of *Time* magazine, and second, in CIA documents disclosed in the course of a libel suit brought against *EIR* by one of the gunrunners named in the *Time* magazine article.

The declassified CIA documents confirm *EIR*'s earlier charges that the Carter administration and the FBI were responsible for massive coverup of the 1980 assassination of a prominent anti-Khomeini spokesman, Ali Akbar Tabatabai, in Washington, D.C. The assassination and coverup were carried out as part of the deal with the Khomeini regime which was intended to secure Jimmy Carter's reelection in November 1980.

The *Time* magazine article, entitled "Arms for the Ayatollah," exposes the secret deal that the Carter administration had made with the Khomeini regime to provide weapons and spare parts, and cites former Carter National Security Adviser Zbigniew Brzezinski as saying that the Carter administration had made a secret deal to provide spare parts to the Khomeini regime in hopes of obtaining freedom of the hostages.

The *Time* story provides additional confirmation for what this news service has been reporting for four years: that the Carter administration was secretly backing the Khomeini regime and was providing covert protection to key Khomeini operatives in the United States. The protection extended by the Carter administration was not only to the gunrunning operations exposed by *Time*, but also to terrorist operations being carried out by Khomeini operatives inside the United States.

*Time* names Balanian (Jamshid) Hashemi, his brother, Cyrus Hashemi, First Gulf Bank & Trust, and their Brazilian business partner, Carlos Vieira de Mello, as prominent in this illegal weapons trade, and says that they are presently under

## connection Billygate revisited

federal investigation for illegal arms trafficking. Readers of *EIR* will recall that Cyrus Hashemi brought a \$100 million libel suit against *EIR* and other related publications in 1980 after *EIR* published charges that he was funneling money from Iran into the United States to finance pro-Khomeini propaganda and terrorism inside the United States. This suit was just recently thrown out of court because of Hashemi's repeated failure to appear for a court-ordered deposition.

Cyrus Hashemi's involvement in gunrunning and in conduiting funds from Khomeini's regime into the U.S. was well-known among U.S. law enforcement and intelligence circles already in 1980. An Iranian citizen who had reportedly been thrown out of Iran for business fraud in the late 1960's, Hashemi had been pursued by a trail of lawsuits around the world for fraudulent business deals. At the time of the Iranian

revolution, he was set up in his new banking business by the First Arabian Corporation, a major Arab "dirty money" operation headed by Lebanese financier Roger Tamraz. (First Gulf Bank & Trust was incorporated in Anguilla in February 1979 as "First Arabian Bank & Trust" before its name was changed to something more discreet.) Cyrus Hashemi was used by the Carter administration as a go-between during the hostage negotiations, along the same lines as his associate Sadegh Tabatabai in West Germany. Just as the Hashemi brothers enjoy official protection in the U.S., Sadegh Tabatabai operated under the protection of West German Foreign Minister Hans-Dietrich Genscher, who reportedly helped him escape West German justice after he was arrested in Dusseldorf last January with over three pounds of raw opium in his luggage after disembarking from a flight from Teheran.

Cyrus Hashemi's suit was against Campaigner Publications, New Solidarity International Press Service (NSIPS), *Executive Intelligence Review*, and other publications and organizations associated with *EIR* founder Lyndon LaRouche. Also originally named as defendants by Hashemi were the *Washington Post-Los Angeles Times* news service, the *Boston Globe*, the *Atlanta Journal*, and the Cable News Network. All had published news stories revealing that the Iranian regime of the Ayatollah Khomeini was covertly sending millions of dollars into the United States to finance pro-Khomeini demonstrations and terror against Khomeini opponents. The stories named Washington, D.C. rug merchant Bahram Nahidian as one of the major recipients of Khomeini money and as the controller behind the Tabatabai killing. *EIR*'s coverage went beyond the *Washington Post* and the others, exposing Carter administration complicity in the pro-

### Carter's Tabatabai murder coverup

Before the Khomeini revolution in Iran, Ali Akbar Tabatabai had been the press attaché at the Iranian Embassy in Washington, D.C. Thrown out of his post by Khomeini's fanatics, Tabatabai created the Iran Freedom Foundation and became the most prominent anti-Khomeini spokesman in the United States.

On July 22, 1980, in Bethesda, Maryland, Tabatabai was shot and killed by one David Belfield, a.k.a. Daoud Sallahudin. Belfield was employed as a security guard in the Iranian Interests Section of the Algerian embassy, and was also a personal bodyguard for Bahram Nahidian, who is known to have passed large amounts of cash to Belfield. Following the killing, Belfield was driven to Montreal; he then flew to Geneva and is now in Iran, as testified to by

Nahidian and confirmed by other sources.

On July 16, 1981, Belfield and three others—all black Americans—were indicted for conspiracy in the Tabatabai murder. Belfield was out of the country; two of the three others—Horace Butler, a.k.a. Ahmed Rauf, and Lee Curtis Manning, a.k.a. Ali Abdul-Mani—were convicted after trial. The indictment and evidence showed that the Tabatabai killing had been planned in the Iranian Interests Section, and that Belfield had been given a hit list of enemies of the Khomeini regime who were to be eliminated.

Nahidian and other Iranian controllers and paymasters of the assassins were never arrested or indicted. Law enforcement sources reported at the time that a complete "national security" blanket had been thrown over the Tabatabai investigation. It is also thoroughly confirmed that the FBI knew *in advance* of the planned hit on Tabatabai.

The Carter administration's "deal" with Khomeini and Muslim fundamentalism had gone to the point of covering up murder.

tection of pro-Khomeini terrorists, and charging that the Carter administration was giving a free hand to Muslim Brotherhood fanatics and terrorists operating in the United States.

Under heavy pressure from the Carter Justice Department, the *Washington Post* and the other defendants who had used their wire story printed a “qualification,” stating that Hashemi’s name was ordered to have been taken out of the wire story. The “*EIR* Defendants” adopted the strategy—unusual for defendants in libel cases—of taking the offensive to prove the truth of their charges and pursuing an aggressive strategy of pre-trial discovery of evidence which was leading right into a re-opening of the “Billygate” scandal.

FBI and National Security Agency documents subpoenaed by this news service in the course of the Hashemi lawsuit were all revealed to be classified on “national security” grounds. Since the subpoenas only pertained to the involvement of Hashemi and Nahidian in illegal activities on behalf of the Khomeini regime, including terrorism and the Tabatabai assassination, observers concluded that the only reason for the withholding of the documents on “national security” grounds was to cover up Carter administration protection of Khomeini terrorism in the United States.

In response to another subpoena, the Central Intelligence Agency produced four partially declassified documents which confirmed that the Carter administration had all the relevant information concerning Hashemi and Nahidian in its hands during 1980.

A deposition of Bahram Nahidian, widely believed to be the mastermind behind the Tabatabai murder, produced the revelation that this Khomeiniac thug had actually been invited to the White House during the hostage crisis.

In his sworn deposition, taken March 24, 1983, Nahidian testified:

Some people came and said, You want to meet with—what was his name? He was with the White House.

There was one [of the American authorities], that he came over to the shop, and he says, Would you like to have lunch with—somebody, what is his name?

Q: Was it a name you have seen in the newspapers?

A: Many times I have seen it. . . .

Q: Did he identify himself, the person who came to the store?

A: No. He was very calmly discussing the matter, I thought probably he is one of those authorities. . . . He wishes to discuss the matter. I said I have nothing to do with it. It was not at all in my ability or power to do it; so he wanted to know if I would like to have a lunch with that person.

I said, No, his lunch is different than mine. No, I would not. He said, Would you like to meet Carter, President Carter? I said No.

Nahidian, of course, denied ordering the Tabatabai killing, but admitted that he was close to a number of those indicted for the murder and that he had provided them training in “Islam” in prisons where Nahidian recruited black Americans to his brand of Muslim fundamentalism. When asked if he knew Daoud Salahuddin, the trigger-man in the Tabatabai killing, Nahidian responded, “He is a very good brother” and stated that Salahuddin is now in Iran.

Hashemi himself would not even dare appear for a deposition. Even though he was the plaintiff in the suit, he crumbled once *EIR*’s attorneys directed pre-trial discovery at him. He stalled for months in answering interrogatories, and then finally responded with lies and evasions. For example, when asked about his membership in an “Islamic Revolutionary Committee,” Hashemi lied, saying he was not aware of any such thing. *EIR* then submitted to the court an affidavit executed by Hashemi himself in another court case in which he described his role as the “representative of the Islamic Revolutionary Committee in New York.”

After Hashemi failed to appear twice for deposition, the *EIR* defendants moved in March to dismiss the case under the federal court rule which allows dismissal of a case if a party fails to comply with discovery orders. This motion was granted by the United States District Court for the Northern District of Georgia on June 28.

The evidence obtained during discovery in the Hashemi suit is now being made available to relevant law authorities and Congressional committees.

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## Documentation

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### The CIA releases Hashemi evidence

*Following are the text of four redacted Central Intelligence Agency cables which were released pursuant to a subpoena duces tecum in the case Hashemi v. Campaigner Publications, et al. In response to the subpoena, the CIA replied that it had located eight responsive documents: four of its own cables and four other documents which had originated with the FBI. The FBI documents were forwarded to the FBI which refused to disclose them. Both the FBI and the National Security Agency responded that they had a “substantial” amount of documents but they were protected from disclosure by state secrets and statutory privileges.*

*The four CIA documents were heavily deleted to protect information considered classified on national security grounds. The following are the substantive declassified portions, with the classified deletions indicated by. . .*

NO. 4504464  
11 June 1980

... THE LEAD, AS AN ASIDE, COMMENTED ON A COVERT FUNDING MECHANISM UTILIZED BY PRO-KHOMEINI IRANIANS RESIDING IN THE U.S. LEAD TOLD SOURCE THAT FUNDS FOR CLANDESTINE PURPOSES ARE HANDLED BY THE GULF BANK LOCATED IN NEW YORK CITY. FUNDS FOR ACTIVITIES IN WASHINGTON, D.C. ARE PASSED BY GULF BANK THROUGH (FNU) NAHIDIAN. SUBJECT BELIEVES NAHIDIAN MIGHT BE IDENTICAL WITH PERSON OF THAT SAME NAME FROM NAHIDIAN AND FAILI ORIENTAL RUGS, 2233 WISCONSIN AVE, WASHINGTON, D.C. ...

NO. 4632503

[same text as above in slightly abbreviated form, dated 03 July 1980].

NO. 4736001

PRECEDENCE  
ACTION: ...

2. ... HE HAD LEARNED ... THAT PERSIAN CARPET DEALERS, FNU NAHIDIAN, THE OWNER OF THE MARKET PLACE INC., 2233 WISCONSIN AVENUE, WASHINGTON, D.C. ... WERE PROBABLY INVOLVED IN THE ... ASSASSINATION. ... NAHIDIAN HAD ADMITTED TO HIM ... THAT HE IS THE SAVAMA REPRESENTATIVE IN THE WASHINGTON AREA. NAHIDIAN ALSO REPORTEDLY CLAIMED THAT IF IRANIANS IN THE U.S. WERE GOING TO BE AGAINST KHOMEINI THEN THEY WOULD BE KILLED ONE BY ONE IF NECESSARY.

3. NAHIDIAN IS ALSO TO HAVE TOLD ... THAT HE AND SOME OTHER PRO-KHOMEINI IRANIANS WILL BE FILMING THE ANTI-KHOMEINI DEMONSTRATION PLANNED FOR 27 JULY 80 IN WASHINGTON, DC. NAHIDIAN STATED THAT HE HAS A FILM (MOVIE) CAMERA AND WILL TAKE PICTURES OF ALL THE IRANIANS INVOLVED IN THIS ANTI-KHOMEINI DEMONSTRATION AND WILL SHIP THE FILM BACK TO TEHRAN SO THAT THE DEMONSTRATORS CAN BE IDENTIFIED AND DEALT WITH BY VARIOUS MEANS.

4. WE DO NOT KNOW ... HAS AN AX TO GRIND AGAINST NAHIDIAN ... BUT HE WAS INSISTENT ... IRANIANS WERE INVOLVED IN SOME WAY WITH THE ... ASSASSINATION.

NO. 5021624

INFO: ...  
15 SEP 80 CIA ...  
TO: PRIORITY FEDERAL BUREAU OF INVESTIGATION.  
ATTN: CRIMINAL INVESTIGATIVE DIVISION/INTERNATIONAL  
TERRORISM SECTION ...  
SUBJECT: HASHEMI BROTHERS  
1. ... THIS FELLOW SAYS THE HASHEMIS HAVE BEEN HELPING IRAN CIRCUMVENT SANCTIONS AND HAVE BEEN PAID LARGE SUMS WITH THE UNDERSTANDING THAT A PERCENTAGE OF THEIR PROFITS WOULD BE USED TO HELP FUND PRO-KHOMEINI PROPAGANDA IN THE U.S.

## Time magazine confirms weapons sales to Iran

*Excerpts from July 25, 1983 Time magazine article: "Arms for the Ayatollah: Despite a ban, U.S. weapons are still flowing."*

As thousands of Iranians gathered daily in the streets of Teheran to shout "Death to America!" and even after a gang of students took over the U.S. embassy, holding 52 Americans hostage for 444 days, [Balanian] Hashemi was selling U.S. arms to Iran. Ordered by the Iranian military to be more discreet, Hashemi closed the shop last year. He now directs his U.S. and international arms operations from London.

American military advisors, TIME has learned, traveled secretly to Iran in the summer of 1979. They test-fired two Hawk anti-aircraft missiles for the Iranian air force and offered to repair Iran's Hawk defensive system. The Carter Administration also authorized some major U.S. arms manufacturers to continue sales of military equipment to Iran covertly. This, in turn, encouraged private arms dealers to continue supplying Iran.

Former National Security Adviser Zbigniew Brzezinski confirmed in his recently published memoirs that the Carter administration clandestinely offered to supply spare parts to Iran in return for the hostages' freedom.

Private arms dealers like Hashemi and [Carlos] De Mello account for much of the sales to Iran. At Iran's insistence, Hashemi set up various business entities to try to conceal his U.S. connections: his R.R.C. Co. in Stamford with its rug-shop front; a subsidiary in London; a separate company, Zoomer Fly Ltd., also in London. Hashemi's brother Cyrus, who was president of the now-defunct First Gulf Bank & Trust, helped finance the Zoomer Fly operation.

## Senate Banking approves Volcker

The Senate Banking Committee favorably reported the nomination of Paul Volcker to a second term as chairman of the Federal Reserve Board in a 14 to 2 vote on July 21. James Sasser (D-Tenn.) and presidential candidate Alan Cranston (D-Calif.) voted against Volcker, and Republicans Mack Mattingly (Ga.) and Paula Hawkins (Fla.) voted for Volcker "with reservations," pending the outcome of the Senate floor discussion.

Mattingly and Hawkins had cast the same vote "with reservations" on the IMF bill before it was passed by the Senate. Mattingly, however, finally voted for the IMF.

Capital Hill observers considered the Cranston vote part of a longer-term strategy to restructure the Federal Reserve Board as part of a Swiss-directed reorganization of U.S. banking in the wake of international financial crisis. Cranston, who has supported various proposals to restructure the Fed and the way it conducts monetary policy, charged that Congress has "yielded to the Fed's enormous powers by default," and warned that even orthodox monetarists were becoming concerned with the methods by which the Fed deals with money supply.

House Banking Committee chairman Fernand St. Germain (D-R.I.), raised the issue of restructuring the Fed the day before the Senate committee vote during Volcker's semi-annual appearance before the Congress. Amid widespread reports that he is laying the ground for legislative changes in the Fed, St. Germain said, "I don't think many of us would disagree that judgment and a broader economic focus is necessary for effective monetary policy. In fact, I believe that more attention to economic variables

is just the tonic we need to navigate the course between recession and virulent inflation." St. Germain released to the committee the results of a poll of economists, many of whom said that they would favor a change in the Fed's operating methods. A September legislative offensive may be in the offing.

## Soviet assets push space weapons ban

Armed with a statement of support from Yuri Andropov, the Senate Foreign Relations Committee began its summer offensive against U.S. national security the week of July 18 with action on two arms-control resolutions aimed at preventing an American military presence in space. The immediate aim of Paul Tsongas (D-Mass.), Larry Pressler (R-S.D.) and committee chairman Charles Percy (R-Ill.) is to prevent near-term testing and deployment of anti-satellite (ASAT) weapons.

But their ultimate target is the President's March 23 initiative for space-based directed-energy defensive weapons.

Tsongas succeeded in convincing the Senate to pass a watered-down amendment to the Defense Authorization bill, placing restrictions on the U.S. ability to test an ASAT system, by a vote of 91 to 0 on July 18. The amendment states that the President must first certify that the United States is endeavoring to negotiate a treaty "in good faith" banning ASATs with the Soviets before testing or deploying an ASAT weapon; or, pending an agreement, the President may carry out such testing or deployment of national security demands. The amendment was clearly written to be "noncontrover-

sial," but Tsongas and his allies, including cosponsors Claiborne Pell (D-R.I.), Alan Cranston (D-Ariz.), Gary Hart (D-Col.) and Ted Kennedy (D-Mass.), will be able to use it as a propagandistic foot in the door to demand that the administration go beyond "endeavoring" to negotiate a treaty. Tsongas concluded his floor argument for the bill by invoking Yuri Andropov's bogus April 28 offer to negotiate a treaty banning weapons in space.

The next day, the Senate Foreign Relations Committee reported on precisely such a resolution—Pressler's S.J.R.129, which calls on the President to seek a mutual and verifiable ban on weapons in space and on "any space-directed or space-based weapons system which is designed to inflict injury or cause any other form of damage on earth, in the atmosphere, or on objects placed in space." Dubbed the "ICBM Protection Act" by supporters of the President's March 23 space defense policy, the resolution passed by a vote of 9 to 0, with some members of the committee absent or abstaining.

Pressler was supported by such Purgwash-run groups as the Union of Concerned Scientists and the Federation of American Scientists.

## Senate debates space laser policy

The first substantive Senate debate on the President's strategic defense policy took place July 19, as Malcolm Wallop (R-Wyo.) brought up an amendment to reprogram and accelerate certain directed-energy weapons programs. The amendment lost by a vote of 65 to 27, with most members of the Senate Armed Services Committee voting against the amendment, arguing that it was premature and

preempted the President's Fletcher Commission, which is charged with developing an administration program.

Despite the limitations of Wallop's amendment—specifically the emphasis on chemical lasers as the only near-term deployable capability, which could eliminate the very real potential of use of x-ray lasers—supporters of the amendment saw it as a move against those Kissinger-allied forces in the administration who hope to kill the President's proposal by enacting an arms control treaty with the Soviets which would ban a space-based strategic defense. They also saw it as a salvo against the parallel effort to bury the program under a long-term, 20 to 30 year research program, a perspective rumored to be the conclusion of the Fletcher Commission.

Capitol Hill sources report that Wallop had planned to offer his S.J.R.100, which is a simple statement of support for the President's initiative, as an amendment to the Defense Authorization act. But, at precisely the same time Henry Kissinger was appointed to head the President's Central America commission, Kissinger-allied staff in the administration started to organize against the original Wallop resolution, claiming that it did not have the votes to pass.

Wallop reportedly decided to force the issue of moving on the program immediately by reprogramming funds into the Army's Ballistic Missile Defense Command, and giving the command a mission orientation to deploy a space-based laser system. It was this effort which other senators supported, despite some doubts about Wallop's resolution.

Howell Heflin (D-Ala.), one of the most outspoken Democratic supporters of developing directed-energy defense systems, supported the Wallop amendment noting "The Army's bal-

listic missile defense program office has an exemplary record for developing and demonstrating advanced technologies for defending this nation. We need to step up the pace of research and development on both advanced near-term and long-term ballistic missile concepts; this amendment is a step in the right direction."

Other senators, including Wallop himself, attacked the doctrine of Mutually Assured Destruction, authored by the KGB-trained Pugwash nexus and carried out by Kissinger, as the underlying reason for past U.S. failure to develop a ballistic missile defense and for current "foot dragging" in pushing ahead with the President's March 23 initiative.

## **DeConcini calls for Debategate investigation**

On July 19, Arizona Democrat Dennis DeConcini introduced S.R. 177, a resolution to begin a Senate investigation of "Debategate." While stating that he hoped that Debategate is "much ado about nothing," DeConcini nonetheless invoked the ghost of Watergate in his motivating statement. "Having endured the ordeal of Watergate, we then concluded—and I believe, rightly so—that it is the obligation of Congress to help maintain the credibility of the White House. . . . Regardless of how well intentioned individuals within the Justice Department might be, a Justice Department investigation into the White House raises suspicions about evenhandedness."

DeConcini is the only member of Congress to have sat on both the special committee investigating Billygate and the special committee which investigated the FBI's conduct of Abscam. He also conducted, with Sen. Or-

rin Hatch (R-Utah), an investigation of Carter administration ties to Robert Vesco, but the findings were inconclusive.

One top staff member of DeConcini's Washington office was a close aide to Robert Strauss when Strauss was head of the Democratic National Committee. *EIR* has identified Strauss as critical in making "Debategate" an major issue.

## **Congress to allow changes in AID programs**

The House-Senate conference on the FY'83 supplemental appropriations bill has incorporated changes in the legislation that will allow the ending of Agency for International Development funded programs that are not succeeding, and use of the funds for other AID programs. The power to redirect AID funds, called "deobligation-reobligation authority," could potentially change U.S. foreign assistance programs if an administration were to respond to specific requests of a recipient nation. The changes made by AID in any program would, of course, be subject to congressional approval.

The power to redirect ADI programs was sought because of Egypt's opposition to AID policy in that country. Because the decisions on how to spend have rested with the AID bureaucracy, about \$2.5 billion of roughly \$7 billion in development assistance has not been spent. The Egyptians have felt that the money is not going to projects that are a priority of their five-year plan, and the conflict has become so serious that the Egyptian press has called AID either an intelligence operation or a colonial administration in Egypt.



# National News

## Congressmen get red carpet in Arbatov's room

A Congressional source gave *EIR* an eyewitness account of what went on during the recent visit of 19 members of Congress to Moscow, June 30-July 11.

On July 9, at 1 a.m., an aide to U.S.A.-Canada Institute director Georgii Arbatov informed Rep. Dan Glickman (D-Kan.) of a private meeting, no wives allowed, in Arbatov's Moscow hotel room. Upon entering the hotel room, Glickman saw Congressmen Dicks, Downey, Gephardt, Chaney, Leach, and McHugh, all selected as participants in this "secret" post-midnight meeting.

There sat Comrade Arbatov. The Soviet official began, "If you deploy Pershings in Europe, it is highly likely that we [the Soviets] will increase our deployment of IRBMs near American territory; for example, on submarines." Following this threat, Arbatov worried aloud about a rapid escalation which would occur if the Pershings were deployed this December.

Glickman mentioned the need for a grain agreement, which he sees as critical to restoring better relations between the superpowers. But Arbatov disagreed. The United States is engaging in "economic warfare against the Soviet Union," he said. "Why should we help out the United States in that context?" He then acknowledged ruefully that a grain agreement would most likely be concluded shortly.

Mr. Arbatov then injected his "soft line." After again indicating his concern about the grave deterioration of relations, Arbatov said to the Americans, "You young, aggressive Congressmen could help turn things around. We need you." At least one Congressman was later heard to remark, concerning Arbatov's moving performance, "It was a bit of a snow job, but he was quite an effective and affable fellow."

The hotel room party capped 10 days of intensive "hard line"- "soft line" persuasion tactics on the part of the Supreme Soviet members who met with the American delegation. According to numerous sources, the Congressmen were first treated to a terrify-

ing description by the Soviets of the immediate consequences of the Pershing December deployment in Western Europe. Not only would the Soviets immediately counter with deployment of IRBMs in eastern Siberia and Hungary or East Germany, but they would also, as Arbatov stated, deploy weapons on submarines in American coastal areas.

Numerous Congressmen were later approached by members of the Supreme Soviet who asked about Debategate to see "how it is going." Rep. Jim Leach (R-Iowa) confirmed July 15 that the Soviets "would be delighted" if "Briefinggate" mushrooms into a Watergate-type scandal.

## Decision on space stations expected in September

According to members of the aerospace industry in Washington, D.C. the Space Station Task Force of NASA will present recommendations for space station funding to the NASA administrator soon and the entire package of station options to President Reagan Sept. 5. The President is expected to make his decision on the program by the end of September, when NASA must submit its FY85 request.

Defense Department Undersecretary Richard DeLauer has advised station advocates to expect "no DOD support for a space station" because the department doesn't see the need for one, according to the head of the American Institute of Aeronautics and Astronautics.

But the AIAA spokesman said, "If Reagan decided to go with the station, DeLauer would find a need for one."

## LaRouche to lead fight to rid KGB Democrats

Lyndon H. LaRouche Jr., advisory board chairman of the National Democratic Policy Committee, announced on July 19 his intention to lead a campaign to clean the KGB

control out of the U.S. Democratic Party. The interview by Averell Harriman in the July 16 edition of the Soviet magazine *Literaturnaya Gazeta*, stated LaRouche, demonstrated Harriman's obvious support for Yuri Andropov's demands for KGB dictatorial control over the Democratic Party.

LaRouche said of Harriman's support for the well-known KGB journal, "This is the absolute limit for tolerating KGB control over the Democratic Party. I am announcing a campaign to drive the KGB out of U.S. domestic political affairs, beginning with the national leadership of the Democratic Party. Part of this effort will involve a campaign to expose the complicity of the Federal Bureau of Investigation and its equally flagrant coverup of KGB operations all over the United States.

"While directing this campaign," LaRouche continued, "I will continue to push for urgent war-avoidance efforts between the United States and the Soviet Union, and for a Reagan-Andropov summit on these matters. Such discussions can only be successful if they are framed around the generous offer made by President Reagan on March 23 and seconded in subsequent statements by Secretary of Defense Caspar Weinberger for the adoption of a doctrine of Mutually Assured Survival and the crash development of laser anti-ballistic missile defense systems. Moscow's refusal to seriously negotiate on the basis of President Reagan's generous offer, combined with the treasonous behavior of Averell Harriman, Charles Manatt, and others, has given the Soviets the opportunity to avoid serious negotiations. This failure to pressure the Soviet Union to seriously negotiate could lead to thermonuclear war.

"The generous offer made by President Reagan is being undermined by traitors and fools who are supporting and encouraging the Soviet track. Such individuals as Charles Manatt exemplify this grouping acting on behalf of the KGB. It is abhorrent," LaRouche asserted, "for leaders of the two major political parties in the United States to act for Soviet state interests. While it is acceptable for Soviet citizens to be KGB agents, I find it abhorrent for American leaders to act on behalf of Moscow."



LaRouche continued, "The Kissinger appointment to head a Presidential Commission on Central America makes it all the more urgent to clean up the KGB control over the Democratic Party. Competent war-avoidance measures are now essential to prevent the damage of the Kissinger appointment. The Soviets believe that the Kissinger appointment represents an important shift in their favor.

"To bring back this obscenity—a man justifiably called the most hated man since Adolf Hitler—to a prominent political position bearing directly on East-West strategic relations as well as relations within the hemisphere, will only justify animosity of our Latin American allies to the United States. The Kissinger appointment is tantamount to placing a sign on our doorstep: 'Please Hate the United States.' "

## Demand bank audit, governor's resignation

The Bank of North Dakota is in the midst of a scandal since Annabelle Bourgois, state chairwoman of the North Dakota chapter of the National Democratic Policy Committee (NDPC) charged July 12 that the bank was engaged in money market speculation in eastern banks at the expense of farmers and small businessmen.

"Today I am calling for a complete auditing of the Bank of North Dakota and I am also asking for Governor Olson to resign," Bourgois announced at her press conference. "This unique state-owned bank . . . was set up to be a rural credit bank at cost. This means the money was to stay in the state and not go to the eastern banks," she said.

Bourgois charged that the Bank of North Dakota had deployed over \$212 million in investment securities outside the state. "Where is your money going, Mr. Taxpayer? You better find out, because right now the New York banks are in trouble due to uncollectable loans made to the countries of Brazil, Argentina, Colombia, Chile, Mexico, and Venezuela. These countries are

forming a debtors' cartel because they, like U.S. farmers, cannot pay their debt. And the U.S. citizen will be left holding the bag.

"Two weeks ago I met with Mr. Thorn-dahl, president of the BND. I asked him where the BND had deposits outside the state. I told him the New York banks are in trouble and he said that I was full of BS." Mrs. Bourgois, who ran as an independent for the U.S. Senate last fall, also announced that she will run as a Democrat for governor of North Dakota in 1984.

News reporters went directly to a press conference called by Governor Olson, and asked him to respond. He nervously said that he had not made up his mind about whether to resign, but that Bourgois could look at the books of the bank to ascertain any corruption or misuse of funds.

Bourgois' charges were covered throughout North Dakota and in neighboring states, and were front-page news in the *Bismarck Tribune*, which said that Bourgois "has spoken out consistently on behalf of the farmer and small businessman."

## The Narodnick Broadcasting Company?

The first of a two-part series on the Russian Orthodox Church was broadcast with great fanfare and swinging of incense on NBC television July 17, sponsored by the National Council of Churches—U.S. affiliate of the Russian Orthodox dominated World Council of Churches. The program illustrated in graphic detail the pervasive influence and growing role of the Church in Russia, and what narrator Bruce Rigdon called the "new emphasis on the nation's cultural heritage" on the part of the Soviet government.

Rigdon interviewed Archbishop Sergei of Odessa, and Prof. Vitalii Burovoy, a seminarian. Burovoy stressed the unique nature of the Russian Orthodox Church's accommodation with "our secularized Marxist-Leninist state." The Church, he said, was an established feature of Russian culture long before the Russian Revolution, and expressed the "imperial greatness" of Russia.

## Briefly

● **UNIVERSITY OF CALIFORNIA** at Los Angeles scientists, at a press conference called to defend their nuclear test reactor which is under attack from the environmentalist Committee to Bridge the Gap, said July 18, "The opposition is redefining the laws of engineering as we know them."

● **THE COTTON AND GRAIN PRODUCERS** of the Lower Rio Grande Valley in Texas, has sued the Department of Agriculture, to prevent it from confiscating some of the area's cotton crop. The organization representing 1,200 members has won a stay until a further hearing Aug. 3. The government surplus was insufficient to meet PIK agreements to pay the growers in kind for not growing cotton; therefore, the USDA wants to confiscate some of the actual crop that the farmers harvested.

● **NATIONAL DEMOCRATIC** caucus leaders Bob Strauss and Rep. Gillis Long (D-La.) are putting together a national Democratic program as a "long-term blueprint for the future of the United States," and are being overseen by Pamela Churchill Harriman, according to a Caucus source. Many of the Trilateral Commission advisors for the group, it has been observed, were also involved in helping Jimmy Carter gain ascendancy as a presidential candidate.

● **SHEILA JONES**, Illinois congressional candidate, says in a campaign leaflet, "I find it funny that all these KGB agents are calling me a socialist." Jones, who is sponsored by the National Democratic Policy Committee, issued the leaflet in response to libelous articles in Chicago's *Sun-Times* and *Daily Defender* which assert that she is a candidate of the Socialist Workers Party. Jones there documents how three of her opponents who are spreading the lie—Charlie Hayes, Lu Palmer, and Al Raby—are KGB conduits.

## Editorial

# *Bettino, Benito, and Billygate*

The designation of Bettino Craxi as Italian prime minister opens the way to the first Socialist government in Italy since Mussolini fell in September 1943. The return of a terrorism-linked Socialist to power is happening on the 100th anniversary of Mussolini's birth, an occasion that is being used for a full-scale rehabilitation of Fascism in Italy.

It is no coincidence that Craxi was named days after the return of Kissinger, Andropov's friend in Washington, to a high position in U.S. foreign policy. It was during the Trilateral Commission's Rome meeting in April that Craxi met Kissinger, and toppled the government one day later.

Both nominations are the result of the 1980 coverup of the "Billygate" scandal, the attempted sale of U.S. policy by Jimmy and Billy Carter to the nation's worst enemies. To stop the destruction of Italy by a new Mussolini, and to prevent Kissinger from escalating the genocidal war in Central America, the U.S. government must re-open the Billygate file. But this time there must be no coverup.

Billygate grew out of National Security Adviser Zbigniew Brzezinski's decision to play the "Islamic fundamentalist" card in the Mideast, using a secret alliance with the fanatic Muslim Brotherhood. This decision led to the fanatic Ayatollah Khomeini's ousting the Shah of Iran, and Muammar Qaddafi's transforming Libya into an armed base for terrorism and wars of conquest in North Africa. Brzezinski, of course, was not dealing the cards. By using the fundamentalist cults to attack national governments, the Carter administration became a willing pawn of the centuries-old Venetian interests based in London, Switzerland, and Russia, which have historically run empires by such methods. The Islamic "card" was created by the man Yuri Arbatov recently promoted to the Politburo: Geidar Aliyev, the Azerbaijani KGB leader who cultivated the Muslim Brotherhood to balkanize the Mideast, and drive the U.S. out.

The Carters put themselves in the experienced hands of Armand Hammer, chairman of the Libya-based Occidental Petroleum Company, and one of the traitors who run the "back channels" of U.S.-Soviet relations—

in the interests of Russian empire-building. It was through Hammer-related oil interests, namely the Charter Company of Jacksonville, Florida, that, sources report, the Carter family was paid off by the Libyans when Billy Carter brokered lucrative oil contracts between Libya and a Bahamas refinery owned by Charter. Billy knew with whom he was dealing: "Sure the Libyans support terrorism," he admitted once, "but at least they are honest about it."

Even when U.S. embassy personnel were taken hostage by the Soviet-linked "Followers of the Imam's Line," the Carter administration continued to let Khomeini's Savama, through Cyrus Hashemi and Bahram Nahidian, run guns, stage violent demonstrations, and assassinate Khomeini's opponents in the U.S. with legal impunity. Like Billy Carter and his protectors, the real perpetrators of the 1980 murder of Iranian patriot Ali Akbar Tabatabai have yet to be arrested, let alone prosecuted.

The second front of Billygate is the Propaganda-2 Masonic Lodge, which ran coups, terrorism, and assassinations in Italy for Freemasonic financial circles in Britain and Switzerland. Italian magistrates have since investigated P-2 for links to the Red Brigades murder of former Italian Premier Aldo Moro and to the "Bulgarian connection" behind the attempt by Mehmet Ali Agca upon Pope John Paul II. Jimmy Carter met with P-2 head Licio Gelli shortly before his inauguration as U.S. President. Kissinger, named by an Italian witness as a member of the Comité Monte Carlo Gelli set up to command P-2, was subpoenaed for questioning by Italian magistrates about the Moro murder on his April trip to Italy. Witnesses had testified that Kissinger threatened Moro for his efforts to create a viable Italian government. Both Kissinger and Craxi have links to Sicilian socialist Michele Papa, Qaddafi's lawyer who brokered Billy Carter's ties to Libya, and whose "Separatists" were ready to pull a P-2 coup in Sicily in 1980.

Reopening the squalid Billygate case, so as to expose those in control, could begin to reverse the attacks on political institutions for which such scandals have been used in the past decade. It must be done before Kissinger and Craxi consolidate power.

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