

# EIR

Executive Intelligence Review

January 15, 1985 • Vol. 12 No. 3

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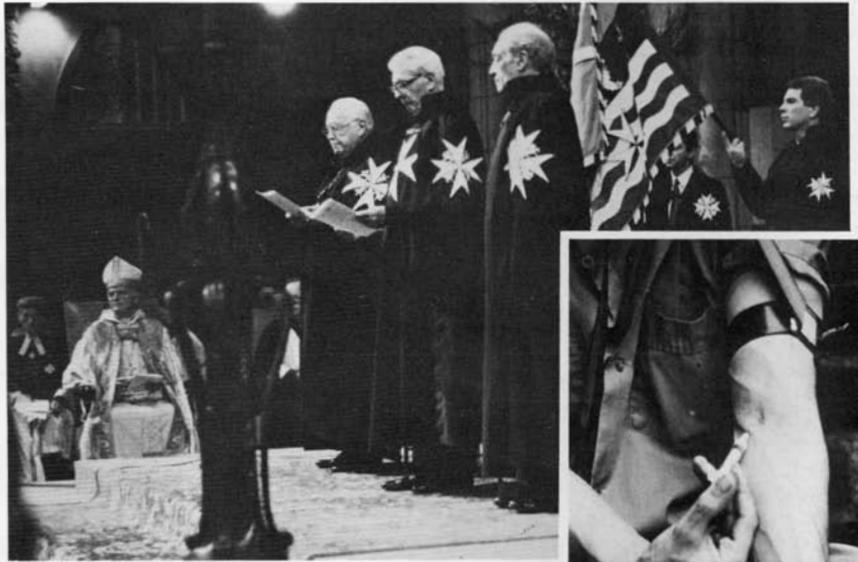
**How Dope, Incorporated has  
swallowed the world economy**



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that sent Ibero-America's top drug runners through the ceiling is now available in greatly expanded form as an *EIR* Special Report for \$250.00. This is the explosive story that began to come to light after the July 26 abduction of Patricia Paredes de Londoño, a leader of Colombia's Anti-Drug Coalition. Investigators found that her abductors left a trail leading to a cult called the Gnostic Church, circles in the AFL-CIO and U.S. State Department, and ex-Colombian President Alfonso López Michelsen. Release of part of this information to media around the world provoked López Michelsen's now-famous letter to Colombian President Betancur, complaining that "in Panama, New York, Copenhagen, and presumably all over the world, an *Intelligence Executive Review* [sic] story is being circulated, according to which I have been in the service of the drug mafia. . . ."



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- *Who's who in the Colombian drug mafia and its international sponsors;*
- *The history of Gnosticism—from Adolf Hitler to Colombia's M-19 terrorists;*
- *The Bulgarian-Colombian connection;*
- *A case study: Peru's "Shining Path" (Sendero Luminoso).*

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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 (212) 247-8820.

**In Europe:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, Dotzheimerstrasse 166, D-6200 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.

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# EIR

## From the Managing Editor

Our *Special Report* this week announces a long-awaited event in publishing history: the forthcoming release of a second, updated edition of the best-selling book *Dope, Inc.* When the book was first published in 1978, with the subtitle *Britain's Opium War Against the U.S.*, it created an international sensation. For the first time, someone had dared to name the names of the top-level controllers and financiers of the drug traffic.

*EIR* was the first to coin the term “Dope, Inc.,” in a cover story dated Oct. 31-Nov. 6, 1978, which showed how the Hongkong and Shanghai Banking Corporation and other British banks were running the drug trade. We have waged a continuing war on drugs in these pages since that time. During 1984, we exposed the role of the “Nazi-communist syndicate” in running drugs and terrorism in Ibero-America—with the help of the International Monetary Fund and the U.S. State Department.

Six years later after the publication of *Dope, Inc.*, the size of the dope market has doubled, and major shifts have occurred in the directorate of the drug empire. Most significantly, the continental European and British oligarchy has moved “onshore” into the United States, and the Soviet Union has extended its own vast banking empire into the drugs-and-dirty-money business.

Because the battle in Ibero-America is particularly intense now, *Dope, Inc.*'s new edition will appear first in Spanish, under the title *Narcotráfico, S.A.* New chapters have been added on the drug economy in Ibero-America, and the Gnostic cult-creation process which has created the explosion of “narco-terrorism.”

The new edition is the work of many researchers on five continents, but particularly of David Goldman, Jeffrey Steinberg, and Robyn Quijano.

As we go to press, the faction fight in the Reagan administration is raging intensely following the resignation of Michael Deaver (of the White House “Palace Guard”) and Reagan loyalist William Clark. The Schiller Institute's demonstration in Washington on Jan. 15 is timed to intervene in this fight in the most dramatic way, with up to 100,000 people demonstrating their support for beam-weapons defense and an emergency mobilization to feed Africa.

*EIR* will take its annual winter break next week, and our next issue, No. 4, will come out on Jan. 29.

Vin Berg

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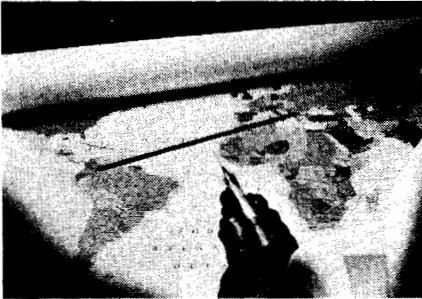
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NSIPS/Philip Ulanowsky

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## Strong dollar batters U.S. allies to Soviet benefit

by Richard Freeman

The soaring U.S. dollar is bashing the currencies of many of the Western countries that the United States is seeking to cooperate with in the Strategic Defense Initiative. While President Reagan seeks to court these governments to aid in building a beam-defense shield for all of NATO against the Soviets, the Swiss gnomes, working with the Kremlin, are using economic warfare to make breaches in the Western Alliance big enough to drive Marshal Ogarkov's tanks through.

Their shared instrument is Treasury Secretary Donald Regan and his "strong dollar" policy which, at least temporarily, is looting the world.

Since mid-1984, when the dollar sat at 2.68 deutschemarks, the dollar's rise has been unstoppable, even though the U.S. banking system is rotten to the core and the economy is badly depressed.

By Jan. 2, the dollar had risen to a 12-year high against the German deutschemark, reaching 3.17. This is roughly double the dollar parity against the deutschemark of only two years ago. Within the week following Christmas, the dollar reached an all-time high against the British pound and the French franc; a two-year high against the Japanese yen; and a nine-year high against the Swiss franc. The pound, which for years rode firmly at a value of \$2.40, slipped below the \$1.15 support level, and 95¢ is now predicted by many analysts.

As for the Italian currency, only a few years ago the dollar was worth 900-1,000 lire. Today, it is worth over 1,900 lire. And the shift is accelerating. On Dec. 31, before New Year's day, the dollar commanded 1,932 lire. The day after New Year's, when the markets were closed, it commanded 1,947 lire, an astounding 17-lire jump in 24 business hours.

The fate of Third World countries is worse. Their currencies have been turned into worthless pieces of paper by the dollar surge. Their devaluation by 25% to 50% in 1984 alone further reduced these nations into satraps of the International Monetary Fund (IMF).

### The Dollar Reich

Two questions immediately assail the mind of the attentive and concerned observer. First, how is it possible that the United States pursues a policy of dollar rise, when it so clearly is not in America's real foreign or domestic policy interests? Second, how is it possible for the dollar to rise at all, when the U.S. economy's foundation in industrial and agricultural activity is in such poor condition, and the latest bevy of economic news shows the real U.S. economy falling sharply?

The answer to the first question reveals an interesting policy thread running through Washington, D.C. This thread extends into the high-vaulted bank board rooms in London, the secretive recesses of Geneva and Zurich banking, and into the policy chambers hidden behind the Kremlin's fortified walls.

Someone, somewhere along the line, sold U.S. Secretary of the Treasury Donald Regan a self-destructive plan to "save the U.S. economy." Anyone familiar with the Mefo-Bill plan that Adolf Hitler's finance ministry used to attempt to save an autochthonous Nazi Reich, will recognize that the same author was at work in selling this plan to Don Regan. Since Federal Reserve Board chairman Paul Volcker sent interest rates into the stratosphere starting on Oct. 12, 1979, someone told Regan it would be really smart of him to use the high interest rates to:

a) pull in imports from around the world at cheapened prices by virtue of the appreciating dollar;

b) cover up the deficit on import-account that would result by attracting the world's capital flows into the United States through the alluringly high dollar interest-rate yields.

Thus, the United States jettisoned its role as a capital-goods exporter, and become an importer of manufactured goods to the tune of \$32 billion for the first 11 months of 1984. In fact, when one considers that each dollar in 1984 bought many more goods than in 1982, this represents a \$50 to \$75 billion import-bite of manufactured goods taken out of the world's other manufacturing sectors.

Liberalizing this policy with extensive consumer-credit creation, and covering over the operation with faked numbers purporting to show an economic recovery, the plan has worked "as well" as Hitler's Mefo-Bill strategy.

Once this operation was set in motion, a self-feeding cycle developed. "The high interest rates created a tremendous growth of debt service," an economist for Donaldson, Lufkin, Jenrette, a Wall Street investment firm run by the Equitable Life Insurance Company, stated on Jan. 2. "France, Canada, Denmark, Sweden, and the Third World have enormous dollar debt obligations, and there aren't enough dollars to pay debt service. These countries either have to borrow dollars, which incurs interest and eventually builds their debt, or else they buy the dollars outright, but this bids up the dollar, and makes it even more expensive. Either way, this is a costly proposition for these countries."

The dollar rise has also shaken out U.S. industry and further crushed America's living standard. "The strong dollar serves additional purposes," stated the same source. "It shakes out some industries in the U.S., like textiles, chemicals, and steels. Imports are cheaper." These already suffering industries "can't compete. The dollar-inspired flood of imports also breaks wage structures. These industries refused to rationalize and now they are paying for it."

The Soviet KGB and its *spetsnaz* terrorist units in the West have had a direct hand in the dollar's rise. "Political instability in Europe, causes investors to move their money into the United States," stated an economist with Crocker National Bank, one of America's 15 largest banks, which is now owned by Midland's, the British giant. The Greens run amok in Germany, terrorists blow up trains in Italy and explode bombs in France. "This causes investors to move their money out of Europe, for a long-term, stable investment."

### Swiss-British gains

But while the dollar soars, and America's allies watch their economies failing under the strain, the Swiss and British are busy using the situation to restructure the world banking system.

The Swiss and British have taken firmer control over international liquidity through the vehicle of the Eurobond market, utilizing the strength of the rising dollar. Countries and companies raised \$80.3 billion on the Eurobond market

in 1984, a record and 68% more than in 1983. The Eurobond market is beyond the regulatory domain of any nation, and offers borrowers the opportunity to change from fixed- to floating-rate issues, and to swap proceeds from one currency into another.

John M. Hennessy, president of the London-based Crédit Suisse-First Boston Corp., the dominant force in the Eurobond market, said about 1985, "We see nothing but an explosion in business. World savings aren't coming out of the United States for the next decade"—a statement remarkable in its likeness to Treasury Secretary Regan's remark, quoted in the October issue of *BusinessWeek*, that the "dollar may remain strong throughout the decade." Hennessy continued, "I guess we'll see a \$100 billion Eurobond market for 1985."

The role of the American banks internationally will be further reduced, as is already happening, by their choice, in Ibero-America. Instead the world is reverting back to a bond-market system reminiscent of the British pound-sterling empire that controlled world credit flows in the 19th century.

### Self-levitation

When one examines the structure holding up the dollar, one is reminded of the old magician's trick of raising a person up off the ground into the air, with nothing underneath to support the levitating body. That perfectly describes the rising dollar.

Indeed, when interest rates were rising, it was this factor that was cited to account for the dollar's strength. Now that U.S. rates have eased somewhat, it is said that the worldwide fall in commodity prices indicates a deflationary trend, and in a world of deflation, the dollar is stable and also a good bet.

The problem is, beneath the circus trick lies a decimated economy.

The housing market continues to register sharp declines. Sales of new single-family homes fell 10.6% in November, to a seasonally adjusted annual rate of 591,000. November 1984 sales were actually 7.1% below the November level of 1983.

The alleged "recovery" year of 1984 registered only 73 million finished tons of steel produced, 27% below 1979 levels. In a succinct if cruel analysis of the steel industry, Peter Marcus, steel analyst at Paine, Webber investment house, reported Jan. 2: "1985 is shot."

For the week ending Dec. 22, initial unemployment claims rose, marking the fourth weekly rise in a row.

And the trade deficit, which underlies this Dollar Reich strategy that is looting the world, stood at \$125 billion after the first 11 months of 1984.

The Dollar Reich is as precarious as the Mefo-Bill plan which underlay Hitler's Reich. In the end it must fall. But for now, the Swiss, the British, and their Soviet "New Yalta" allies see many benefits in maintaining this strategy for a while longer. After all, Uncle Sam is gutting himself and killing his friends with a single atrocious policy.

# Banks threaten seizure of assets to smash Ibero-American debtors

by Mark Sonnenblick

Peruvian President Fernando Belaunde made a plea for mercy to the country's creditors in his year-end speech. In doing so, he ate his words of a week before in which he had threatened a region-wide debt moratorium if bankers pushed too hard.

Belaunde's turnaround came at the end of a marathon Dec. 26-27 cabinet meeting in which his debt negotiator, Chase Manhattan's former Peru representative Manuel Ulloa, conveyed banker threats to seize Peru's assets abroad if debt payments were not resumed. Belaunde countered with his fervent hopes that the Reagan administration would bail out Peru, if only to reward him for being one of most consistent supporters of State Department policy in Ibero-America since he first became President in 1963.

Belaunde guessed wrong. "U.S. officials say, however, that the Reagan administration currently is not willing to come to Peru's aid," the *Washington Post* later noted. On the contrary, State and Treasury officials are acting as sounding boards for the violent threats emanating from Peru's bankers. "The banking community can afford to eat Peru. They can take the loss and just cut the country off. Some bankers think the consequences could be rather salutary," a State Department official gloated.

Gross threats of asset seizures were first voiced on Nov. 26 by the City of London's *Financial Times*. During the first days of December, the New York banks passed the message to Ulloa that if Peru failed to come up with some \$300 million in overdue interest by the end of the year, it would be crushed. *The Wall Street Journal* added its comments on Dec. 10: "A frustrated creditor bank might try to collect by attaching any assets Peru has abroad such as exports in transit. That in turn could set off a race in the courts with lenders vying for Peruvian holdings."

These threats are real because the banks are livid with anger that Peruvian President Fernando Belaunde finally gave up his abortive attempts to impose IMF policies on a hungry population, whose despair has been exploited by the genocidal Shining Path Maoist insurgency. Because his austerity has not been stiff enough, the bankers have refused to sign a \$2.6 billion debt deal which had been announced in February. To compound the debt problems, the banks have wiped out

more than half of Peru's \$900 million trade credit lines since June.

The last straw came in December when Belaunde abruptly ended a nationwide state of seige and restored constitutional rule, telling the bankers that he planned to carry out democratic elections in April without the disruption caused by anti-austerity strikes and riots. "The big problem is Peru," the debt chief of a major California bank told *EIR* on Dec. 21. "In an operating sense the government has collapsed. Belaunde couldn't care less about economics; he's turned his back on the problem. The banks are going to have to write down their reserves against Peruvian debt next year."

Another banker said, "No one is talking about the debt bomb, at least in the short term. And in that light, Peru has behaved very badly. A lot of people are disgusted with Peru."

In the end, it was Belaunde who snapped. He replaced the finance minister with a Wells Fargo man, scraped up \$50 million to pay interest for the first time since June, dropped demands that the banks restore credit lines, announced the coming of a new International Monetary Fund (IMF) mission, and warned his population that the New Year heralded "tough and severe" austerity.

Citibank vice-president William Rhodes, the spokesman for all the bankers in most of the debt renegotiations, proclaimed at a London banking seminar on Dec. 6, "For the first time in two years, no country is facing an immediate debt crisis." Rhodes painted a rosy picture of the debt crisis being solved through bankers and the IMF having persuaded debtor countries to agree to starve their populations and cripple their industries.

First Brazil, then Mexico, Venezuela, and Argentina agreed to subordinate their internal needs to an all-out effort to pay interest. With Washington backing up the IMF, smaller countries like Peru, Chile, or the Dominican Republic have precious little room to maneuver.

During the last year, some \$50 billion flowed out of the capital-poor countries of Ibero-America to service debt payments. To make those payments, they cut off imports and dumped products at whatever price they could get on world markets. Brazil, for example, paid \$13 billion in interest to

the banks, an amount equal to its record trade surplus. The Reagan administration kept the door open so that Brazil could pour 59% more underpriced products into the U.S. market. That way, the administration could avoid sitting down with Ibero-American presidents—as suggested by U.S. economist Lyndon LaRouche in his Operation Juárez proposal—to work out a genuine solution, based on economic growth and development.

### **Mexico fails to pay**

Back in late 1983, Mexico became the first in a string of major Ibero-American debtors to be granted “generous” terms on its refinancing of otherwise unpayable debt. Similar deals have been announced or are being negotiated with Venezuela, Argentina, Brazil, and Peru.

Although it has not yet even been signed, the \$48.5 billion Mexico package, announced in August as “the biggest debt restructuring in history,” is already falling apart. Some 500 banks received telexes sent by Mexican Finance Minister Jesús Silva Herzog on Dec. 17 giving them the bad news that Mexico could not pre-pay \$1 billion in debt before the end of the year. Mexican debt negotiators had promised in August to do that “as a sign of good faith.” Silva said Mexico could not pay because the bankers had not met *their* promise to sign the contract by the end of the year. He, and Citibank officials, had hoped the deal would be signed in February, but other bankers told this press service it would not be until “the second half of '85,” if ever.

### **U.S. Treasury helps Argentina sink**

Argentina's creditors and the IMF gave themselves a respite at New Year's by approving its debt renegotiation plan at the last minute. The Argentine operation is one of those New Year's dramas which the Treasury Department has organized for various nations, including Argentina.

After all-night negotiations with the banks on Dec. 27, at which IMF head Jacques de Larosière made unusual appearances, Citibank's VP William Rhodes announced that Argentina's creditors had committed a “critical mass” of 90% of the \$4.2 billion in new money they are providing Argentina over the next three years. That critical mass was demanded by the IMF, which met on Dec. 28 and approved Argentina's austerity program.

The IMF approval was announced, not by the Fund, but by the U.S. Treasury, which loaned Argentina \$500 million of the \$850 million Argentina paid on Dec. 31 to 320 creditor banks so that they could take Argentina off their “bad loan” lists and count its interest payments in their fourth-quarter profits. Argentina is expected to pay the rest of its \$1.2 billion interest arrears and repay the loans from Treasury and various Ibero-American countries from the funds it hopes to receive from the IMF and creditor banks in February.

However, before the IMF will disburse those funds, Argentina will have to persuade the hundreds of smaller banks

which are holding out to put in their share of new money. The banks will only sign the contract after the International Monetary Fund (IMF) locks Argentina into a depressionary austerity program that most Argentine citizens want to fight.

The terms given Argentina are far worse economically and politically than those granted Mexico and Venezuela in 1984. Instead of forcing Argentina to default on or repudiate some \$25 billion in debts due before the end of 1985, the bankers are willing to stretch them out over 10 years, but at interest rates higher than those on most of the debt coming due, and with a hefty “front-end” fee.

Argentina will not touch a penny of the \$3.7 billion in “new loans” which bankers will dribble to them during the next three years, but will instead use this liquidity to repay \$1.2 billion already overdue and a small part of the future interest burden.

### **Debt is politics, not accounting**

The smaller U.S. regional bankers who got nailed holding Argentine debt while grabbing for marginally higher profits from Third World lending may not be excited by the prospect of having their capital locked up in Argentina for another decade. But, for the larger oligarchic banks of Europe and their foot servants such as Chemical Bank and Bank of America, keeping the Ibero-Americans playing the debt game is a vital political question. For them, the important thing is how much of the natural and industrial resources of these countries they will be able to walk off with. Foreign bank representatives in Buenos Aires say that “with a lot of nerve you can make 25% a month profits” on under-the-counter lending to strapped Argentine industrialists and farmers. An Argentine lawyer told a judge on Dec. 26, “Some private bank agencies are loaning money at 53% monthly, taking advantage of the needs of some businessmen. Since the cost of living in December is expected to rise by not more than 19%, it is easy to conclude that such private *financieras* have committed the crime of usury.”

One banker summed up the surrender of the Argentine debt negotiators: “Of course, the earnings are important, but more significant to most of us is the decided change of mood of the Argentines in this last round of talks.” For a usurer, the key question is not how fast you can bankrupt your client, but whether you have the muscle to seize his properties once you have done so. It is easier to do if you control the judge. Though having promised not to, the Argentine government followed other Ibero-American governments in violating its constitution by submitting to the laws and courts of the lenders.

The bankers and the IMF are making the loans conditional upon Argentina reducing real wages by about 20%, further restricting imports, and exporting everything in sight. Tight money has already caused interest rates of over 2,000% and made businesses so short of funds that banks float bad checks for weeks, rather than bounce them, causing a chain letter of bankruptcies.

# Mexico for sale—cheap

*The new investment law will lure flight capital back in—but at what a price! Carlos Cota reports.*

The package of seven economic laws presented by Mexico's executive branch to the Mexican Congress will provoke at minimum a hyperinflationary crisis in 1985. The package is a concession by the executive to pressure groups dominated by ex-bankers, in exchange for which they would bring back the capital they are keeping abroad.

One of the bills in the package, the one we will deal with here, concerns investment companies. Theoretically, this law would encourage "internal savings given the effective contributions coming from stockholders" who participate in buying stocks from firms registered as non-banking financial institutions. Mexican Congressman Ricardo Cavazos Galván claims the new law "will permit the access of the small investor to the stock market," with the supposed "capitalization" of the sector occurring as a result.

## Debt for equity

A parliamentarian's theoretical essay is one thing; the physical state of the real economy is another.

According to reports by the Center of Private Sector Economic Studies (CEESP) in Monterrey, 33% of Mexico's private businesses "are approaching serious production problems" due to the high costs of raw materials. In 1982, 57% of raw materials were imported; in 1984, this has been cut to 17%. This does not mean that these imports have been replaced domestically, but that they have been eliminated, thus reducing the productive capacity of existing plant.

Roberto Dávila Gómez Palacios, president of the College of Economists, revealed that "firms that resort to suspending payments are trying to keep the payment of their debts from turning into a virtual seizure of their fixed productive assets, and to avoid this they resort, if their shareholders think it useful, to all the legal recourses available. . . . International private banking wants payment of the foreign debt with assets, a procedure which Alfa accepted and Cermoc rejected." He was referring to the 1984 episodes of the large Alfa firm and Moctezuma Brewery (Cermoc), both besieged by foreign creditors demanding equity in lieu of debt payments. The College of Economists reports that most of the big firms of the country have the same dismal ratio of foreign debts greatly exceeding their assets.

It is in this situation that, starting in 1985 with the new

law, companies with economic problems can resort to brokerage houses, investment companies, and savings & loan institutions to obtain the resources they need. At the same time, the investing public (savers) can participate in these institutions, called *non-banking financial institutions*, seeking even higher returns for their money, which is currently invested in high-yield government paper.

## Legislating a speculative bubble

Since this is the real situation of the companies, with the investment law a feverish activity will be sparked in 1985 in the finance companies of buying and selling stocks in bankrupt companies which have an average productive activity at the level of 40-50% utilization of plant capacity.

The first to enter the game of stock buying and selling will be none other than the so-called institutional savers or investors. These are the huge octopuses which have made speculation their main business. In other words, they are the restricted group of stateless ex-bankers and flight capital specialists who have been lying in ambush since 1982 to take revenge for the nationalization of Mexican banking.

By the first quarter of 1985, what will be seen in these businesses will be an unusual activity (what the bill's authors call "economic recovery") which will raise the price of the stocks of many companies, which will then attract the "small savers" who will withdraw their "small capital" from the banks in order to enter the Russian roulette of stock buying, seeking higher yields.

Given that the big "institutional" octopuses are the ones who know the real state of bankruptcy of the firms whose stocks they are buying, once they have raised the price of the stocks to a level that will partially pay the "interest" on their investment, and have attracted enough foolhardy small investors, they will start lowering the price, leaving the small investor with no more market and no more option than to sell his stocks to the selfsame manipulators of the market.

In this way, traditionally, the "institutional investor"—big banks and insurance companies in hock to the Trilateral Commission—covers his investment in a debt-burdened company. The second reaction will be an immediate pressure to increase prices on the scarce products of the collapsed productive capacity of said companies.

As a result, we will have inflation in 1985: More money circulating without backup in real production, constant increase in the prices of products which keep getting scarcer. This is called hyperinflation and not economic recovery.

Where will the money come from for the so-called investments? If it is indeed true that theoretically foreign investment in this business will be restricted, this will not be the case for the looters of flight capital (who are hardly "small savers"), who keep some \$60 billion abroad. Part of this will come flooding back into Mexico, making a killing on the devaluation of the peso. Along with this returning flight capital, a lucrative market of Mexican "front men" will proliferate, via whom the foreign creditors will come in to collect their debts in the form of assets.

*The first to enter the game of stock buying and selling will be the huge institutional investors who have made speculation their business, and who have been lying in ambush since 1982 to take revenge for the nationalization of Mexican banking.*

This type of reform in the national financial system is exactly like that which in Colombia, under the government of ex-President Alfonso López Michelsen in 1974-78, served to mediate the legal introduction of dope trafficking revenues.

The above prediction does not come out of a crystal ball, but from the simple recollection of what has already happened to countries like Argentina, Colombia, Peru, and even Chile, with the application of the same "laws" favoring the mythical "magic of the marketplace." In those countries, when the overvalued prices of the stocks of the "firms on the stock market" started to keel over, what took place was not recovery, but a lot of suicides among the small investors.

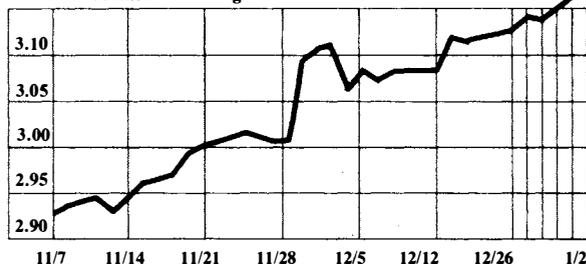
The monetarists encrusted in the cabinet of President Miguel de la Madrid have passed along the pressure of the speculative bubble in the banking sector (which could no longer go on issuing paper at interest rates beginning to surpass the barrier of 100%), to other sectors of the economy. With the investment company law, they have built yet another story in the speculative skyscraper they constructed over the last two years through the hyping of treasury bonds and other schemes.

What must still be determined politically is whether President de la Madrid will accept selling (and selling cheap) the rope with which the speculators want to strangle the Mexican state.

## Currency Rates

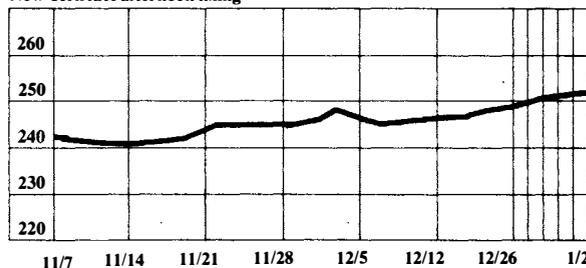
### The dollar in deutschemarks

New York late afternoon fixing



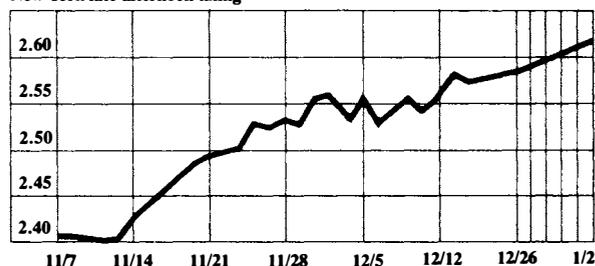
### The dollar in yen

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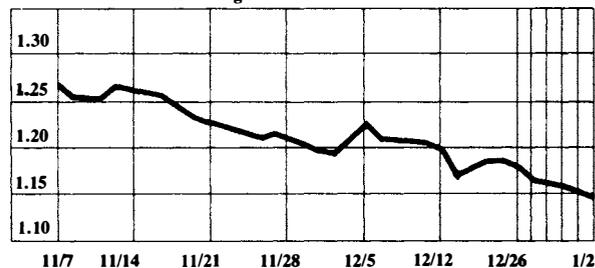
### The dollar in Swiss francs

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### The British pound in dollars

New York late afternoon fixing



# Oncogene research: new inroads in study of cause and cure of cancer

by Ned Rosinsky, M.D.

Scientists have discovered that one of the major causes of cancer is the abnormal functioning of otherwise normal genes. A state-of-the-art symposium at the National Cancer Institute in Bethesda, Maryland, on Nov. 14-16, reported new findings in this area relating abnormal genes and abnormal control of normal genes to the processes which underly cell growth and tissue repair. These insights suggest numerous possibilities for cancer treatment and prevention.

The potential for this line of research began in the 1960s when the development of techniques for growing animal cells in laboratory tissue culture made possible the detailed study of conditions which can transform normal cells into cancerous cells. The effects of radiation, carcinogenic chemicals, chromosome breakages and abnormal reattachments, and viruses were all investigated. Viruses became a focus of intense research in the early 1970s after a number of animal cancers were traced to viral infection, since this implied that it may be possible to produce a vaccine against cancer. While only several relatively rare forms of human cancer were subsequently found to be caused by viruses, this line of research led to the isolation of the particular genes in the virus which were capable of transforming cells.

To situate the specific findings, and to emphasize that cancer involves tissue-level changes as well as genetic changes, it is helpful to have a general overview of cancer formation.

Although there are more than a hundred distinct kinds of cancer as classified by tissue typing, some aspects are common to most, if not all. There is a loss of coordination of cell growth resulting in a chaotic microscopic tissue appearance, which is usually progressive as the tumor grows. There is also an increase in the cellular division rate in many cancers, but not all.

In addition to this apparently chaotic and increased growth, there are two key processes: invasion and metastasis. Invasion requires the destruction of normal tissue surrounding the tumor and extension of the tumor into new adjacent areas. Tumors may invade any tissue, including bone. Metastasis is the separating off of parts of the tumor, parts as small as individual cells, which leave the main tumor mass and travel to distant sites in the body to start new colonies of tumor growth. Death occurs either by a mass effect of the tumor

such as by blocking the lungs or intestines, or destroying the brain by pressure; by invading and destroying the major part of a vital organ such as the liver; or by generally weakening the body, including the immune system, so that infections become lethal.

A surprising result of this cancer-virus research was that the genes involved, termed "oncogenes," were either identical or nearly identical to normal genes already present in the host organism, including humans. This implied that cancer involves either an abnormal functioning of otherwise normal genes, or the slight modification of normal genes. These hypotheses were both confirmed by the malignant transformation of normal cells grown in laboratory tissue culture by the addition of DNA to the culture from cancerous cells.

Each gene is a long sequence of hundreds to thousands of nucleotide molecules which ultimately direct the production of a particular protein. Adjacent to each gene is a sequence of nucleotides which functions to determine the degree of activity of the gene; this is termed the promoter, enhancer, or activator region of the DNA.

Researchers have established that some oncogenes produce normal proteins but have abnormally functioning activators. Other oncogenes themselves are abnormal, in as small an area as one abnormal nucleotide in the entire gene. For example, the normal human gene *ras* becomes an oncogene with the change of only one nucleotide, causing the twelfth amino acid in the protein amino acid chain to change from glycine to glutamine.

Additional oncogenes which are active in human cancer but are not found in any viruses have been identified, and the total of all oncogenes is now over 20, with several new ones announced at the above-mentioned symposium. While the original concept of oncogene included an invading virus as the source of the gene, this was later expanded to include any DNA which when added to cells transforms them into cancer. At this time, active oncogenes have been found in 15-20% of human cancers, including high percentages of the common tumors of the lung, breast, and colon.

Since the oncogenes seem to be either identical or nearly identical to normal genes, and we are interested in what these oncogenes do to cause cancer, the question arises as to what are the normal functions of these genes. Preliminary studies

showed that most of the oncogenes are highly conserved in evolution, with nearly identical normal genes occurring in species as different as man, fruit flies, and yeast. This suggests that these genes are over 600 million years old, and that their normal activity is probably related to some very basic function or functions of living organisms.

Excitement over these discoveries increased last February when Dr. Steven F. Josephs and others at the Laboratory of Tumor Cell Biology at the NCI reported that the protein product of the *sis* human oncogene is a normal growth-stimulating substance called platelet-derived growth factor (PDGF), which is secreted by the microscopic blood platelets when a clot forms in the area of a wound and which stimulates the growth and multiplication of connective tissue cells, fibroblasts, which is a key part of the healing process. The *sis* gene was originally discovered in simian sarcoma tumors.

Another oncogene, termed *erb-B*, was more recently found to produce a protein which is very similar to a growth stimulus receptor found on the surface of normal epithelial cells; this receptor responds to epithelial growth factor (EGF). There is evidence that this receptor is crucial in early stages of embryological development. Twenty-five percent of human brain tumors have increased amounts of receptor to EGF on their cell surfaces. These two examples suggest that oncogenes may act at various stages of the cascade of steps involved in growth control and modulation, *sis* producing a growth-stimulating hormone-type substance, *erb-B* producing a growth hormone receptor which is situated on the surface of the target cell.

### Treatment strategies

While the study of oncogenes may in the future open up new aspects of basic questions in the biology of growth and thereby suggest ways to control cancer as well as other diseases of aging, the current state of knowledge may be sufficient to make significant inroads directly. Each level of the above-referenced cascade effect is open to such intervention. At the NCI conference, Dr. David Baltimore suggested the following oncogene grouping scheme which reflects the cascade approach.

First is a series of 11 oncogenes which are similar in nucleotide sequence to the *erb-B* oncogene and which may produce other growth hormone receptors located on the surface of cells.

Second is a series including the *ras* human oncogene which appears to mediate between surface receptor activity and cytoplasmic cyclic AMP, that is, its protein product carries the activation signal into the cell.

Third is a series of nuclear-associated oncogenes typified by the *fos* oncogene which may carry the activation into the cell nucleus. The *fos* gene is normally active in mouse placenta growth, which interestingly involves not only rapid cell proliferation but also active invasion of the uterine wall in the course of normal development.

The fourth class is represented by the *sis* gene which directly produces a growth-stimulating substance.

Oncogenes may be produced by several different modes. In Burkitt's lymphoma, a lymph-cell cancer, the *myc* oncogene is not itself changed, but its piece of chromosome is broken off and reattached to another chromosome, placing the gene very close to the DNA activator area which normally controls a gene for antibodies. It seems to be this mismatch which results in abnormal production of the *myc* protein product, and the lymphoma. Interestingly, normal fibroblast cells which are stimulated by PDGF (which itself is the product of the oncogene *sis*), show an increase in the normal *myc*

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*Oncogenes active in human cancer but not found in any viruses have been identified. . . . While the original concept of oncogene included an invading virus as the source of the gene, this was later expanded to include any DNA which when added to cells transforms them into cancer. At this time active oncogenes have been found in 15-20% of human cancers, including high percentages of the common tumors of the lung, breast, and colon.*

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gene activity, again suggesting a regulatory cascade among classes of oncogenes. There are numerous examples of pairs of oncogenes being needed to transform normal cells into cancer, and this is also consistent with the finding in long-range studies of human cancer that suggests that there are at least two steps involved, induction and promotion. In another case, the cells in Wilm's tumor, a virulent childhood cancer, frequently show the loss of a piece of chromosome near a known oncogene.

A second oncogene production mode is chemical carcinogen effects. The NCI symposium documented the discovery of two new oncogenes which were identified after exposing cells to known carcinogens. One of these, named *neu*, was isolated from a rat neuroblastoma tumor which had been induced by the carcinogen ethylnitroso urea. This oncogene is in the *erb-B* class.

A third mode is the viral effects, and here there can be either the insertion of a powerful viral promoter area near a

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*A surprising result of this cancer-virus research was that the genes involved, termed "oncogenes," were either identical or nearly identical to normal genes already present in the host organism, including humans.*

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normal animal or human gene, or the insertion of a variation of the animal or human gene from the virus. It is intriguing to speculate here that the virus does not "accidentally" pick up a copy of the oncogene in its self-replication in the cell and thereby spread it in an abnormal fashion, but that the incorporation of normal cell growth stimulators into the virus may itself be useful for the more rapid spread of the virus, by causing the abnormal proliferation of infected host cells. That is, what appears to us as viral-dependent oncogene activity may have arisen as part of an efficient mode of parasitism by the virus. This would, of course, be an aberrant activity of an otherwise normal or nearly normal growth-related gene.

While much remains to be learned about the functioning and production of oncogenes, the current discoveries are consistently pointing in the right direction, and the NCI has responded by substantially upgrading the research funding for this area. In 1983, 3.7% or \$36 million of the \$1 billion budget was devoted to pure oncogene work. This doubled to 8.4% in 1984 and will again double in 1985. Since the interest in this area began to swell in the early 1970's, a total of over \$1 billion has been spent on oncogene research, including associated viral studies.

### **Specific treatment approaches**

In the area of diagnosis, oncogenes are helping to assess tumor virulence. Oncogenes sometimes are copied multiple times in the same chromosome, and the degree of this gene amplification correlates with virulence in some tumors. Also, there are sub-types of some tumors based on the specific oncogene found; for example, in small cell lung carcinoma, 80% of tumors have active oncogene *myc*, but there are three distinct types of *myc* found in these tumors and this may correlate with response to specific therapies.

A further aid in diagnosis is the possibility of making specific antibodies to oncogenes or their protein products, attaching radioactive tracers to the antibodies, and using this complex to track down small cancers in the body which would not otherwise be found. The cancers can then be treated by either attaching toxins or powerful radiation emitters

to the antibodies, or using some other available treatment such as surgery or direct radiation from outside the body.

Antibodies to specific oncogenes have already been shown to be useful in treating tumors. The specificity required to do this is considerable, but already monoclonal antibodies have been developed which can distinguish between the normal *ras* oncogene and its malignant variant, even though the difference between the two is only one amino acid in a protein containing hundreds of amino acids.

While the oncogene work points up the close connection of the cancer process to normal processes, and this may seem to imply that treatment will be even more difficult than previously assumed since cancer cells would have to be distinguished by any treatment modality, the specificity of monoclonal antibodies may weigh heavily in the other direction, particularly since oncogene research may help to pinpoint new targets for treatment intervention.

Another treatment difficulty in this work is that some of the oncogene products may be inside the cell and therefore not easily accessible to administered antibodies, since antibodies typically do not cross the cell membrane. However, the NCI is now developing methods which have considerable promise for delivering the antibodies across the cell membrane.

Taking another line of attack, the *ras* oncogene is involved in cytoplasmic GTP activity (an analogue of ATP), and drugs which are analogues to GTP may be useful in interfering with this action. As more is learned about the metabolic activities of these regulators, more targets for treatment will become evident. This is analogous to the action of

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*Oncogenes are nearly identical in man, fruit flies, and yeast, and so, perhaps over 600 million years old, and probably related to some very basic life functions.*

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antibiotics, which interfere selectively with normal bacterial cell functions, such as the production of the cell wall needed for bacteria to grow. As the examples of antibody usage suggests, the most efficient treatments and prevention strategies may ultimately be to induce the body's own immune system to more efficiently control the cancer process. There is much evidence that the immune system normally does this in a variety of ways, and the increasing rate of cancer in the aged population correlates well with the decline of the immune system.

A review of recent NCI advances written in October by NCI staffer Steve Weiss documents several new research

areas which may dovetail with the oncogene work. A platelet-derived substance, transforming growth factor (TGF), causes a rapid proliferation of connective tissue cells (similar to the action of PDGF), and has now been used successfully to speed the healing of wounds in therapeutic situations. When placed on a laboratory culture of normal cells, TGF causes a rapid and uncontrolled proliferation which is similar to the behavior of transformed cancer cells. When the TGF is removed, the cells spontaneously revert back to normal growth patterns. Since this change is reversible, this may represent evidence that cancer is not necessarily caused by changes in genes.

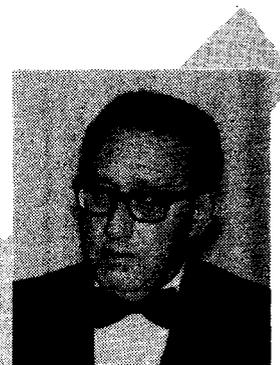
The leukemia characterized by proliferation of the T-cell lymphocytes and caused by the virus HTLV-I (related to the HTLV-III which is involved in causing AIDS), is a fulminant disease which is usually fatal in three months. The T-cells are stimulated to proliferate by T-cell growth factor, and have T-cell growth factor (TCGF) receptors on their surfaces. Normal resting state cells do not have these receptors, but abnormal leukemic cells have thousands per cell. Dr. Thomas Waldman, head of the Metabolism Branch of the NCI, has developed an antibody to the TCGF receptor which prevents most of the TCGF from stimulating the cells to grow. A patient who was given this treatment has lived 12 months so far.

The use of monoclonal antibodies, antibodies grown in bacteria using gene splicing, has been extended to administering them directly into the lymph system to target cancer metastases, which frequently spread through the lymph ducts to distant lymph nodes. Dr. John Weinstein at the Laboratory of Mathematical Biology of the NCI has shown the potential to use radioactive tracer-associated antibodies to track distant metastases, and is studying the use of antibody-toxin combinations for treating such metastases.

In a related development, Dr. Jeffrey Schlom at the NCI Laboratory of Tumor Immunology and Biology developed an antibody which reacts with a protein which is found in 85% of human colon cancers and 50% of breast cancers. The antibody, called B72.3, has not reacted to any normal tissues so far tested. Dr. Schlom showed that this antibody, combined with radioactive tracers, can successfully identify tumors in mice, and is now testing this system in humans.

The mode of cancer invasion is another possible site for therapeutic intervention. Dr. Lance Liotta of the NCI Laboratory of Pathology focussed on a key protein, laminin, which is present in normal connective tissue and blood-vessel walls, which cancer cells bind to in order to penetrate through these tissues in the process of local invasion and distant metastatic spread. Dr. Liotta isolated the cancer cell surface-binding site for attaching to this protein. He then made fragments of the laminin molecule and injected them into animals with cancer; these fragments bound to the cancer cells and prevented them from binding to the animal's laminin, stopping the process of metastasis.

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## Revive the water-from-Alaska plan to make U.S. dry regions flourish

*Frank Moss, former Democratic senator from Utah, during the 1960s spearheaded the U.S. Senate's investigation of the feasibility of a plan known as the North American Water and Power Alliance (NAWAPA), originally developed by the Ralph Parsons Company of California, for bringing water from Canada and Alaska to the United States. He was interviewed by Nick Benton.*

**EIR:** Senator Moss, I would like to begin by asking you to describe, generally, the NAWAPA concept, how it would function and what its benefits would be.

**Senator Moss:** I was born and have lived all my life in the arid part of the United States—that is, in Utah, where it is necessary that we impound and divert and use waters that are deposited in winter months in order to live through the long dry spell and be able to inhabit this state that looks so bountiful now. So, I've been interested in problems of water and the use of water ever since I can remember. When I went to the Senate, one of my great interests was to see that we were able to develop additional water sources for the arid parts of our country, and that that area continue to expand beyond where originally we thought our desert states were concentrated. In the course of my assignment in the Senate, I was placed on the Interior Committee and assigned to the Water and Power Subcommittee, of which I became chairman at one time. Our object then was to examine and determine the water needs of the country and to plan as we could ways of meeting the increasing, continuing demand of people to support populations in arid areas and produce crops and build homes and businesses in a part of the United States that is delightful in every way if you have water.

Out of all of this came my first introduction to the NAWAPA concept of bringing water down from the northern part of the continent into the arid areas of the United States and old Mexico, and indeed some of the prairie provinces of Canada. The fact is that water falls unevenly because of the weather we have in various parts of the continent and various

parts of the United States. Also, the fact is that the northern area of this continent, which is cold and inhospitable for agriculture or even for living conditions of people, is also where a great deal of the water is deposited, and it drains off into the Arctic Ocean, and therefore it has little or no use. The concept of NAWAPA is to be able to divert some of that water—not all of it—from these great rivers that flow northward into the Arctic, and turn that water south back down through Canada into the United States and on to the Republic of Mexico.

The feasibility of this has been worked out by the Parsons Company of California, and they have outlined a concept which would enable whoever built the system to divert that water and in the course of turning it south, drop it several times through generators that would produce electricity along the way, and thus be able to provide some energy in addition to the more valuable water. There would be some engineering needs for tunnels and some channeling; however, the major part of this system could be built without additional diversions other than using river courses that are already in existence, that probably have to be widened and banked a little, but the engineering work is not anything beyond the art we already have. The net effect of sending this water south would be to make inhabitable, in fact delightful, great areas of our country and some of these prairie provinces of Canada, simply because water becomes available for agricultural, industrial, and municipal uses.

It would be extremely valuable in Mexico, which has very good soil and conditions if they have water. Agriculture could thrive down there, and cities grow up and people have more income. So, the whole idea intrigued me very much, and I looked into it through the committees upon which I served, to try to determine whether or not we should go ahead and start on this sizeable project.

The opposition that arose came from two or three sources. First, the faint-hearted who simply said, "It's too big; it's overwhelming; you can't do that on a continent-wide basis."

But there were others who had more parochial objections. The Canadians were very skeptical about it. They were fearful that perhaps they were losing control of some of their waters. Indeed, we were suggesting that they sell the water to the users who would be able to use it on the other end in the United States and elsewhere, so my argument back to the Canadians was to say, "You're just selling us something that you have in surplus, like any other product you might want to sell us, and this is a renewable resource. It comes back year after year after year. So you have nothing to worry about as long as you sell only the surplus water you have."

There were other parochial objections. There was some fear in the northwest on the Columbia River, that some way or other they might be losing some of the flow of that great river, although it should be pointed out that if this project were put into use, it would guarantee the flow of the Columbia River, as there would be water available, if at any time that flow did drop, that could augment the flow of the river.

Never did we get far enough to have any authorization either from our government, from the Canadians, or, indeed, from the Mexicans, although the Mexicans were excited about it and I'm sure would have come forward if Canada and the United States had taken the lead.

So, there were hearings held, there was a great deal of data compiled. The more we looked into it, the better it seemed. Besides the use of water for irrigation, there would be a large barge canal that could be built across Canada to bring agricultural products by water transportation to the Pacific coast as well as into the Great Lakes. One arm of this system would dump some water into the Great Lakes to keep its flow high out through the St. Lawrence Seaway and guarantee that that would always be navigable. It had many side benefits like that.

In the United States, in addition to providing irrigation water in our flat-bottomed valleys out in the west, it could be a source for recharging what we call the Ogallala Aquifer, which is the great deposit of water beneath the High Plains of Texas and up into Kansas, Nebraska. It is an enormous aquifer, which has been pumped now for many years to supply irrigation water, and has therefore been dropping in level, so that in some places the cost of lifting the water by pump has become a factor and they've had to discontinue it.

NAWAPA is a great, inspiring concept and one that could be undertaken, and especially at a time when unemployment is high, it would furnish employment for a lot of engineers, workmen, and technical people, and would begin to fall into place a piece at a time. The whole thing doesn't have to be built before it begins to become valuable. You can build sections of it that link up ultimately, but would begin at a very early time to provide water to various places for various uses.

Finally, the thing I would like to say about water is that it is the absolute *sine qua non*, the life blood that we have to

have to live on this planet. If we foul up our supplies of water and contaminate them, or if we allow our deserts to expand and our country to be waterless in certain places, then we lose our standard of living and, in fact, our population would have to shrink. And if we can see the vision of NAWAPA, we can expand our capacity and our lifestyle, our income, for generations and generations into the future.

**EIR:** When the NAWAPA concept was first being put forth, it was seen primarily as a way of dramatically increasing the potential for development in the western part of the continent. Since the 1960s, it has become clear that our current supplies of water are diminishing and endangering even presently existing farmland and population centers. You mentioned the Ogallala Aquifer problem. All of southern California is also threatened. Doesn't this new reality make the need for a project like NAWAPA even more urgent today than it was back in the '60s?

**Senator Moss:** That is right. It is well known that the Colorado River that supplies not only southern California, but Arizona and several of the arid states, has been divided up by compact in the water that may be used in each of the states. This has been a long and tortuous struggle between different users of the Colorado River, because there wasn't enough water to go around. They made a division that they thought might be fair, but it was found that their estimate of the runoff of the river was high, and there were shortages. Southern California is feeling the brunt, mostly, of that division, as Arizona and the upper states are able to claim their share that was assigned in the compact. California has, of course, transferred a good bit of water from northern California to southern California, but still is in short supply. . . .

**EIR:** There was the recently completed High Plains Study conducted by Congress over the last half-dozen years, which expended \$6 million to demonstrate that transferring water out of the Missouri or Arkansas Rivers to the depleted High Plains area would not be economically feasible.

**Senator Moss:** Yes, that is my understanding; that is the finding of the study. The need for water is so great in the High Plains area, with the dropping of the level of the Ogallala Aquifer, that studies have been made of various ways whereby water might be reclaimed or rechanneled or utilized in some way to recharge the aquifer, but the study has not indicated that it is feasible to do it. It's economically and technically not satisfactory, whereas if water can be brought down by diverting those northern-flowing rivers and into this area, it appears—all the preliminary studies indicate—that that recharge will take place in quite a natural form and the aquifer will again rise to where it was several decades ago. . . .

It isn't just the far west and the arid part of the far west that is interested in this. The affected region extends all the way across the Great Plains, into the Dakotas, even into the

Great Lakes states. In the years that I have traveled back and forth between the east coast and Utah, I have observed that irrigation is creeping farther east all the time.

**EIR:** In the course of the study in the U.S. Senate, was there any opposition that claimed that the project was either technologically or environmentally unfeasible?

**Senator Moss:** I don't know that there was anyone who made that claim. . . . There was objection because the project was so great. When it was announced that the projects that would be built would cost \$100 billion overall, that was so shocking 20 years ago that a lot of people said it is out of range, that we could never afford it. But the estimates at the time was that it not only would amortize out over a period of about 20 or 30 years because of the return, but that there would be a steady income from not only the sale of water, but from power generated that would maintain the system and, indeed, turn in a profit after the amortization.

**EIR:** With the concerns today about the budget deficit and so forth, how do you answer those who argue that a project of this magnitude would be too expensive?

**Senator Moss:** I'm not an engineer, neither am I an expert on money, but it seems to me that we could very well begin this by the issuance of bonds which would be guaranteed by the government of the United States, maybe Canada and Mexico, too, whereby private money could be utilized in building the project and as it began to return income, as I said section by section, you would have money to repay the bonds, pay the interest, and ultimately retire the bonds. I don't think it is too big a project to depend on private money coming in, although there would have to be some sort of guarantee, I agree, to make the bonds saleable. People would have to feel that they were secure, but that would be the only involvement I could see for federal money.

**EIR:** What obstacles prevented NAWAPA from being implemented?

**Senator Moss:** As I said, there were some parochial problems, not only in the United States, but in Canada, too. The Canadians were fearful that some way or other they were going to be short-changed on the water exchange, and they were fearful that the control of the United States would be so strong that it would overshadow Canada. But I pointed out that the original concept was not only for the western northern-flowing rivers but the concept included turning around the rivers in the James Bay area off Hudson's Bay so it would flow toward the Great Lakes on the Canadian side, and have the same beneficial effects we're talking about, including improving the navigation and pollution problem in the Great Lakes. The Canadians have gone ahead and done that, and built it. So that little part of the overall concept's already been done by the Canadians and it is working very well. The one

we're talking about in the west is different only in that it involves more than one country and is larger in its scope.

I must say that I don't think the objections of the Canadians are insurmountable. I said that the Canadians had a sort of latent fear—and in generalizing that I must say not *all* Canadians, but the ones in governmental positions at that time, who had a fear that in some way the United States overshadowed Canada; and could be dictatorial and could take from Canadians something that they wanted to keep totally in their own grasp. . . . There was a kind of a mystique about water, I guess, that causes people to be fearful.

**EIR:** What do you feel are the prospects for overcoming the obstacles which prevented the development of NAWAPA back in the 1960s, as we head toward the latter part of the 1980s?

**Senator Moss:** First of all, what is needed is intelligent study and explanation that can be easily understood, so that people generally can appreciate and see the value of the project and not simply be frightened by big numbers and large volumes of water, so they can see it is a concept that is sound. Secondly, we'll have to have political statesmanship of the representatives that serve in the Congress and serve in the executive branch of the government dealing with resources, to be able to explain and adopt this concept as part of their responsibilities of serving the people. We'll have some problem reassuring some of the environmentalists who are fearful of any change in the course of a stream, or any movement that is not dictated by nature. But I don't think it is insurmountable.

**EIR:** As far as that goes, one could argue that from an environmental standpoint, of course, NAWAPA would also enhance the environment in terms of the recreational and natural conditions that would favor wildlife.

**Senator Moss:** Yes, that part would favor wildlife and recreational opportunities, and therefore would be considered desirable. But there are certain people who are preservationists to the point that they don't want any interference with the flow of water from what its natural course has become.

**EIR:** Would you go so far as to say that given the water crisis that is developing in the western part of the continent, we really have no choice but to develop this concept, that options just don't exist to meet the magnitude of the problem we have?

**Senator Moss:** Yes. I've always felt this project would come along at some time simply by the pressure of events, as population continued to grow and pressures for food and jobs and all these other things grew. I felt that we'd just simply have to turn to it, and we could make it so much better if we could turn to it right away with our planning and start to build it now.

## Housing down, economy next

*Excessive credit and looting of other economies is not a formula for sustained growth.*

November figures for new, single-family home sales, the most basic measure of the industry, indicates that a violent storm is now gathering over the U.S. economy, one which will wash away the appearance of "recovery" over the past 18 months.

November sales of new family homes fell 10.6% compared to October, the Commerce Department reported Jan. 3, to a seasonally adjusted annual rate of 591,000. This is 7.1% below the level of November 1983.

Through the first 11 months, sales of new one-family homes totaled 601,000, up a scant 4.3% from 576,000 during the same period in 1983. The last few months of depressed housing sales have wiped out almost the entirety of the earlier increase.

The 10.6% drop in new home sales in November from October levels is the largest single month drop since the 18.4% drop in January 1982, which ushered in 1982's sharp economic decline.

It is possible that the President himself knew of the November home-sale figures in advance of their release, and that this led him to put pressure on Federal Reserve Board chairman Paul Volcker, resulting in Volcker's recent additions of liquidity to the banking and credit systems.

Were new housing the only significant sector to be hit, one might give in to the temptation to dismiss its troubles as a mild aberration.

But what about steel? "1985 is

shot, 1986 becomes the hope," is the painful analysis proffered by Paine, Webber's steel analyst, Peter Marcus; 1984 finished-steel production was a disaster: only 73 million tons, versus 67.4 million tons in 1983—against 100 million tons in 1979. These are not "recovery" figures.

Steel production tonnage in the fourth quarter fell to 17 million, or only 68 million on an annualized basis. Prices collapsed for the industry in the second half of 1984. Spot steel prices dropped 15%. Cold rolled steel dropped from \$470 a short ton to the range of \$380 to \$420. There is extreme concern that Wheeling-Pittsburgh, one of America's Big Eight steel makers, will collapse this year.

The employment situation also worsens. The initial claims for state unemployment insurance rose to 405,000 for the week ended Dec 22. This is the fourth consecutive weekly rise. Its level was 360,000 four weeks ago.

What this situation demands is a re-examination of how the U.S. economy has functioned. Other articles in *EIR* document that the U.S. so-called "recovery" of the latter part of 1983 through most of 1984, was generated by three processes: 1) a strong U.S. dollar's looting of manufactured goods from the rest of the world; 2) faked government statistics purporting to show growth increases; 3) excessive consumer and to some extent business credit.

The expansion of credit, to some

extent, lifted the United States off the floor of the depression of 1982-83, without effecting any fundamental change in the economy. Reflective of the growth of consumer credit is that consumer installment-credit outstanding, as a percentage of personal income, rose from 13% in November 1982 to 14.7% in September 1984. This rivals the ratio of 14.9% prevailing in early 1980, which Fed chairman Volcker cut to pieces by imposing credit crunch in March of that year.

The growth of business credit, when yearly figures are complete, will likely prove unprecedented. Business loans of commercial banks surged by \$27 billion during 1984 through mid-December, and corporate commercial paper rose by \$50 billion—a combined growth in short-term corporate credit of \$77 billion.

Corporations did not convert short-term into long-term debt; they lived for the moment, getting their kicks and short-term gains while they could, using the borrowed monies for, among other things, leveraged buy-outs, mergers, buying into the stock market, etc.

The giddy atmosphere of 1984 is waning. Only the tremendous credit-expansion, including sizeable amounts of housing credit, added onto the overly cheap purchase of goods from the rest of the world, produced modest increase in selected categories of U.S. economic output.

Otherwise, most of the growth was cancerous in nature—in the financial sector of the economy, white collar occupations, and so forth

Leading economic indicators can bounce upward for a few more months; factory orders for some durable goods, particularly defense related, may show some encouraging signs. But excessive credit and looting of other economies is not a formula for sustained growth.

## ***Country: propaganda for despair***

*The message of the movie would prevent any effective action by farmers, while American agriculture is shut down.*

**O**ne movie you should have missed in 1984 is *Country*, starring Jessica Lange and Sam Shepherd as Jewell and Gil Ivy, who are losing their farm in Iowa. Released last summer, the film was the kick-off for the current network-media campaign around "the plight of the farmer."

Jessica Lange, star of *King Kong* and *Tootsie*, foreswore make-up last year in order to look like a farm girl for TV talk-show audiences, becoming the "Jane Fonda" of the farm-plight movement.

The film portrays a farm family confronted with bank orders from the Farmers Home Administration (FmHA) to pay up their loan arrears in 30 days or sell out. Their 180-acre farm has been in the wife's family for 100 years; her father still works the farm with the younger generation. With farm prices so low, the family has no means to pay. The bank moves in to take the crop proceeds, sell the equipment, and foreclose on the land.

The wife resists, the husband temporarily turns to drink and despair—but then, the family stays together and keeps fighting. You do not see the outcome.

The scenes are affecting because they were shot on farm location, and accurate down to the pick-up truck and the grain elevator. But that's where the accuracy stops.

Dramatically thrown on the screen at the end is a report that a federal court has ordered the FmHA to cease arbitrary foreclosure actions and adopt new rules of conduct. Theater audiences

feel a thrill of satisfaction that people like Jessica Lange who resist the heartless Fed and banks will prevail.

In truth, the stay on the FmHA has stopped nothing. Over the course of 1984, the policy of the farm debt-holders and credit supervisory agencies combined has been to withdraw credit from the farm sector—at a time when prices for farm products are running below half the costs of production. Forced liquidations, foreclosures, and voluntary sell-outs have decimated the farm sector. Former farm families are staying in old school houses, shacks, and relatives' spare rooms. Rural churches are running food programs. Farmers still in operation are donating food to their destitute neighbors.

Crop and livestock output, the national hog and cattle inventory, are plunging drastically. The winter-wheat seeding in Nebraska is down almost 20% from last year. Planting weather was perfect, but there were far fewer farmers, with far less money for seed, fertilizer, and fuel.

Required in the next three-months at the latest are emergency measures to restore the farmily-farm structure, and emergency production credits to resume farm output.

That is a demand of the Schiller Institute, with which, each day, hundreds of new farmers are linking up. Its program is to rebuild American agriculture to feed Africa and the world, to develop beam-weapon technology to strengthen the Western Alliance, and use the spin-offs to devel-

op the world through high-technology projects. The Schiller farm group conducts phone "trees" with branches now criss-crossing every farm region, arming farmers with the latest strategic news and coordinating action with civil-rights, labor, military, and other layers ready to mobilize for emergency farm measures.

The backers of *Country* are promoting a different approach: "Be brave . . . resist . . . stay local . . . love the land." The movie was designed by David Ostendorf, the Midwest head of the Rural America Foundation, which is in the orbit of the Institute for Policy Studies (IPS), with close ties to the Soviet Union. Among its favorite "issues" are the nuclear freeze, "rural gay-men's rights," solar energy, and gasohol. Rural America is running interference against a farm mobilization on a strategic level.

There is a Rural America "Hot Line" for farmers, in Nebraska funded with Ford and Field Foundation money. The idea is to fixate the caller on strictly individual "legal rights."

The dramatic peak of the film comes in a scene where the banker has been temporarily foiled by Jessica Lange, who organized surrounding farmers to go for a "penny auction"—bidding only pennies for the Ivy's equipment. The banker gets in his car, leans out the window and leers at Jessica: "I'll be back. I'll take your equipment and sell it in the next county. . . ." Jessica stares back and shouts, "You can take my livestock. . . . You can take my equipment . . . but if you think you are going to take my land, you better have something more than a piece of paper."

Some city audiences may cheer the drama. They smell the blood. But the purpose of *Country* is to incite farmers to ineffective violence, despair, and ruin.

## Egypt's struggle for development

*Large-scale land-reclamation projects promise to make the desert bloom, if the IMF and World Bank can be defeated.*

**I**t is imperative to ease the pressures on both town and countryside. The only hope of doing this at the present time resides in great expansion of land reclamation. Egypt has vast desert areas which can become arable land. Add water and the ingredients are at hand.

"There have been suggestions that we use Lake Nasser water to irrigate large areas of the western desert by cutting a canal or canals from the lake in a northwesterly direction. . . . One pioneering scheme deserves mention, namely, the Sahelia project east of the Delta. The Sahelia reclamation has produced excellent farming opportunities. One essential element, however, is missing. [This] requires the establishment of an agro-industrial complex. . . . The field is wide open for such development, but it is a matter which brooks no delay. . . ."

So reads the editorial, "Making the desert bloom," published in the Oct. 7, 1984 issue of the *Egyptian Gazette*. It is only one small reflection of Egypt's struggle to achieve economic development through the year 2000.

The point of view expressed in the editorial is also an active strategy. In recent months, with limited means, the Egyptian government has planned or launched a variety of land-reclamation projects. Essam Radi, Egyptian minister of irrigation, visited the Sudan at the end of November and announced an agreement for a joint Sudanese-Egyptian effort to "step up work on the Jonglei Canal" in Sudan. Upon completion, the canal would

provide the basis for turning the swampy south of Sudan into a rich agricultural area, in addition to creating important new transportation capabilities. But its construction was recently stopped under international financial pressures from such sources as the IMF and World Bank.

Earlier, the joint Sudan-Egypt or Nile Valley parliament had voted to step up the digging to tap large underground resources of water in an area extending 130 kilometers inside Sudan and 100 km. inside Egypt. Such underground waters, as the *Egyptian Gazette* demanded, are to be used to green the desert.

That such projects are vital for both countries and the region should be obvious; the transformation of millions of feddans of unused Sudanese land into arable land is the key to bringing the entire continent out of its cycle of hunger and epidemic. However, two interconnected problems must be solved: the need for a cheap and abundant source of energy in Egypt, which means nuclear energy, and the necessary credit from the United States and international financial institutions.

A number of recent energy symposia held in Cairo underlined the first problem. Egypt's program to build five nuclear plants was killed when the U.S. Export-Import Bank under Malthusian William Draper III withdrew its financial guarantees, declaring the project "unnecessary." In fact, the Eximbank had simply endorsed the arguments of the IMF and World Bank, which claimed that subsidized oil and

gas prices inside Egypt made fossil fuels there among the cheapest in the world, making investments in nuclear energy unprofitable. Such an argument hardly conceals the fact of IMF and World Bank opposition to all nuclear energy projects and, for that matter, all Third World development projects of any type.

However, following the re-election of President Reagan and months of lobbying, the Eximbank reversed its decision. Egyptian Minister of Energy Maher Abaza reported that the bank was ready to guarantee up to \$300 million of debt incurred to build a first nuclear plant. The plant is expected to cost close to \$1 billion. At a mid-December press conference, Maher Abaza said bidding for the first plant, which will almost certainly be won by a consortium led by Westinghouse, should be completed by next February, more than a year and half later than planned.

But that is not the end of the troubles for Egypt and its regional partners. Cairo's yearly "White Paper" detailing its requests for economic and military aid from the United States has been put in question by IMF and World Bank attacks on the government's subsidy program for domestic food and fuel. As if on cue, Secretary of State George Shultz has implicitly threatened to adopt the same aid policy imposed on Israel: Shultz is pressuring Cairo on behalf of the IMF to cut down its subsidies now—as if Shultz wanted to celebrate the anniversary of the 1977 anti-austerity riots with new disturbances.

The issue is not economics; the issue is Egypt's political struggle for the right to development, which means access to the means of development. This is an issue that Ronald Reagan will have to face when he meets with President Hosni Mubarak in the first few weeks of his new term.

# Business Briefs

## Currency

### Craxi: 'In 1985 we'll have heavy lira'

"We have to wait for the consolidation of the economy, but the government decree on the heavy lira [1 new lira for each 1,000 old lire] is already prepared," Italian Prime Minister Bettino Craxi stated during an informal exchange with journalists on Dec. 23. Craxi added that the process of change from the old to the new lira will be gradual, and for a certain period the old lira will circulate alongside the new one. He also declared, "I would like to have some nice new coins when the heavy lira is introduced."

In October 1980, Lyndon H. LaRouche proposed a credit reform for Italy based on a "heavy lira," in a work titled *A Gaullist Solution to the Italian Monetary Crisis*, published in Italy and the United States.

Craxi's plan, according to some sources in Rome, would merely be a technical measure to upgrade the Italian currency's position in relation to other currencies. LaRouche, on the other hand, proposed a reform based on a two-tier credit system favoring productive investments and placing punitive interest rates on other activities, particularly those of the "black economy."

The question of Italy's economic health, as opposed to merely the speculative valuation of its currency on international markets, will depend on the nature of the heavy-lira measure Craxi adopts.

## Economic Theory

### Swiss commemorate Thomas Malthus

With a lengthy feature published on Dec. 30, the primary mouthpiece of Swiss financial circles, the *Neue Zürcher Zeitung* (NZZ), sung the praises of Thomas Malthus, who died 150 years ago on Dec. 29, 1834. The article was headlined: "The Real Thomas Robert Malthus."

NZZ writes that Malthus achieved prominence when still young, and that his main opus, *An Essay on the Principle of Popula-*

*tion*, had "far-reaching effects on [today's] development policy approach." NZZ concedes that Malthus has been proven wrong in his predictions that population growth means famine, but adds that his theories do seem to apply to Third World problems, and that "if one does not take Malthus literally, one can see that his basic considerations have practically made their way into all large institutions which are active in the field of development policy. Without putting the brakes on population growth, development in the Third World seems to be impossible; this notion is—however moderate—a form of Malthusianism."

NZZ continues with the following interesting passage: "Malthus's treasure of thoughts reached new vitality with the emergence of environmental economics and with the publication of the first report of the Club of Rome, the bestseller *Limits to Growth*, in 1972. In many respects, this study, produced at the Massachusetts Institute of Technology, was nothing but an applied version of the *Essay*, which posed exponential growth against limited resources."

While the MIT study comes to different results in some respects, writes NZZ, "The basic problem remains the same: In a limited world, unlimited growth is not possible."

The article illustrates the witting commitment of Swiss banking institutions to using lending policies to effect genocide in Third World nations.

## Famine

### 'Africa: not just aid but modern technology'

In his traditional New Year's speech, Italian President Sandro Pertini declared that he is convinced that "famine cannot be fought seriously by only occasionally sending a few tons of food aid. We should rather create a source of permanent life in those countries, using modern technology."

Only days before, the office of the President had received a delegation from the Schiller Institute which presented the Declaration on the Inalienable Rights of Man to a presidential spokesman and briefed him on the results of November's Third Inter-

national Conference of the Schiller Institute in Washington.

A leading subject of that conference was both food aid to Africa and the use of modern-technology to develop the continent on a long-term basis.

## Space

### Pravda attacks shuttle as preparation for war

On Dec. 30, the Soviet Communist Party paper *Pravda* attacked American plans for the next shuttle flight as indicating "preparations for Star Wars" by the United States.

*Pravda* commentator Yuri Zhukov wrote: "Soon after the Geneva [arms-control] meeting . . . a spaceship with a top-secret military mission will be launched in the United States. It will 'suspend' a particularly important reconnaissance satellite over the U.S.S.R. at an altitude of 22,500 miles."

"It is not concealed in Washington," Zhukov continues, "that the purpose of the launching of the satellite, which costs \$300 million, is to show that the Ronald Reagan administration continues preparations for 'Star Wars' which it does not intend to give up."

The shuttle flight, Ahukov insists, shows that "American generals do not hide the fact that, no matter how the talks go, they are preparing to continue the arms race, which is fraught with catastrophic consequences."

## The Invisible Hand

### Argentine speculators suck out \$42 billion

Argentine speculators have been rewarded with over \$42 billion taken from the productive sectors of the economy, according to a study published in the Buenos Aires daily *Clarín* on Jan. 2. Author Marcelo Bonelli pointed out that this sum amounts to \$1,395 for every Argentine, equal to what a worker earns in a year; the total is almost equal to the foreign debt.

## Briefly

He notes: "Subsidies and transfer payments which the community made to the financial system since the reforms of 1977 can be evaluated at 41.896 billion current dollars."

This figure does not include the indirect costs of loss of that capital; what would have been gained had it been reinvested in productive activities? Nor does it include the social costs. Productive reinvestment would have brought an average growth rate of 3-5%, which would have meant \$34 billion in added output. If it had been productively reinvested, government revenues would now be 60% higher, and the foreign debt would not be strangling the productive process, says Bonelli.

The subsidies he quantifies include \$10 billion from usurious interest rates, \$11 billion from "the monetary regulation account," \$7.5 billion from guaranteeing favorable exchange rates on "swap loans," \$3.7 billion worth of government deposits used to bail out banks which then failed, and \$3 billion in various swindles.

All of the other looting devices were legal measures set up by monetarist Finance Minister José Martínez de Hoz, one of Henry Kissinger's closest friends in Argentina.

### Technology

#### Cal Tech to build giant telescope

The California Institute of Technology has announced that it will build the world's largest telescope—powerful enough to detect the flicker of a candle on the Moon—on the site of the extinct Mauna Kea volcano in Hawaii.

The new 10-meter telescope "will be able to look back in time to 12 billion years ago, which is nearly three-quarters of the birth of the Universe," said Cal Tech's president, Dr. Marvin Goldberger. The telescope will be four times more powerful than the 5-meter Palomar telescope operated by Cal Tech, which has been the premier instrument in astronomy since 1948.

Astronomers will be able to collect more light and therefore study a volume of space eight times greater than previously possible.

One of the astronomers working on the design of the new telescope called it a "time machine," because the light gathered from distant objects left those objects billions of years earlier. "We will be able to really see the universe when the galaxies were forming and clusters of galaxies were forming and see how it all began," he said.

The \$85 million telescope will be named after the W. M. Keck Foundation, which donated \$70 million for the project.

President Reagan sent Cal Tech officials a telegram hailing the venture as one that "excites the imagination of anyone who has ever looked up at the stars in wonderment."

### Agriculture

#### Farm prices continue to fall

Prices that farmers receive for raw farm products fell a further 2.2%, the fifth consecutive monthly decline, and fell below prices a year ago for the first time in 16 months, according to government sources on Dec. 31.

For December, lower prices for oranges, cotton, soybeans, broilers, and milk pulled down the average. Declines were offset partially by higher prices for hogs, cattle, hay, and turkey.

December prices were at 54% of parity, the price at which the farmer breaks even. In December 1983, prices were at 57% of parity.

David Stockman and his wing of the administration are calling for farm-support cuts, according to the *Washington Post*.

In early January, Stockman called for elimination of the USDA dairy program, which cost \$6.1 billion over the last three years, and a reduction of limits on direct payments to participants in commodity programs from \$50,000 a year to \$10,000 per farmer.

Stockman has also urged a shift from direct farm loans to federal loan guarantees, which would throw farmers to the mercies of private commercial bankers. He also wants to reduce target prices, which determine how much grain, rice, and cotton the government buys directly when prices are low.

● **CHASE** Manhattan Bank is discussing selling its Chase Econometrics subsidiary. Potential buyers include McGraw-Hill, which also owns Data Resources, Inc., a major econometrics firm. One source commented on Chase Manhattan's reason for wanting to sell: "Parts of the econometric sector have been somewhat depressed." In light of the subsidiary's record on economic forecasting, *EIR* suggests that perhaps Chase Econometrics could be marketed as a home video game?

● **DEFENSE DAILY** reported on Jan. 4 that a study on the "feasibility of a microwave warhead will be conducted by Mission Research Corp. [Santa Barbara, California] under a contract from the Air Force Armament Division, Eglin Air Force Base, Florida." Such a warhead is a defensive weapon, whose high-altitude detonation would produce a shield against missile attack. Dr. Lowell Wood of Lawrence Livermore National Laboratory reportedly stated before Congressional hearings that such a system has the potential to destroy "entire fleets of ICBMs with a single weapon module lofted by a single defensive missile."

● **THE WALL STREET Journal** has shifted its editorial position to one of support for the U.S. position at Geneva that the Strategic Defense Initiative is not a "bargaining chip." In an editorial on Jan. 3 entitled, "The Meaning of Geneva," the *Journal* ridicules Mutually Assured Destruction as a doctrine, and states, "The current trends in military technology, if left to work themselves out, might serve the primary goals we now seek through arms control," namely, peace and security. *The Journal* concludes: "The administration is not likely to give away the targeted programs, anti-satellite weapons and strategic defense."

## How Dope, Inc. has swallowed up the world economy

by David Goldman and Susan Welsh

The editors of *EIR* are proud to announce the forthcoming publication of a new edition of the best-selling book *Dope, Inc.*, the only true story in print today of the supranational crime empire that runs the drug trade as a single, integrated world operation—from the opium poppy-growers in Afghanistan and the Golden Triangle of Southeast Asia, to the pushers of nickel bags of heroin on the streetcorners of Harlem. *EIR*'s founder and contributing editor Lyndon LaRouche commissioned the book in 1978, to name the names of the top-level controllers and financiers of the drug empire, the people who have always managed to escape prosecution. In one year, *Dope, Inc.* went through three printings and sold 50,000 copies.

Since that time, the worldwide narcotics traffic has *doubled* in dollar terms from the already staggering 1978 estimate of \$200 billion. The dope czars today are holding whole nations hostage, and have left a bloody trail of victims in their wake, as great in number as the casualties of war. The time has come to nail these criminals, with the even greater precision which six years of research on five continents now makes possible.

Who runs Dope, Inc.? The command structure, the book charged in 1978, includes the following principal groups:

- The oligarchical families of Britain and the European continent—the manufacturers who produced the evil Thule Society, the Isis-Urania Hermetic Order of the Golden Dawn, the Scottish Rite Freemasons, and the Nazi Party of Adolf Hitler;
- The British financial interests that control offshore banking and precious-metals trading, providing the money-laundering capabilities for the multi-billion dollar proceeds of the drug trade. Foremost among these are the Hongkong and Shanghai Bank, Jardine Matheson; the Standard and Chartered Bank, the Oppenheimer gold interests, Eagle Star Insurance, and Barclay's Bank. These institutions are controlled by the same oligarchical families that ran Britain's Opium Wars against China in the 18th century.
- Their Canadian cousins, such as the Bank of Montreal, and the Bank of Nova Scotia;



U.S. DEA

*A three-cornered financial directorate has made the dope trade the world's biggest business, doubling in size since 1978. The British banking houses that ran the Opium Wars of the 18th century, the continental European oligarchy, and the new imperialists of the Soviet Union have divided the market among them, and are out to destroy any nation that stands in their way. Here: coca leaves on their way to market.*

● The second-level controllers of the criminal underworld, including the Bronfman family of Canada and other kingpins of the Zionist Lobby in North America. These are the families of *Hofjuden* ("Court Jews") who betrayed the interests of the Jewish people to serve the monarchies of Europe in centuries past, and who are now relegated to the role of cutouts between the inner circles of the European nobility and the filthiest gutters of organized crime.

When *Dope, Inc.* appeared in 1978, the world financial oligarchy scrambled frantically to control the damage of this unprecedented exposure. "Have you presented this evidence to the Justice Department for criminal prosecution yet?" asked a distraught Stuart L. Pittman, senior partner in the law firm representing one of those accused, the Hongkong and Shanghai Banking Corporation.

But none of those accused dared to take the authors of *Dope, Inc.* to court! Who could tell what further incriminating evidence might emerge in a legal battle?

Indeed, the Hongkong and Shanghai Bank was denied a banking license in New York State because it failed to refute *Dope, Inc.*'s charge of massive involvement in the drug traffic. New York Banking Superintendent Muriel Siebert refused to permit the HongShang to purchase control of New York's Marine Midland Bank in 1979, delaying what was, until then, the largest foreign takeover plan in American banking history. She demanded detailed accounting of the HongShang's hidden profits, silent subsidiaries, and paraphernalia of money-laundering, and refused its application when the Hong Kong institution refused. HongShang was compelled to employ a subterfuge—ultimately sanctioned by Paul Volcker's Federal Reserve Board—in order to consummate the take-

over: It arranged for Marine Midland Bank, one of America's largest, to change its status from a state-chartered to a nationally chartered bank, in order to circumvent the regulatory powers of New York State. The Federal Reserve accepted the takeover of Marine Midland in early 1980.

The new edition of *Dope, Inc.* will finish off the job. One who will now find himself in the docket is Henry Kissinger, who has also failed to sue—even though Lyndon LaRouche described him on national television on Nov. 5, 1984, as having the moral character of a Bulgarian pederast. Kissinger's friends at American Express will particularly feel the heat.

To the already-established roster of criminals, the new edition will now add:

- The major Swiss banks;
- The Soviet dirty-money empire, the guns-and-drugs traders and assassins that have come to light in recent years as the KGB's "Bulgarian connection";
- The Nazi-communist syndicate which runs "narco-terrorism" worldwide, with Ibero-America as a special target. This brings together the Nazi International with the separatist, communist, and "liberationist" terror groups under Moscow's control;
- Venetian-Genoese bankers, including the late Roberto Calvi of Banco Ambrosiano, and the shadowy Edmund Safra of American Express; and
- The combined offspring of the Swiss bankers and the old European family trust funds—the *fondi*—and the international grain cartel of Cargill, Continental (Fribourg family), Bunge, and Louis Dreyfus.

## Charges confirmed

When *Dope, Inc.* first appeared in December 1978, its most alarming conclusion involved the size and scope of the world narcotics traffic: It demonstrated that *dope was the largest commodity in international trade, with the exception of petroleum*, and that the annual revenues of the narcotics traffic exceeded the national product of most of the world's nations, and the revenues of the largest multinational companies. Today, the situation is far, far worse. With the consumption of \$75 billion per year of cocaine in the United States alone, the 1978 estimate of \$100 billion per annum in narcotics sales in the United States and \$200 billion worldwide is dwarfed by present reality. *Narcotics traffic today grosses a minimum of \$200 billion per year in the United States and \$400 billion worldwide.*

The explosion of this sordid business has forced official

investigators to confirm the findings which had been published first in *Dope, Inc.* The most significant of these studies were the March 1983 report of the Senate Permanent Investigations Subcommittee (SPIS) and the November 1984 report on money-laundering of the President's Commission on Organized Crime.

The Permanent Investigations Subcommittee report, titled "Crime and Secrecy: The Use of Offshore Banks and Companies," appeared after two years of investigations. It estimated the illegal economy of the United States at up to 10% of reported Gross National Product—or over \$300 billion. The study reported that London is the leading center worldwide for the concealment of funds, a charge first made in *Dope, Inc.*; that two-fifths of all foreign banking activities conducted out of Switzerland are performed with other offshore centers, Switzerland being the center for the practice

## Henry Kissinger and the directorate of Dope, Inc.

When Henry Kissinger was elected to the board of directors of American Express in March 1984, a process was completed which began with the wave of foreign takeovers of American securities houses during the 1960s and 1970s. The grand redeployment of the oligarchical family funds, the *fondi*, into the United States has now rendered obsolete some of the previous modes of operation of Dope, Inc.

This transformation has proceeded through a series of mergers involving the old Wall Street banking houses and the European family fortunes. George Ball's firm, Lehman Brothers, had long since been absorbed by its great rival among the old-line German-Jewish Wall Street houses, Kuhn Loeb, to form Lehman Brothers-Kuhn Loeb. Shearson Hayden Stone, the second retail broker after Merrill Lynch, had repeated Merrill Lynch's march into investment banking by absorbing the third of the old-line German-Jewish firms, Loeb Rhoades. Now American Express, in turn, has swallowed up Shearson-Loeb Rhoades and Lehman-Kuhn Loeb, bringing under a single umbrella a large part of what *Dope, Inc.* identified in 1978 as the supposedly respectable interests behind organized crime and the drug traffic.

The American Express board member and chief attorney responsible for handling the series of mergers is **Kenneth Bialkin**, the chairman of the Anti-Defamation League of B'nai B'rith; his predecessor, **Theodore Silbert** of the Recanati family's Sterling National Bank, currently faces a civil

suit initiated by the Italian government, charging that Silbert helped jailed financier Michele Sindona to launder money for the bankrupt Banca Privata.

Shearson/Lehman/American Express, as this ultimate Wall Street merger calls itself, is the phoenix which has arisen from the ashes of the offshore money markets. The new entity is effectively controlled, in turn, by two of the world's shadiest financiers, **Edmund Safra** and **Carl Lindner**, each of whom owns about 4% of the stock. Lindner owns the old United Fruit dope-pushing apparatus, now called United Brands. Safra's case is more interesting.

Safra's controlling share of American Express derives from the January 1983 merger of his Trade Development Bank of Geneva with American Express International Bank (where Safra briefly served as chairman). Amex took control of the Swiss institution and its global network, in return for 4% of its outstanding shares. Safra is the reported frontman for the Syrian-Jewish banking families who served the Venetian-Genoese *fondi* from Aleppo, through the long history of Levantine finance.

Safra's Republic National Bank of New York, in the person of its chairman Theodore Kheel, made the introductions that permitted Argentine banker **David Graiver** to buy up the American Bank and Trust. Graiver subsequently looted \$45 million from the American Bank and Trust, in cooperation with John Samuels, a New York frontman for Safra's original backers, the Recanati family of Israel Discount Bank. The Argentine swindler subsequently disappeared, after his plane crashed over Mexico. Graiver had been one of the principal financiers for the Argentine terrorist organization, the Monteneros, and functioned as the Argentine connection for the old **Tibor Rosenbaum-Meyer Lansky** drug-money wash, before his short-lived fling in New York.

These are current employers of Henry Kissinger, who

of "layering" secret financial accounts so that beneficial ownership is impossible to determine.

The 1978 edition of *Dope, Inc.* was subtitled, *Britain's Opium War Against the United States*, and U.S. government investigations have confirmed the accuracy of this characterization. The SPIS investigators went to London to ask for British cooperation in dismantling criminal activities in the offshore centers, and complained that British officials rejected the proposal out of hand, asserting for the record that organized crime was an internal American problem and no concern of London's. The British told the Senate investigators:

As London sees it, the crime problem for the most part rests with the U.S., for whether it is drug money or other fraud it derives primarily from U.S. sources, i.e., criminal transactions in the U.S., and is processed

offshore on behalf of American citizens and companies. It is argued by London that control efforts will incur only costs but no benefits. Given these conditions, whatever the U.S. policy, it behooves the U.K. not to involve itself collaboratively.

American prosecutors have repeatedly charged the Swiss, British, and Canadian banks with involvement in dirty-money dealings, the SPIS reported. Most frequently mentioned are the three big Swiss banks, Britain's largest commercial bank, Barclay's, Canada's Bank of Nova Scotia, and the offshore divisions of American banks. Referring to the Bank of Nova Scotia, nestled into the coziest reaches of the British establishment, the SPIS report complains, "In the Caribbean, one major Canadian international bank has a consistent reputation for encouraging dirty money. . . . Senior bank of-

also serves as vice-chairman of the International Advisory Board of Chase Manhattan Bank (he was chairman until David Rockefeller retired from the bank and moved to its International Advisory Board); adviser to Goldman, Sachs; and a consultant to dozens of leading corporations and financial institutions through his firm Kissinger Associates.

The members of Kissinger Associates represent a kind of board of directors for the entity we call *Dope, Inc.* Just as Kissinger is represented on the board of American Express, Amex's **Mario d'Urso** is a Kissinger Associate. D'Urso came to Shearson/Lehman/American Express through the old Kuhn Loeb firm, whose international department he directed before it merged into Lehman. He is also the New York chief for the Jefferson Insurance Company, the joint arm of the Venetian insurance giants Assicurazioni Generali and Riunione Adriatica di Sicurtà—the central clearing-houses for the ancient Venetian *fondi*.

The New York chairman of Jefferson Insurance is an old State Department crony of Kissinger, **Nathaniel Samuels**, also of the old Kuhn Loeb firm; Samuels is also the New York chairman of the Banque Louis-Dreyfus Holding Company in the United States and director of the Banque Louis-Dreyfus of Paris. This bank owns the grain company of the same name, which hooks into the Venetian insurance companies. Another board member of Jefferson Insurance for many years was the former British intelligence station chief in New York City, financier Arthur Ross, an intimate of Lazard Frères' late chairman André Meyer.

Britain's **Lord Peter Carrington**, the co-founder of Kissinger Associates until his move to NATO headquarters in Brussels, is a former director of both Hambro's Bank (one of the constituent *fondi* of the Assicurazione Generali), at the time that Hambro's bought 25% of Michele Sindona's Banca Privata, and also former director of Barclay's Bank, the prin-

cipal financier and partner in the Caribbean skullduggery of the Oppenheimer interests.

Lord Carrington was replaced on Kissinger Associates' board in mid-1984 by the chairman of the London merchant bank S.G. Warburg, **Lord Eric Roll of Ipsden**. Lord Roll had just completed a reorganization of London Warburg interests under the umbrella of the Warburg holding company, Mercury Securities.

The Oppenheimer family's London vehicle, Charter Consolidated, meanwhile bought a 9% stake in the new Warburg consortium. Warburg has a mutual ownership with the Paris Banque de Paris et des Pays-Bas, the major stockholder of the Assicurazioni Generali of Venice.

In Asia, Kissinger Associates is represented by **Sir Y.K. Kan** of Hong Kong, who also represents the four overseas Chinese families which control the Hong Kong-based Bank of East Asia.

The staff of Kissinger Associates is headed by **Lawrence Eagleburger**, the former highest-ranking member of U.S. foreign service and a Kissinger protégé. In a 1984 series on Jamaica's marijuana economy, the *New York Times* ridiculed Eagleburger's claims that, in supporting the Edward Seaga regime in Jamaica, he had no idea that Seaga had made marijuana the country's principal cash crop—although Seaga had announced his intention on numerous public occasions.

The men who perform the dirty work of the *fondi* have moved out of the shadows of Caribbean offshore banking and Hong Kong smuggling and into the board rooms of the most powerful American financial institutions, close to the councils of the United States government itself. Still more ominous is the fact that Kissinger Associates, a major conduit for the political influence of the Soviet Empire in American politics, has now also become the point of interchange of the constituent parts of *Dope, Inc.*



*Dope, Inc. has claimed more victims than many wars.*

ficials describe instances where headquarters banks have removed competent offshore managers for their failures . . . to optimize profits through corrupt relationships.”

The SPIS concluded that illegal financial operations are now so closely meshed with the offshore banking system that the movement of illegal funds may constitute a threat to the security of the world banking system as a whole. Citing the case of the 1982 bankruptcy of Banco Ambrosiano, Roberto Calvi's ill-fated vehicle for dirty political and financial operations, SPIS wrote:

In 1982, Banco Ambrosiano of Milan, Italy, collapsed, crippled by a \$1.4 billion exposure in loans to several mysterious Panamanian “shell” companies. . . . The Euromarket is a critically important . . . feature of international commerce. But in the haven countries where money is laundered, it is unregulated. Thus, the same conditions which facilitate international commerce also create criminal opportunities. The criminal use of offshore facilities poses a problem to the stability of entire national banking systems. The fragile condition of the world's banking system today is a result in part of questionable loans, poor controls and the country risk occurring when so many nations cannot pay the interest or principal on their debt. *It is not inconceivable that it could be a criminally derived loss, not the failure of repayment of a loan from a sovereign nation, which could be the backbreaking straw to the banking system.*

Far more comprehensive are the conclusions of the President's Commission on Organized Crime, released in November 1984. Here the bag of tricks of the narcotics traffic is on display, at least the best known of them: the use of casinos to launder drug money, the corruption and virtual takeover of banks, the participation of such august firms as E.F. Hutton, which sent security guards to the Waldorf-Astoria Hotel to help a Colombian client bring suitcases full

of cash to its offices, and then tipped off its client when informed that he was under investigation as a money-lauderer for Colombian cocaine-traffickers!

The dope lobby has launched open warfare against the world's nations. Its intentions can be seen most gruesomely in Colombia, where former President Alfonso López Michelsen is trying to subordinate the constitution of his country to the dope mafias, boasting that no government can withstand their power. Colombian President Belisario Betancur is under seige from the drug mafia, the criminals who assassinated his justice minister, Rodrigo Lara Bonilla, in April 1984. Or take the case of Peru, where the paramilitary forces of the cocaine pushers are murdering civilian participants in a government-run anti-drug program, and the narco-terrorist gang Shining Path (*Sendero Luminoso*) is attempting to reduce the nation to ruins.

It is because of this all-out war by the drug mafias against Ibero-America that the publishers of *Dope, Inc.* decided to release the new edition first in Spanish, under the title *Narcotráfico, S.A.* (New York: The New Benjamin Franklin Publishing Company, Inc.) The English edition will follow. Both will contain extensive new material on the drug mafia's operations in Ibero-America, including how the economies of the region were set up for takeover by the drug traffic during the years of the Carter administration—thanks to Paul Volcker of the Federal Reserve. Another chapter will discuss the creation of narco-terrorist cults.

The \$400 billion annual dope empire has a stranglehold on world finance, and is out of the control of any government. Despite the best efforts of Ibero-American leaders, of President Reagan's declared war on drugs, despite the heroic efforts of the Italian police against the Sicilian mafia, despite the mopping-up of the money-laundering operations of Florida banks, *Dope, Inc.* has risen to commanding heights in the world economy. The International Monetary Fund shamelessly does its bidding among the debtor nations of the developing sector, enforcing the austerity conditionalities which

drive desperate countries to grow and export the biggest cash crop of them all.

In June 1983, the IMF made its first published comment on the subject, in an appendix buried in its *World Economic Outlook* report. In its bland, malevolent way, the IMF noted that about \$200 billion per year was disappearing from the accounts of national governments that report their balance-of-payments data to the international financial organization. *Since 1973, the IMF added, the total volume of "statistical discrepancies in the global current account payments balance" has reached the fantastic sum of \$800 billion.*

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 recorded payments over receipts in these accounts reached some \$800 billion in 1982.

This is no surprise to the Ibero-American nations hit by waves of flight capital during 1982 and 1983. What the gross numbers state is that the movements of international capital are out of the hands of governments entirely; governments can no longer even identify \$200 billion per year in capital flows, much less attempt to influence them!

The IMF reports that the "invisibles" which account for the "statistical discrepancy," i.e., "shipment," "reinvested earnings," and "other earned income," are really flight capital:

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.

That is, the funds enter the banking system illegally.

As we show in summary form in the documentation which follows, the monster identified by *Dope, Inc.* in 1978 has changed its skin, only to multiply its influence. It is the center of the gravest threat to Western civilization since the 14th century. Slowly, belatedly, the governments of the West have acknowledged the extent of the problem. They must now move much faster and more ruthlessly against the "citizens above suspicion" and the institutions which have brought the dregs of the financial underworld to the surface.

*The Spanish-language Narcotráfico, S.A. is scheduled for release by The New Benjamin Franklin Publishing Company, Inc., New York, on Jan. 23. The revised English edition of Dope, Inc. will appear later in the spring.*

# The dope trade moves 'onshore'

by David Goldman

Dope, Inc. has traditionally operated through a tight financial network, whose origins lie in the Dutch and British East India Companies and the British Opium Wars of the 1840s. At its heart has been the Hongkong and Shanghai Bank, with its ties directly to the five big London clearing banks, the five London "gold pool" dealers, and the big Canadian international banks. This network, as the 1978 edition of *Dope, Inc.* showed, provides the offshore banking, precious metals, and related capabilities to cause several hundred billion dollars per year to disappear from the streets of New York, Amsterdam, Frankfurt, and Hong Kong, and reappear as apparently legitimate assets wherever convenient.

Six years of additional research, plus major shifts in the financial structure of the dope trade, now make it possible to reconstruct the three-dimensional character of Dope, Inc., whose most obvious, outward facade is British. Its other dimensions, now integrated into the single world command structure, are Swiss-centered continental European, and Soviet.

Since 1978, this three-fold drug empire has moved "onshore" into the United States, through a complex series of banking mergers and takeovers.

The **Hongkong and Shanghai Bank** now controls Marine Midland, the 12th-largest American bank, and its close collaborators among the British clearing banks have moved massively into American banking, through the Midland Bank takeover of Crocker National Bank in California, the Rothschild takeover of California's BanCal-TriState, and similar expansion into the American market.

The **Oppenheimer mining group**, heirs to the empire of British racist Cecil Rhodes (who once vowed that Britain would one day retake the upstart American "colonies"), is the dominant force—in collaboration with HongShang and its Mideast subsidiaries—in the illegal traffic in gold and diamonds through which so much dirty money is turned into untraceable, portable assets. Through its diamond monopoly, De Beers, its mining corporations, Anglo-American Mining and Consolidated Gold Fields of South Africa, through its commodity trading organization, Phibro, the Oppenheimer group has expanded its tentacles across the world and, most of all, in the United States.

**Eagle Star Insurance**, the mediating link between the British oligarchy and the Canadian banks, has extended its branches to the continental insurance companies, and sunk

deep roots into the United States at the same time. Eagle Star controls the family trusts of those barely rehabilitated Prohibition-era mobsters, the Bronfman family of Canada. The Bronfmans, in turn, control a variety of lower species of criminal life in Canada and the United States. The Canadian real estate firms which operate under the umbrella of Eagle Star have come to dominate the major urban real-estate markets in the United States.

Eagle Star in November 1983 became the principal overt link between the British high command of the narcotics traffic and the Swiss-German financial interests centered around the great South German family fortunes. **Allianz Versicherung** of Munich, continental Europe's largest insurance company, bought 30% of Eagle Star, in a well-publicized takeover battle whose sound and fury disguised the actual identify of interests between the British and German sides. Close financial relationships had existed for some time between the HongShang in the Far East and the nastier elements of German finance.

Allianz Versicherung represents a coalition of the oldest German family *fondi*, or trust funds, including those of the old Bavarian Wittelsbach dynasty, and the most evil family in German-speaking Europe, Thurn und Taxis. It is the Thurn und Taxis family and their in-laws, the deposed Portuguese royal family of Braganzas, who created and funded the terrorist organization Tradition, Family, and Property, which was implicated in plans to assassinate Pope John Paul II and whose Venezuelan chapter was recently banned.

The old United Fruit Company, renamed **United Brands** in the 1960s, has been the center of American organized crime since the turn of this century. United Fruit's banana boats coming into the Baltimore harbor have been the freest vehicles for the physical passage of contraband into the United States. In its successive corporate reorganizations, United Brands wound up in the hands of Cincinnati, Ohio, insurance financier Carl Lindner, the principal business partner through the last three decades of Michigan organized crime-linked figure Max Fisher. And through an entanglement of financial interests that might have been invented by a mystery novelist, the fate of United Brands has been intertwined with that of **American Express**, and thus with the world's most efficient silent money-mover, and the prince of Levantine money-laundering, Syrian-Swiss financier Edmund Safra. American Express, which devoured half the old banking houses of Wall Street, ties together the United Brands crime and smuggling capability, the financial networks which created and funded the Argentine Monteneros and other terrorist organizations, and the Swiss-based interests which have acted, for a generation, as the private couriers of the Soviet Union in the international gold markets.

### The *fondi* move in

It is no longer possible to tell how much American equity is, in fact, American; it can only be stated as a matter of

public record that investment banking in the United States is now almost wholly controlled by the ancient European *fondi*.

From 1971 to 1981, in the decade after then-Treasury Undersecretary Paul Volcker removed its gold backing, the dollar fell to a mere 60% of its pre-devaluation level, while the combined effects of inflation and lower stock prices devalued American equity to about 30% of its 1971 level in terms of gold. From the standpoint of the oligarchical *fondi*, secured through gold, American equity could be had for one-fifth its pre-1971 price during the late 1970s.

A similar collapse of the dollar and equity values had occurred during the years 1929-33. With stock prices at a fraction of their previous values and the economy in ruins, President Roosevelt was persuaded by the American friends of John Maynard Keynes to force a devaluation of the dollar in 1932, giving the *fondi*—particularly the fortunes of the Franco-Swiss-Italian “gold bloc”—the chance to buy into American equity at distress prices comparable to those available during the late 1970s.

Among modern financial institutions, the **Assicurazioni Generali** of Venice, the heir to the old Venetian fortunes, provides the most clues to the operations of the *fondi*. The “Generali,” as an insurance organization, is a clearing house for the operations of numerous *fondi*, each represented by one of the principal European investment banks. Its board of directors in 1978 consisted of representatives of the principal banking fortunes of Western Europe:

- **Baron August von Finck**, reputedly the richest man in Germany until his recent death (with the possible exception of Johannes von Thurn und Taxis), owner of the Merck and Finck investment bank, the *fondo* of the old Bavarian royal family of Wittelsbach.

- **Elie de Rothschild**, of the French Rothschild family;

- **Baron Pierre Lambert**, the Belgian cousin of the Rothschild family and proprietor of the Banque Bruxelles-Lambert (and a force on Wall Street through Drexel Burnham Lambert);

- **Jocelyn Hambro** of Hambro's Bank, which owned one-quarter of Italian financier Michele Sindona's Banca Privata when it went under in 1974;

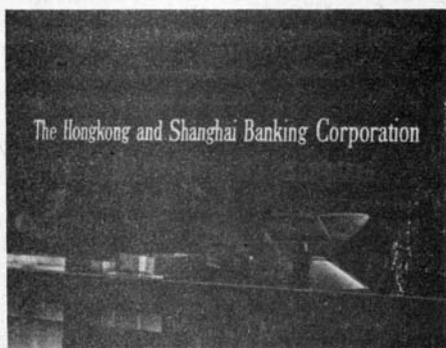
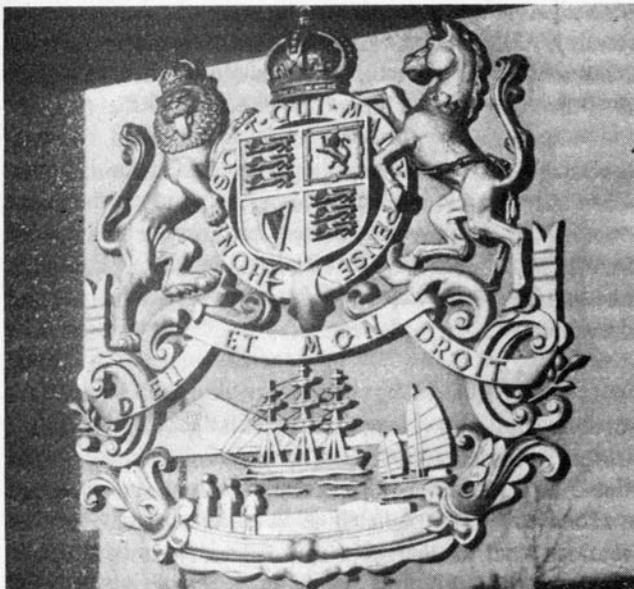
- **Pierpaolo Luzzato Fequiz**, of the ancient Venetian Luzzato family;

- **Franco Orsini Bonacossi** of Italy's Orsini family, whose origin includes members of the ancient Roman senate.

Europe's two most powerful investment banks, Lazard Frères and the Banque Paribas (founded by Venetian Jews based in the Ottoman Empire trade) are the largest stockholders in the Assicurazione, through a variety of shells.

The European *fondi* waited long to avenge themselves against the upstart United States. Their chance came with the break of the dollar from its gold backing in 1971.

Given the collapse of Wall Street stock prices during the long agony of the dollar between the 1967 collapse of the pound sterling and the aftermath of the 1971 debacle, every



The Hongkong and Shanghai Banking Corporation

New York headquarters of the Hongkong and Shanghai Banking Corporation, the in-house bank for the British oligarchy's drug trade.

major brokerage firm ran into trouble no later than the mid-1970s. Lehman Brothers, once the most powerful firm on the Street, was the first to raise the white flag. It secured, through the offices of George Ball, a 7% investment from **Banca de la Svizzera Italiana**, a Swiss bank which functioned as a virtual Swiss subsidiary of the Banca Commerciale d'Italia—the bank at whose headquarters the infamous Propaganda-2 lodge of Italian Freemasonry had been founded years earlier. The Banca de la Svizzera Italiana, based in Lugano, Switzerland, specialized in covert movement of Italian flight capital into the United States.

One by one, the other major Wall Street houses fell under the control of the European *fondi*. The dominant mergers and acquisitions operation on Wall Street, **Lazard Frères**, had never been an American house in any event; it was always dominated by the French-Jewish David-Weill family, and was only managed for the interim by its chairman, Andre Meyer, when no suitable family member was available.

**Drexel Burnham Lambert**, the sixth-largest house, sold out its entire capital to the Lambert family of Brussels, the Belgian cousins of the Rothschild family.

**A.G. Becker**, an old-line Chicago brokerage firm, merged into a *menage à trois* with S.G. Warburg's, the supposedly

independent branch of the Warburg banking family, and the ancient French-Ottoman Empire firm, the Banque de Paris et des Pays-Bas (Paribas), to create Warburg-Becker-Paribas (subsequently merged with Merrill Lynch).

With virtually no exceptions, Wall Street's major houses sold out to the *fondi*. Finally, in 1981, Wall Street's most powerful investment bank, **Salomon Brothers**, merged with Phibro, the trading arm of the Oppenheimer interests. As we shall see, the absorption of Salomon Brothers, investment bankers to New York's Citibank, had the most devastating implications of all.

In a July 1981 study, *EIR* showed that the Treasury Department was badly underestimating—or underreporting—the extent of foreign investment in the United States. If foreign investors behaved the same way as American investors, then the total foreign equity investment in U.S. stocks as of 1980 was \$225 billion, three times the \$75 billion figure estimated by the Treasury! That rough figure represents 20% of the value of all U.S. stocks. However, 20% of the total appeared to represent a much greater concentration of effective control.

We know that the European *fondi* and their investment banking frontmen launder funds from deficit countries, and turn these into anonymous investments in surplus countries, creating what the International Monetary Fund's economists describe as a "statistical discrepancy." Once the nature of the swindle is known, the discrepancy disappears. Armed with a rough-and-ready estimate of the extent of Dope, Inc. infiltration of the American financial system and control over American corporate equity, we may complete the sordid tale of the dope traffickers' intimate relations with the most prestigious American financial institutions.

### Flight capital is king

Salomon Brothers was the last and most important of the big Wall Street firms to go, merging in 1981 with **Phibro**, the trading arm of the Oppenheimer Empire. In the process, the Oppenheims also acquired effective policy control of the largest American commercial bank, Citibank.

Harry Oppenheimer had stated earlier that year, "We mean to expand into North America," and proceeded to create a \$3 billion vehicle with which to do so: the Bermuda-based investment firm Minorco. Both Citibank chairman Walter Wriston and Citibank's chief lawyer, Shearman and Sterling managing partner Robert Clare, joined the board of Minorco. A year earlier, Oppenheimer had taken control of 28% of the only South African gold firm to rival his Anglo-American, Consolidated Gold Fields of South Africa, the country's second-largest gold producer. With 28% control also of Englehard Minerals, the largest American precious-metals refiner and the parent organization of Phibro, Oppenheimer came to dominate world precious metals and related markets in a way that Anglo-American's 19th-century founder, Cecil Rhodes, only dreamed of.

Even more mysterious than the ultra-secret operations of Phibro is Anglo-American's role in the Caribbean offshore market, the main dumping ground for international flight capital in transit to a more permanent home, including about \$100 billion in banking assets in the Bahamas alone, as well as substantial operations in the British Virgin Islands, Netherlands Antilles, Cayman Islands, and other Caribbean banking centers. Chief investment banker to the region is the **International Trust Corporation**, or Itco, created by Anglo-American in consortium with Barclay's bank of the U.K., the Royal Bank of Canada, and N.M. Rothschilds of London. Itco is, in effect, the offshore-banking sister subsidiary of Phibro.

**Citibank**, Oppenheimer's direct partner in the Caribbean funny-money business and indirect partner in the Phibro-Salomon combination, was not new to the flight capital game. In the early 1960s, Robert Meyjes of First National City Bank suggested to chairman Wriston that the bank establish a division for "private international banking" to conduit funds from wealthy individuals abroad into U.S. investment markets. Wriston backed the plan.

When the new division for international private banking opened, it had a staff of six, and managed \$250 million. Twelve years later, the "private banking" division of the renamed Citibank was responsible for a \$12.5 billion investment pool, and contributed 10% of the bank's annual profits. It operates through a far-flung network of "investment advisers"; when a client abroad requests services that are too sensitive for the bank to handle—e.g., the creation of dummy subsidiaries or the chartering of nonexistent aircraft—the banker refers him to one of the "advisers," who accomplishes the required skullduggery.

David Rockefeller's **Chase Manhattan** bank did not take long to imitate Citibank's imaginative program for obtaining new deposits. In 1966, a memo circulated in Chase's international division arguing that the bank should seek illicit international funds as new sources of deposits. This became referred to as "looking for mafia money." Chase found that this was easier proposed than accomplished. It had made the Asian market a priority, but found that Hong Kong, the central Asian offshore market, was too closed a club to afford easy access to an American bank. Until Chase brought the billionaire shipowner Y.K. Pao onto its own board of directors, establishing a link to the Hongkong and Shanghai Bank (where Pao is vice-chairman), Chase could not begin its subsequent expansion into the Hongkong market.

**Bank of America**, looking eastward from its headquarters in San Francisco, also made Hongkong its top priority. Rudolph Peterson, its former international chief, once told a reporter, "The Hongkong and Shanghai Bank is the dominant institution there, but we found a way to work with them so that they wouldn't see us as a threat."

When the now-infamous **Banco Ambrosiano** went down

in a financial scandal two years ago, the chairmen of the major American commercial banks could not have been more embarrassed were they forced to tell their wives that they had contracted a social disease. Ambrosiano was a financial brothel; its ownership and clientele included the financial elite of Europe and the United States. Not merely the major Italian banks, including the Banca Commerciale Italiana and its Swiss offshoot Banca de la Svizzera Italiana, but Bank of America and Chase Manhattan Bank were up to their ears in the scandal.

Roberto Calvi, the most prominent financier of the Italian Socialist Party and the treasurer of the ultra-secret Propaganda-2 lodge of Italian Freemasonry, built the \$6 billion Banco Ambrosiano into the core of a \$20 billion international empire of merged and associate companies. Ambrosiano fit into a larger series of Chinese boxes, like the publicity-shy but powerful international syndicate called **Inter-Alpha**, the bridge between the Levantine money-wash of Calvi and the Far Eastern operations of the Hong Kong dope financiers.

Remarkable were the intimate ties between Calvi and the major American banks. The Inter-Alpha group capitalized a small securities firm in New York under the name **Ultrafin**, leaving the management to Calvi and his close friend, the late Club of Rome founder Aurelio Peccei. At Peccei's suggestion, Calvi brought in the chief economist of David Rockefeller's Trilateral Commission, Prof. Richard Gardner, to act as chief of intelligence for Interalpha in New York. Gardner became a board member of Ultrafin with this special assignment.

Richard Gardner, the former U.S. ambassador to Italy, who is personally close to Chase Manhattan chief Rockefeller, drafted all the major financial documents of the Trilateral Commission, including its 1976 plan to replace national governments' control of economic policy with a truly global central bank. His wife, Daniele Luzzato, is the daughter of Bruno Luzzato, the aristocratic Venetian who controlled the Paris office of the Marshall Plan after World War II.

Bank of America had capitalized a joint venture with Banco Ambrosiano, the \$3 billion assets Interbanca Spa. Almost to the end, Bank of America defended its connection to Calvi. "Banco Ambrosiano is a fine upstanding bank of good reputation," said the chief of the bank's international department, Rudolph Peterson, in an interview reported in *EIR* July 7, 1981. "I'm sure this scandal concerning them will wash away. Even when there is chaos all around them, the bankers and especially the central bankers know how to get through. The banks and central bank will continue with their direction, while they pull through and the scandal washes away."

Peterson was wrong. Calvi ended up hanging beneath Blackfriars' Bridge in London, and Dope, Inc. was reorganized again—bringing Henry Kissinger and company into the new directorate of the firm (see page 24).

# Moscow moves in on the dope trade

On Tuesday, Nov. 23, 1982, an international law-enforcement team under the direction of Italian magistrate Carlo Palermo arrested eight members of a gang of criminals running the Milan center of "the biggest arms dealing network in the world." The arrests marked the dramatic climax of a three-year investigation, during which it was discovered that the Milan-based firm of Stipam International Transports was the channel through which huge quantities of arms were shipped to the Middle East to every extremist fraction of terrorist and integrist groups. The standard form of "barter" payment for the weapons? Hashish, heroin, and other drugs principally produced in the "Golden Crescent" region of Iran, Pakistan, and Soviet-occupied Afghanistan.

By the time the dust had settled on the Stipam bust, more had been unearthed than even a multi-billion dollar arms-for-dope ring. At the very heart of the Stipam operation was the arrangement between top government and private channels in the East and West to share the revenues and political power of Dope, Inc. As a direct result of the Stipam bust, the "Bulgarian Connection" to the assassination plot against Pope John Paul II was established beyond a shadow of a doubt.

Coinciding with the mid-1970s takeover of Wall Street's banking houses by the European oligarchical family funds, the *fondi* (see page 27), the Soviet Union began to muscle its way into a critical partnership position in world finance. Through the expansion of its own imperial banking apparatus, through the emplacement of organized-crime elements under Soviet influence, and, most of all, through deals with such Western interests as the Oppenheimer mining group, the Soviet Union took over its share of the world's dirty-money networks.

The Soviet Union conducts its trade abroad through 175 corporations; it controls a multinational banking empire, including fully owned banking houses in London, Frankfurt, Paris, Zurich, Luxembourg, Vienna, Singapore, Beirut, and Isfahan. It has established thousands of joint ventures with Western firms, including East-West Import-Export Ltd., a 50-50 partnership between Britain's elite Morgan Grenfell Bank (one of the shareholders of Dope, Inc.'s Hongkong and Shanghai Bank) and the Moscow Narodny Bank. The combined assets of these Soviet banks are in the tens of billions of dollars.

*Dope, Inc.*'s dossier on the Soviet dope-and-dirty-money operation details the following principal developments:

- **The move of Soviet-backed figures into leading positions in organized crime.** During the mid-1970s, a reorganization took place in the financial underworld. Mobster Bernie Cornfeld, for example, was unceremoniously expelled from the money-laundering organization par excellence of the 1960s, Investors Overseas Services (IOS), with the connivance of Baron Edmond de Rothschild and the Swiss authorities. He was replaced by Rothschild "discovery" Robert Vesco—a frequent visitor (some say resident) of Fidel Castro's Cuba and an instrument of Cuban efforts to milk the narcotics traffic as a slush-fund for dirty political operations in the Caribbean.

- **The creation of the Bulgarian Connection to organized crime, especially through Kintex, the Bulgarian government's official export-import agency.** According to a report issued in 1984 by the U.S. Drug Enforcement Administration, "Kintex is structured as an umbrella organization which orchestrates the trafficking of contraband through Bulgaria. Kintex has been identified as the principal narcotics-and-weapons shipping agency."

- **The establishment of ties between the U.S.S.R.'s Moscow Narodny Bank and the Mideastern dope mafia.** Moscow Narodny and the Soviet KGB maintain multiple ties to Lebanese warlord Camille Chamoun, who controls one of the largest private paramilitary organizations in the Mideast, and reportedly protects the transport routes for Golden Crescent opiates. Moscow Narodny had owned 5% of Intrabank, the old Lebanese dirty-money drug bank, and was involved in several bids to take over the financially ailing Intrabank.

- **The growing Soviet clout in the world financial and precious-metals markets.** During the dollar's big runup in winter 1983 and spring 1984, the Soviets demonstrated the financial resources to play \$1 billion per day in the foreign-exchange markets, for days at a time, during several consecutive weeks—even though official figures show only \$8 billion of Soviet funds on deposit in Western banks. U.S. intelligence analysts estimate that between 1972 and 1983 at least \$35 billion of Soviet funds was unaccounted for, being relegated to the "errors and omissions" column of statistical tables. The total Soviet assets deployed in dirty-money operations abroad can be estimated at \$50 billion.

- **The merging of the Soviet gold and diamond trade with Western dirty-money operations.** In July 1980, the Soviet government and Dope, Inc.'s Oppenheimer mining group (South Africa's dominant gold producer) struck a deal for exchange of intelligence on the world gold market. Wrote *Der Spiegel* magazine on Jan. 23, 1984: "The Soviets and South Africans meet regularly in the official Wozchod Handelsbank [Polish foreign trade bank] in Zurich, to consult over the erratic movements of the gold market; the two countries control more than 80 percent of world sales."

## India votes for unity behind Congress Party

by Linda de Hoyos

In the largest electoral mandate in history, the Congress Party of India, under the leadership of Prime Minister Rajiv Gandhi, swept Indian national elections Dec. 24-27. The Congress landslide far exceeded even the most optimistic predictions. Prime Minister Gandhi began his new administration on Jan. 1 with an 80% majority in parliament.

The Indian 400-million-member electorate, the world's largest, voted overwhelmingly to give Mr. Gandhi the chance to realize his stated goal—to “bring India into the 21st century.” It is this, and not a sympathy vote for Mrs. Indira Gandhi, the great Indian leader and prime minister assassinated Oct. 31, 1983, which brought out the vote for the Congress Party. In many days of hard campaigning, Mr. Gandhi took his message to villages, towns, and cities: The murder of Mrs. Gandhi was an attempt by outside forces to destroy India; they will never succeed. The Indian population must rally to the nation, in a united fight for its integrity and sovereignty, and on this basis move this vast, rich land into the 21st century as an industrialized power.

Defying the predictions of those forces in London, Switzerland, and Moscow that Mrs. Gandhi's assassination would sound the death knell for India, the population rallied to this call. Observers who traveled throughout India during the campaign period report, this is not a vote for the status quo, but a vote for change. But in voting for change, Indian voters decisively rejected the plethora of regional, religious, and

sectarian opposition parties, and voted for change through the Congress Party, the party which brought India independence and has ruled the country for all but three years since 1947. Instead of disintegration, the Indian nation has risen with new-found hope and vitality to meet the challenge of the future.

The election victory for the Congress Party and its Prime Minister thereby arrests the manipulated process of breaking up India that began in earnest with the winter 1983 slaughter of Muslims in the state of Assam, rose to a high pitch with the Indian army invasion of the Golden Temple in June 1984, and took its worst toll with the murder of Prime Minister Indira Gandhi. The imperialists of the Russian, Anglo-American, and Swiss empires miscalculated because of their own complete inability to fathom the power of the concept of nation—the vehicle that mediates the individual's contribution to all humanity—and which is to them the chief hindrance to the full implementation of their anti-human designs.

As the linchpin nation of Asia, disintegration of India would have unleashed a holocaust of famine and political chaos that would threaten all of humanity. Conversely, in unifying around an aggressive leadership determined to bring it fully into the 21st century, in concert with other nations, the potentials for India's contribution to Asia and the rest of the world are infinite.

For the oligarchs, it's back to the drawing boards.

## Rajiv takes command

On Dec. 31, Mr. Gandhi took his oath of office, noting in his short speech, delivered in Hindi, that it was the two-month anniversary of Mrs. Gandhi's death and that the most fitting tribute to her memory was to continue the work that she had started. His cabinet announcements later that day already displayed a boldness of decision for change that had inspired Indian voters during the campaign. The changes were less in the personnel than in changes in the structure of the cabinet. Signaling his priorities, Mr. Gandhi raised education to the level of a full cabinet-level ministry, appointing K. C. Pant, a Congress Party leader, to the post. In addition, Mr. Gandhi broke up the Energy Ministry, to create a Coal Ministry, a Petroleum Ministry, and a Power Ministry. Arun Nehru, close adviser and distant cousin to Mr. Gandhi, is the power minister.

In his first full speech to the nation on Nov. 4, Mr. Gandhi had pledged to clean out India's bureaucracy, modeled on that of the British Civil Service, which has weighted down the entire productive process of the country. Employment in government, he said, will be based on performance and efficiency—no one will be sacrosanct. On Dec. 31, Mr. Gandhi showed he meant business with this statement by declaring that the post of deputy minister no longer exists. Since each ministry is designated with a minister, a minister of state (who actually functions as a deputy minister), and a deputy minister, the third post is redundant and henceforth will no longer exist.

This decision coheres with the first act Mr. Gandhi took to change government, within a couple days of taking office after the death of Mrs. Gandhi. He relaxed the procedures for government licensing of industrial projects. Instead of going through two ministries, such licences need only be processed through one, thereby cutting the time down from over a year to no more than three months.

Mr. Gandhi also replaced the planning minister, appointing Mr. K. R. Narayan, the former ambassador to the United States, to this critical post, which is responsible for shaping the country's development policies. There are suggestions that the entire ministry will be overhauled.

Mr. Gandhi retained S.D. Chavan, former defense minister in the post of home minister, and N.C. Rao has been moved to the position of defense minister. However, he replaced Mr. Mukerjee, who had been mooted as the possible new prime minister in the hours after Mrs. Gandhi's death, with V.P. Singh, an economist who previously served as commerce minister and who has extensive experience in representing India with the Group of 77 and the Non-Aligned Movement.

Also dropped was the minister for railways, Abdul Barkat Chowdhury, who has acquired a reputation for corruption.

These decisions cohere with decisions that Mr. Gandhi had already initiated in the Congress Party. In India, the party

candidates are centrally chosen by the national party leadership in New Delhi. Mr. Gandhi, Congress general secretary, eliminated some 80 people from the lists, particularly those who had been caught in corruption or who had not performed their function seriously. Especially eliminated were the corrupt leaders of that wing of the party that had been organized around Sanjay Gandhi, Mr. Gandhi's brother, who was killed in a plane crash in 1980.

Mr. Gandhi himself, as did his mother, retains the post of foreign minister. He has reaffirmed India's position as the leader of the Non-Aligned Movement dedicated to protecting the ability of the underdeveloped countries to steer an independent course against the colonialist aims of the Soviet or

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Anglo-American-Swiss empires. In his campaigning, Mr. Gandhi also noted that India has the task before it of mending fences with its neighbors. He announced that if invited, he would be glad to visit both China and Pakistan. He is expected to make a trip to the United States in April, which had been Mrs. Gandhi's intention also.

## Opposition discredited

In the face of Mr. Gandhi's vision of India's future and his determination to realize it, the opposition parties were exposed across the board as the mewling and puking brats they are. With the exception of the Communist Party of India (CPI), none of the opposition parties are national parties. All are based on sectarian religious or regional interests, or, as in the case of the CPI, foreign interests. But what the opposition parties have lacked in support or ideas has been more than made up for by the publicity heaped on them by the Indian domestic and international press.

The two major forces to receive the full brunt of the Congress victory were the radical Hindu chauvinists and the communists. The Bharatiya Janata Party (BJP), the electoral arm of the Hindu paramilitary force, the RSS, received only three seats in the election, as the Congress Party swept through the Hindu belt of northern India. In New Delhi, a BJP stronghold because many New Delhi residents were refugees from Pakistan during Partitioning, the Congress Party took all seven seats. Congress also took every seat in Madhya Pradesh, the state of Bhopal, site of the recent chemical disaster.

The Communist Party of India ran into deep trouble, receiving only three seats out of 515 in the parliament, even

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*In many days of hard campaigning, Mr. Gandhi took his message to villages, towns, and cities: The murder of Mrs. Gandhi was an attempt by outside forces to destroy India; they will never succeed. The Indian population must rally to the nation, in a united fight for its integrity and sovereignty and on this basis move this vast, rich land into the 21st century as an industrialized power.*

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though it fielded candidates in every state. This is compared to 12 seats in the last parliament, and 50 to 60 in the days of Prime Minister Jawaharlal Nehru, when the parliament was significantly smaller. The Soviet-instigated demands that India go to war against Pakistan and end its non-aligned stance to become a hireling of the Soviet Union were rejected by the population. The CPI campaign was vituperative in its attacks on the Congress, with CPI leader Biswanth Mukherjee declaring that "Rajiv's mother has died: Maybe the sympathy will pull him through in Amethi. But not all Congress-I leaders have lost their mothers."

Another group that received a drubbing from the voters was the so-called Sanjay Forum Party of Maneka Gandhi, the widow of Sanjay Gandhi with ties to the Bombay mafia. Campaigning on a program of "Small is beautiful," Maneka ran in the Amethi district of Uttar Pradesh opposite her brother-in-law, Rajiv Gandhi. She was defeated by 315,000 votes. Failure to win even 10% of the vote forced her to forfeit her election deposit.

The Communist Party (M), a split-off of the CPI, is

limited mostly to West Bengal, where it maintained its majority, but the Congress gained more seats in the election.

The Janata Party, which had ruled India after it swept out Congress after the Emergency in 1977, received only four seats.

In the south of India, where the Congress Party was expected to meet trouble against the regional parties, it instead picked up seats. In Tamil Nadu, the leftist Tamil-regional party was turned out by the voters, much to the relief of the Sri Lankan government. Only in Andhra Pradesh, where Chief Minister N. T. Rama Rao had had a brawl with the Congress Party this summer, did an opposition party hold its own against the Congress landslide. Rao's state party, the Telugu Desam, received 28 seats, making it the largest opposition party in parliament.

The states of Assam and Punjab did not vote in the national elections; in Assam, the voter registration is being contested because of the influx of immigrants from Bangladesh; the state of Punjab is still under martial law. Sikh leaders in Punjab, however, expressed their confidence that Mr. Gandhi will act to settle the Sikh issue.

The Congress Party strategy was to field strong candidates and strong campaigns to knock out the leaders of the opposition. The strategy was extremely successful. Among the notables to bite the dust were:

- Atal Bihari Vajpayee, head of the BJP and a former foreign minister under the Janata government of 1977-80;
- George Fernandes, the Socialist International pal of Willy Brandt, and leader in the Janata government whose career has been based on drumming up Jacobin agitation against the central government.
- Hemvati Nandan Bahuguna, a leftist Social Democrat who has held a seat for decades. His Congress opponent, Amitabh Bachchan, will join the cabinet.

Charan Singh, the head of the Dalit Mazdoor Kisan Party, another sectarian Hindu party, squeaked through the elections, with a margin much smaller than expected.

## Looking toward the future

India has thus come out of the last harrowing two months with a strong mandate for its leadership and a strengthening economy. On the day after the elections, the government released figures showing a growth in industrial output of 7.5%, in agricultural output of 10% to 15%, and a decrease of inflation from 6.3% to 5%.

In a speech delivered on Nov. 19 to 200,000 people on the occasion of Mrs. Gandhi's birthday, Prime Minister Rajiv Gandhi declared: "We have to avenge her death, not by anger and rancor, but by sinking all differences and fighting, with all our might, against the forces of disunity and disintegration. . . . We are a real democracy. India cannot be broken. . . . Indira has been assassinated, but India is not dead."

To this call, the Indian people have answered with overwhelming support for its nationhood.

## Soviets favor a 'red-green dawn'

by Edith Vitali

The Soviet news media are no longer concealing their desire to see a "Red-Green" coalition come to power in West Germany in the near future, taking that nation out of the Atlantic Alliance and into the sphere of the Soviet empire. In a December issue (no. 52) of the Soviet foreign policy magazine *New Times*, Bonn correspondent A. Tolpegin editorialized in favor of such a new government in Bonn, a coalition between the Social Democrats and the neo-Nazi Green Party based on opposition to NATO.

According to opinion polls cited by Tolpegin, if national elections were held tomorrow, the Free Democrats, coalition partner of Chancellor Helmut Kohl's Christian Democrats, would probably not receive 5% of the vote, the minimum for obtaining any seats in the Bundestag. "In that case," he observes, "the Social Democratic and Green parties would gain a majority."

"With the present alignment of forces, the SPD and the Green Party have a chance to win a majority in the Bundestag. If they agreed to cooperate, this would mean a big shift to the left in West German politics." Tolpegin looks hopefully at the local elections coming up in North Rhine-Westphalia and the Saar in spring 1985 for this scenario to begin to become a reality.

A big shift in Soviet media coverage of the Green Party occurred during that party's Hamburg congress. Radio Moscow's coverage hailed the Greens for having conquered "firm positions" on the German political landscape, and hailed Green leader Rudolf Bahro as the "man with the greatest intellectual potential." The same Bahro, an East German "defector," told the assembled Greens at that conference that they would come to power by following the model of Hitler's Nazi Party!

While endorsing these dangerous new Nazis, the Soviet media have been attacking the current government in Bonn for "protecting" and "encouraging" "militarists, neo-Nazis and revanchists."

In Soviet terminology, "revanchists" are the exile-organizations of Silesians, Sudeten Germans, East Prussians, and others whose "homelands" are now part of or under the jurisdiction of the Soviet Union, Poland, and Czechoslovakia. The wild fiction of these pensioners in their 60s and 70s, equipped with nuclear weapons and overrunning Eastern Europe accompanied by the Bundeswehr and U.S. Army, be-

came predominant in Soviet publications during the summer of 1984, to the accompaniment of the biggest Soviet military maneuvers of the postwar period in East Germany.

Beyond the "revanchists," the "Nazification" of Germany has gone much further if you believe the Soviet press these days. Both *Red Star* and *Izvestia* have featured attacks on the West German intelligence service (BND), which supposedly is about to introduce "totalitarian surveillance on the model of the Third Reich" and collaborates closely with the South African secret service. The West German budget for 1985 allegedly reflects the increasing "militarization" of the economy, *Izvestia* charged in a separate article.

"The neo-fascists, who feel very comfortable in the atmosphere of the 'spiritual turn' to the right which West German ruling circles brought about, conduct their dangerous propaganda without any obstacles," TASS reported from Bonn. A German television program which mildly criticized the Soviet invasion of Afghanistan immediately became a major target of Russian calumnies. According to TASS, this program was "penetrated with the germs of revanchism," and in general, exemplary of the "growth of the revanchist, militarist, and neo-fascist tendencies which receive support from part of the ruling circles and reactionary propagandists."

The worst "revanchist" and "militarist" organization of all in Soviet eyes is . . . the Schiller Institute, founded in West Germany and the United States by Helga Zepp-LaRouche in May 1983 for the principal purpose of saving the Western Alliance. Admittedly, the Schiller Institute is one of the few, if not the only institution in the West which has been very outspoken about the growing Soviet military threat.

On Dec. 29, the Soviet military daily *Red Star*, in a year-end review called "Hopes and Worries," attacked unnamed "West German revanchists" who asserted during 1984 that "the Russians allegedly plan to attack the Federal Republic of Germany. 'Will the Russians attack in 1984?' they asked. And they asserted: 'They are to attack for sure,' 'they will reach the Rhine within 48 hours,' and 'they will raise the red banner over Bonn.' But the year 1984 is over. Bonn is still in its place, nobody is planning to touch it. Embarrassing for the slanderers! It's not the first, and we are convinced, also not the last time."

Few outside the Schiller Institute said or did anything around the threat of a Soviet surprise attack on West Germany, a danger which was at its peak during the second half of August 1984, and is again rising as a threat implicit in Politburo member Mikhail Gorbachov's three-months ultimatum to the United States to stop the Strategic Defense Initiative.

Following Soviet logic, the need for a surprise attack on West Germany will decrease only if the country breaks from the United States voluntarily. That would be most likely if the violently anti-American Green Party became the coalition partner of an increasingly anti-NATO Social Democratic Party.

# Moscow threatens retaliation if U.S. develops strategic defense

*As the Geneva arms talks prepare to convene, Soviet propagandists are saying in no uncertain terms that their principal concern is to stop the U.S. Strategic Defense Initiative, and that they will not negotiate on the terms which President Reagan has offered: cooperation to achieve Mutual and Assured Survival based on parallel U.S. and Soviet development of strategic defense capabilities. "Washington's current lack of desire to negotiate a ban on the militarization of outer space could become a major stumbling block in resolving the issues of medium-range and strategic nuclear weapons," said a commentary circulated by the Soviet news agency Novosti on Jan. 4.*

*Soviet political commentator Valentin Falin, in an article published in the government newspaper Izvestia on Dec. 14, 1984, threatened that the U.S.S.R. could take retaliatory measures—such as installing missiles on the Moon—if President Reagan persists in his strategic defense program. Falin is the first deputy chief of the International Information Department of the Soviet Central Committee, and was formerly ambassador to West Germany. The following is an abridged text of his article.*

U.S. Defense Minister Caspar Weinberger declared recently: Space defense, which Washington has made up its mind to build, is required to make ballistic missiles "inefficient and unnecessary," and in this way help to "free the world from the threat of nuclear war." At the same time, without taking a breath, he added: "We do not at all intend to weaken our readiness to react appropriately to any other threat to our security from nuclear as well as non-nuclear weapons."

Thus the nuclear threat in the best case is only reduced. For whom and how much? The first to be registered in the waiting room of "increased security" is, of course, the United States. According to the newest Pentagon estimates, the immediate "strategic threat" to the United States can ultimately be reduced nine-tenths. If everything works as planned.

Something in the Washington model of a "secure world" is not right. What is it? The *Wall Street Journal* wrote that "de facto, the U.S. is asking the Soviet Union to assist in the modification of the treaty on anti-missile defense systems, to permit the development of space war weapons, and then turns

to her with the request to curtail their own [Soviet] defense, given that defense in the spirit of space wars would work for sure."

The most zealous supporters of "destabilizing" the enemy with the help of the arms race certainly calculate how soon the belts would be tightened so much that the Soviet Union could neither breathe in nor breathe out. But the experienced Latin lawyers used to say: The wise man begins his analysis with the result, and what was first in the intention, will be last in the implementation. The majority of American military and civil experts, many authoritative political activists, consider the concept of "star wars" fundamentally unsound. Former Defense Minister R. McNamara predicts that "the SDI will die away on its own, but we [the U.S.] will pay a huge price for it—politically, economically, and militarily."

In the summer of [1981], C. Weinberger already openly prophesied the readiness of the administration to abrogate the ABM Treaty, if the results of the research conducted in the country were more impressive than the reasons for keeping to the treaty.

Reagan's March 1983 declaration concerning the construction of an "impenetrable shield" against nuclear missiles therefore only dotted the "i," in the sense of a definite choice of political orientation and the conclusion of the debate inside the administration itself. We go for space, the President decided.

In June 1982, before the "stars" speech of the President, the USAF Space Command was established. Then Washington formed a management board headed by General J. Abrahamson to coordinate the work on the "strategic initiative" program, with the mandate to conduct four demonstrations of the most important technologies for such systems before 1990. At the end of November of this year, in the interest of improving the utilization of space systems and planning the future, the United Space Command (USC) of the U.S. armed forces emerged under C. Weinberger personally.

## Soviet countermeasures

Even non-specialists realize that there is a multiplicity of ways to—using Washington terminology—depreciate the "space shield." The simplest way is to fill space with a mass

of waste, which will make the highly refined systems of detection and discernment similar to a tracking dog, compelled to find a track which is sprinkled with a mixture of tobacco and pepper. And if you install on the ground and on the water a permanently functioning firework of infra-red signals, recalling the exhausts of thousands and thousands of missile engines, then even the computers of the 10th generation will lose heart.

But it is also not difficult to imagine something more complex. Missile bases on the Moon, for example. It is a three-day flight to our natural satellite. If the Americans, covered behind a "space shield," decided to use their first-strike weapons—only for "containment," of course—then they would be visited from the Moon within three days. If

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they attacked the bases on the Moon first, then they would cross paths with the weapons of retribution on their way. There is also the option of semi-orbital and orbital missiles, the only defense against which is not to have such [anti-missile] systems at all. The deployment of superheavy missiles at the bottom of silos or the creation of devices to paralyze all systems of communication and control in space, air and water and, perhaps, the lines of electricity supply, might repel the inclination for a first strike.

It is unnecessary to speak of the fact that the side which is threatened by an "imperceptible" first-strike weapon, connected with a developed ABM system, might consider it feasible not to imitate the stupid foreign bungling and concentrate on enforcing the instruments of "mutual destruction" [strategic offensive weapons—ed.]. So that the 10 percent non-interceptable warheads which Washington apparently considers an acceptable risk, would increase to 30 or 50 percent, neutralizing the threats from American forward-based weapons. Finally, there is no ABM option which abolishes the fact that an exactly known quantity of nuclear bombs, simultaneously exploded over one's own territory, would have irreversible global consequences.

One might object—how is that? What with the test-ban treaties on nuclear explosions in the three spheres, on the

principles of government activity in the research and utilization of space, including the Moon and other celestial bodies?

I share the standpoint of M. Bundy, G. Kennan, R. McNamara, and G. Smith, expressed by them on the pages of the last issue of the journal *Foreign Affairs*. "The ABM treaty," they write, "is at the very center of the efforts to limit strategic arms with the help of international agreements. . . . This treaty for its own basic purpose serves as a guarantee not against defense as such, but against unrestrained competition."

Wasted opportunities in politics mean added complexities and increased dangers. Washington today is not simply blocking the road to progress. It is trying to eradicate everything that was done jointly by the governments before the current administration. Such insanity and adventurism make even the U.S. allies shudder. "The French government," Defense Minister C. Hernu declared in the middle of November 1984 in the National Assembly, "fully understands the unusually serious, unusually significant risk with which the possible deployment of defensive systems in space is fraught for the stability of the equilibrium between East and West, for Europe and for the security of the whole world."

Is this understood in Washington? They understand it in their own way. "Who controls space, controls the whole world," they say there. They proceed from the fact that relocating the arms race into space will open up the sluices for new forms of competition in all directions. The Pentagon plan is to step up programs for offensive strategic and theater weapons, nuclear and non-nuclear, land- and naval-, missile and aviation weapons. C. Weinberger declared on Dec. 6, 1984, that the military preparations of the U.S.A. and NATO as a whole will be realized independently of the results of the upcoming Soviet-American negotiations in Geneva on Jan. 7-8 of next year. In the words of another administration official, G. Shultz is going into the meeting with A.A. Gromyko not to curtail the American space plans, but to "explain them."

Comrade K.U. Chernenko, replying to the message from the Fourth Congress of the movement "International Physicians against Nuclear War," urgently underlined: "The militarization of space, if we do not succeed to stop it, will render null and void everything which was achieved so far in the field of arms limitation; it will push the arms race into other directions, and sharply increase the threat of nuclear war. . . . In the contemporary troubled world, it is of the utmost importance that all the governments that bear on their shoulders the terrible and expensive burden of nuclear arsenals, recognize their historic responsibility for the fate of mankind, and by concrete deeds promote the lessening of the nuclear war danger and the normalization of the international situation."

In our age, weapons don't render weapons harmless, but the common sense and good will of governments do. Only they, and nothing else.

# Will France survive Mitterrand's new alignment with the U.S.S.R.?

by Laurent Murawiec

"To Star Wars, I say no!" the President of France hammered away repeatedly during a more than half hour television interview on Dec. 16, 1984. It was a far cry from his celebrated September 1983 address to West Germany's Parliament, the Bundestag, with its motto, "The missiles are in the East, the pacifists are in the West." What happened in between is the story of the devolution of François Mitterrand, and the slide of France into a situation that parallels its worst moments.

The Socialist President proved a worthy successor of Jimmy Carter as the laughing stock of international affairs when Muammar Qaddafi and Andreas Papandreu hoodwinked him at their joint conference in Crete last December into giving his agreement to the liquidation of France's strategic influence in Chad and Black Africa, earning Mitterrand in the process the eternal scorn of the betrayed Black African leaders.

If it be remembered that Socialists waged the colonial wars of the 1950s, and lost their seats, their honor, and the colonies in the process, history is repeating itself—as a farce. This time, Mitterrand's closest advisers, such as the former Tricontinental (Komintern) official Regis Debray, spent three years detonating a crisis in the remote South Pacific islands of New Caledonia, where Debray's anthropologist friends have created out of thin air an "independence" movement now engaged in civil war-like violence. As in Chad, where a good part of the French military went to the President and requested orders to strike Qaddafi's impudent invading troops, only to be turned down with insults added—"irresponsible warmongers" were the words used—the French troops on the Pacific islands have been instructed to give aid and comfort to the terrorists.

All the rhetoric expended on the subject of France's loyalty to the Atlantic Alliance—to which it still adheres even though the late Charles de Gaulle pulled France out of the *military* command of NATO two decades ago—is overshadowed by systematic evidence of treason. In January 1984, Mitterrand's little noticed but portentous Belgrade speech, which gratuitously praised the Soviet contribution to victory in World War II and the undying friendship of the French and Soviet peoples, heralded this strategic turnaround. The recent

appointment as foreign minister of Roland Dumas, an attorney specialized for 30 years in defending KGB operatives, Freemasonic Sovietophiles, anti-French terrorists, and the like, has only confirmed the new trend. Deputy Foreign Minister Roland Dumas mediated the national humiliation of Crete for his lifelong friend Mitterrand. He was rewarded in early December with full ministerial rank.

As a result, Mitterrand's alignment with Moscow against President Reagan's Strategic Defense Initiative (SDI) has turned the country into a massive strategic liability for the West, in just 15 months.

## MAD deals with Moscow

Within the framework of the Mutually Assured Destruction (MAD) doctrine, Mitterrand and his advisers were more than willing to strike a pro-American pose and boost the stationing of the Pershing and Cruise missiles in neighboring West Germany, as a "flanking" support for the French *force de frappe*. Mitterrand's pretext for turning against his U.S. allies now is that, once thermonuclear terror is undermined and eliminated by the SDI, the small French deterrent force disappears as a strategic factor and France is left vulnerable. This is, of course, lying nonsense, given repeated offers from President Reagan and U.S. Defense Secretary Weinberger to share the development of the beam-weapons defense with the European allies and to use it to guarantee the defense of Western Europe for the first time in two decades. But Mitterrand has chosen to try his utmost to stop the SDI—even while French defense science labs are working hard to keep abreast of directed-energy weapon development.

In opposing the SDI for *apparently* military-technical reasons—the so-called threat to the national deterrent force—France has naturally drifted toward its best-possible anti-SDI ally, the Soviet Union. The strategic "package" sketched above—Africa, the Mediterranean, the southern Pacific—flowed from there, as so many asset transactions effected to seal the alliance. France, as a result of a policy designed to "preserve the independent deterrent force," has therefore maintained the fiction of a deterrent soon to be made obsolete and useless by both the U.S.A.'s and Moscow's own beam

weapon systems, while effectively losing its independence and becoming a strategic adjunct to the Soviet General Staff's planning directorate.

At every time in modern French history that a government has thus abdicated national sovereignty, the result has been to auction chunks of French overseas influence, its arms industry, its high-technology capability, its intelligence services to more powerful rivals and allies. The cases in recent memory, France in the 1930s and the Fourth Republic in the mid-1950s, found the country's healthier segments always turning to foreign forces to gain factional advantage. The hapless rulers, whose policy took all of three years to make France the sick man of NATO, are turning equally abroad, and rush headlong into shameful collaboration with foreign forces to make up for their domestic degradation—as did the Vichy regime of World War II, which mortgaged the country to the Nazis, and the Socialists in the Fourth Republic.

### Communist and fascist inroads

One year ago, a strategic expert remarked that France was being primed to repeat its tragic experience of the 1930s—tear itself apart in internal strife, riots, strikes, and possibly civil war, and be so inward-turned that it would forsake any chance of playing a strategically positive role. France today is torn apart internally. Thanks to the Mitterrand government's total subservience to the International Monetary Fund and the powerful interests centered in Swiss banking, unemployment and the rapid spread of what the media have branded "the new poor" have fostered the growth of a radical right bent on race war, under the banner of the philistine adventurer Jean-Marie Le Pen. The "new poor" result from a shocking process of pauperization stemming from permanent under-employment and unemployment and the gutting of entire industrial regions and branches. Capitalizing on this social chaos, at recent local elections in Perpignan, in the south, the Le Pen-supported National Front candidate received an astonishing 40% plurality of the vote in the runoff. Indications were that the Communist Party directed its faithful to vote for the fascist candidate.

The Communist Party has *apparently* been weakened decisively at the polls, sinking within a few years from 22% to 11% of the electorate, its lowest level since 1929. But the French Communists, whose blind obedience to Moscow's every word have made them one of the most powerful Russian tools in Europe, made extraordinary use of the three years they spent in the Socialist-Communist coalition government under Mitterrand, and infiltrated their functionaries deep into the recesses of the all-powerful civil service, including in areas hitherto free of Communist influence, such as the military, the intelligence establishment, the interior ministry, and the arms industry. Communist leaders do not consider the ups and downs of electoral politics as more than a troubling annoyance: What matters is power, and they have grabbed more than their share since Mitterrand ushered them

into government in 1981, for the first time since 1947.

Having kept their powerful labor machine intact, the radicalized Communists, now out of power since late last year and ostentatiously voting against the Socialist government in all major legislation, are preparing strikes and riots with the one objective of destabilizing the country into strategic impotence. Moscow can dangle the carrot in front of Mitterrand's nose of imposing peace upon its bloodhounds.

### Swiss-dictated economic disaster

The Socialist government's economic policy dictated by the Swiss monetarist interests is symbolized by the savage, deliberate torpedoing of the country's largest mechanical engineering company, Creusot-Loire. Creusot filed for bankruptcy liquidation last month after six months of bitter, mafia-like wrangling. "Modernization," the catchword of Mitterrand's young and hollow Prime Minister Fabius, demands a violent purge of the economy, which worsens the social situation in turn. The "opposition," the conservative and liberal alliance which ruled the country until 1981, is clamoring for a "liberal" purge designed to achieve the same result. Former President Giscard d'Estaing, whose personal political credibility is virtually nil, hobnobs with the Trilateral Commission and Kissinger Associates; his last Prime Minister Raymond Barre, the most dangerous tool of the Swiss and Trilateral financial interests in French political life, is assembling forces for a "liberal counter-revolution" which would aggravate Fabius's purge; right-wing leader Jacques Chirac is finding it increasingly hard to evoke the memories of General de Gaulle to cover his shallow, opportunistic course.

Not one voice has emerged from the benches of the parliamentary opposition to warn of the Soviet danger, to campaign for a regeneration of the Atlantic Alliance, or to force France into collaboration with the SDI. It is not that France lacks patriotic forces—they are presently in a state of impotent rage, mere reflections of the population at large, whose every layer can list endless scores of complaints at the government and deeply feels the succession of national humiliations inflicted through Mitterrand's agency. No ruler of France has been so despised in living memory.

The result of France's "independent" policy line today may very well end up in surrender as France liquidates its most priceless strategic assets and thus any possibility of real independence. It calls to mind the pathetic case of the huge French Navy in World War II. When the Nazis invaded the yet-not-occupied part of France ruled by the Vichy traitors, in 1942, and were about to reach the giant naval base at Toulon, the admiral in command—for lack of orders from Vichy—ordered the whole fleet to scuttle, which its officers diligently executed. The Vichy regime, started under the banner of Empire, was scuttling the prime instrument of Empire.

Today, the only question is whether French patriots will be able to regain control in time.

# Soviet pressure on Japan, Korea could signal new superpower crisis

by Linda de Hoyos

In the fall of 1983, the Soviet Union shot down a passenger airplane flying to Seoul, South Korea, killing all on board. A month and nine days later, this was followed by the bombing-murder of the South Korean government in Rangoon, Burma, by a North Korean spetsnaz (special forces) team that may have had help from Soviet-deployed European terrorists. Together, the two incidents demonstrated the constant potentiality for the Korean peninsula to become a flashpoint for superpower crisis. There is now an emerging pattern of evidence that Moscow is preparing such actions again.

The actual target for Soviet operations in the Korean peninsula is Japan, for which South Korea is a front line of defense. Soviet pressure on Japan has been escalating since November and the re-election of Prime Minister Yasuhiro Nakasone, who is firmly committed to upgrading Japan's defenses and who publicly supports the beam-weapons development program of President Reagan. On Jan. 2, the day Nakasone was to meet Reagan in California, Soviet Foreign Minister Andrei Gromyko handed down Moscow's ultimatum to Japan: Japan must cease any ideas of collaborating with the U.S. Strategic Defense Initiative and bow before the Soviet Union as the preeminent world power.

The form of Gromyko's ultimatum matched the brazenness of the message. The Soviet foreign minister sent a letter to the editor of the Tokyo daily *Asahi Shimbun*, which then appeared in the Jan. 2 issue. Gromyko declared that a threatening global arms race is underway on land, sea, air, and that "militarist circles" are now planning to spread the arms race to space, which would be a "new source of deadly danger." "These militarist circles push the world to the nuclear abyss," which, Gromyko reminded his Japanese readers, "would be much worse than Hiroshima and Nagasaki."

To avert this, Gromyko suggested surrender or, as he called it: "the conclusion of a non-aggression treaty between the nations of Asia and the Pacific." The problem is Japan, Gromyko said, "which is becoming increasingly involved in militarist preparations. Soviet-Japanese relations can hardly be described as satisfactory." The remedy is for Japan and the Soviet Union to conclude a treaty of "neighborly relations and mutually advantageous cooperation, whereby the U.S.S.R. would not use nuclear weapons against Japan, if Japan consistently complies with its non-nuclear status."

In the last months, the Soviets have also attempted to woo

Japan into such an effective breaking of its alliance with the United States, with visions of investment in Siberia and the Sakhalin Islands. Japan's business community, however, has refused these offers, until the issue of the four northern islands, which the Soviets illegally seized in the aftermath of World War II, are returned.

## Korea: build-up for war

Moscow's offers of peace furthermore have no credibility in the face of the Soviet military escalation, globally and particularly in North Asia. According to a report in the Japanese newspaper *Sankei Shimbun*, the Soviet Union has proposed to the regime of Kim Il-Sung in North Korea that the Soviets position SS-20 missiles in North Korea, that Soviet military advisers be sent there, that the two countries' defense forces be integrated, and that Moscow use two North Korean ports for its fleets. The North Koreans reportedly agreed to all these demands save for the port of call for Soviet battleships.

This is the result of a tightening of the North Korea-Moscow alliance over the last 18 months. Kim Il-Sung has gained the Kremlin's approval of his successor, the arch-terrorist Kim Chong-il, who surpasses even his father in his megalomania. For Moscow, however, the aim is to keep a tight hold on North Korea as a blackmail chip against Japan, South Korea, China, and the United States.

After the Rangoon bombing, only the Soviet Union defended the motives behind the North Korean-orchestrated atrocity. Soviet propaganda of the period nearly matched that of Pyongyang's in its ire against South Korean President Chun Doo Hwan's scheduled tour of South Asia, which was brought to a halt by the Rangoon atrocity.

The alliance was further cemented by Kim Il-Sung's May 1984 trip to the Soviet Union and East bloc countries. Kim won promises of shipments of the most advanced Soviet military hardware, and also signed a 25-year Friendship Treaty with the German Democratic Republic. In the last month, the Soviets have delivered MiG-23s to Pyongyang and short-range Scud missiles. In a November trip to Pyongyang, Soviet Vice Foreign Minister Mikhael Kapitsa further arranged agreement to open up rail trade (aside from shipping trade) between the two countries. The Soviets now echo Pyongyang's calls for reunification—a show of support Moscow

has previously refrained from.

North Korea is also a full partner in the Soviet-dominated terrorist axis of East Germany, Bulgaria, Libya, and Iran. Kim Il-Sung's designated son and successor, Kim Chong-il, is in charge of a force of 100,000 spetsnaz terrorists. North Korea also supplies the instructors who brainwash the kamikaze-bombers of Iran.

In Africa, there is a pattern of the North Koreans functioning as proxies for the Soviets. North Korean military advisers are now positioned in 11 African countries, from Libya to Mozambique and Madagascar. North Korean troops, for instance, were reportedly with Libyan forces when Qaddafi invaded Chad.

### Question of timing?

In the fall, on the invitation of South Korean President Chun, for the first time talks on economic cooperation began between the two Koreas. The second round of these talks, scheduled for Dec. 5, was postponed by Pyongyang in the wake of the border incident, but will proceed in January. But talks cannot mask the tensions between the two countries.

In the aftermath of the Nov. 24 incident in which a Soviet defector crossed the demarcation zone resulting in a shootout between North Korean and U.S. and South Korean troops on the border, Kim Il-Sung has been restrained from escalation only by the Chinese.

According to the Hong Kong daily *Hsingtao Ribao*, North Korean potentate Kim Il-Sung went to China two days after the incident to get Chinese back-up for a retaliatory strike against the South. Peking flatly refused to support the option. The Chinese leadership instead is using all its leverage on the North Korean regime to force Kim Il-Sung to the negotiating table. China wants to expand indirect trade with Seoul and absolutely requires peace on the Korean peninsula if it is to pursue its own modernization goals.

North Korea may wait to make another provocation or attack until after the Jan. 31 arrival in Seoul of opposition leader Kim Dae-Jung, who is regularly hailed in the North Korean press. Kim, who is also backed in the United States by the same liberals that put Khomeini in power and are working to bring down the Marcos government in the Philippines, has been programmed to be the South Korean "Benigno Aquino"—whose arrival will trigger the destabilization of South Korea. If there is any appearance of weakness in South Korea or in U.S. commitment to the country, Kim Il-Sung, who is known to act even without approval from Moscow or Peking, may make his military move.

Second, if Moscow becomes convinced that the United States commitment to Western Europe is in fact unquestionable, then a North Korean military move on the Korean peninsula will tend to rise on the list of Soviet options for points to win a backdown from the United States.

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# 'Black September' kills PLO moderate

by Thierry Lalevée

On Dec. 29, in Amman, Jordan, Fahd Qawasmeh, the former mayor of the West Bank town of Hebron and a high-ranking official of the Palestine Liberation Organization (PLO), was assassinated by professional gunmen. The crime fits the pattern of Soviet-Syrian response to the prospect of an American-sponsored peace initiative in the Middle East.

Callers to Agence France Presse in Paris and Beirut, describing themselves as members of the "Black September" group, claimed responsibility a few hours after the Qawasmeh assassination. "Black September" is the name of the Palestinian terrorist organization responsible for the fall 1972 Munich massacre of 11 members of the Israeli Olympic team. It had not been heard from in several years, but on Dec. 4, 1984, it claimed responsibility for the murder of Azmi al Mufti, a Jordanian diplomat in Bucharest. Over recent years, many Jordanian diplomats have fallen victim to the underground group of Sabri al Banna, a.k.a. Abu Nidal, who is reported to have died in early November in Baghdad. The reactivation of a "Black September" group now tends to confirm an earlier intelligence report that up to 200 members of Abu Nidal's group had been recruited by Iranian and Syrian intelligence services in recent months.

## Syria's anger

A few hours after the assassination of Qawasmeh, PLO chairman Yasser Arafat left little doubt that Syrian intelligence stands behind this "Black September." A leading moderate Palestinian figure close to Arafat, Qawasmeh had been appointed to the executive committee of the PLO following its recent congress in Amman; he is the first member of the executive committee to be assassinated since 1973, a warning to Arafat, whom the Dec. 30 *Jerusalem Post* reported to be "at the top of Syrian president Hafez al Assad's hit-list." Another of Arafat's associates, Hani al Hassan, also narrowly escaped assassination in Amman recently.

Only a few months ago, Syria felt assured of being the crucial player in any Middle East negotiations, thanks to Henry Kissinger, the Soviet Union, and Secretary of State George Shultz. But a reconciliation between Egypt and Jordan began to threaten the Syrians (and Moscow) with isolation. When U.S.-Iraqi diplomatic relations were re-established, Syria began to fear formation of a moderate alliance linking Egypt, Jordan, and Iraq with Arafat's PLO, which

defied Damascus by holding its meeting in Amman. As a result, Damascus, which only recently felt confident enough to consider a limited agreement with Israel over Lebanon, instead wrecked the talks.

## Assassination plot against Peres

According to the French weekly *Vendredi-Samedi-Dimanche*, the Syrians had also planned the assassination of Israeli Prime Minister Shimon Peres during his visit to Paris in early December. There is no doubt of Moscow's direct complicity in such a conspiracy. According to *VSD*, the plot was to be concretized only a few weeks after the meeting between Israeli Foreign Minister Yitzhak Shamir and American businessman Armand Hammer, one of the KGB's wealthier diplomats, who left his talks with Peres for Moscow.

According to *VSD* and other sources, the murder was to be carried out by members of the French terrorist group Action Directe and the Lebanese Armed Revolutionary Fraction (FARL), part of the PFLP of George Habash.

Since 1981, the FARL has functioned as the international branch of the PFLP, establishing links with European terrorist groups such as Action Directe and the Red Army Fraction in West Germany. French intelligence sources say they have evidence proving that German, French, Belgium, Italian, and Spanish terrorist groups are operating as a single European terrorist unit, using French territory as a political and logistical sanctuary.

The assassin was to have been one Abdallah George Ibrahim, a Lebanese Maronite trained in East Germany and associated with the "Carlos" terrorist network since at least 1975, the same network which produced the new "Black September" organization. An activist of the PFLP, Ibrahim is reported to have played a key role in the assassination of U.S. ambassador Francis Meloy in Beirut in 1976, and then to have been active in Italy with the Red Brigades in 1978. Ibrahim was arrested in the French city of Lyon on Oct. 26 as part of a crackdown in Italy, Yugoslavia, and France on the terrorist network responsible for an April 1982 bombing in Paris. Only after his arrest did it emerge that Ibrahim had been sent to France to coordinate the assassination of Shimon Peres with Action Directe.

On Dec. 20, one of his key associates, Josephine Abdo Sarkis, was arrested at the Rome airport. A leader of a female-only terrorist cell, Sarkis had also worked with the Carlos network since at least 1975, and has now been proven responsible for the spring 1982 murder of Israeli attaché in Paris I. Barsimantov. She is suspected of involvement in the February 1984 murder of U.S. diplomat Leamon Hunt in Rome.

According to Mossad officials quoted in *VSD*, "the leaders of the FARL have received strategic orders at the highest levels to kill moderate Palestinians leaders or statesmen who are trying to stabilize the Middle East." The same officials added that Peres is a "prime target" because of the potential for U.S.-sponsored Israeli-Jordanian peace negotiations.

# State Dept. boosts Qaddafi's ambitions

by Katherine Kanter

When, on Dec. 19, the Spanish Prime Minister Felipe González flew to the island of Mallorca to meet Libyan dictator Qaddafi, the storm of protest that erupted over the role played by the disgraced ex-chancellor of Austria Bruno Kreisky tended to obscure another, still more curious, aspect of the discussions.

Only the previous week, the President of France François Mitterrand had met Qaddafi in Greece, invited by his Greek counterpart, Prime Minister Andreas Papandreou, and had made it clear that France would abdicate all claims to Chad, a French protectorate which Qaddafi decided to annex 18 months ago. It emerged in the last week of December that it was Kreisky himself who had mediated that meeting, just as he was to mediate the madness on Mallorca.

Only a week before, Qaddafi had given an interview to an Italian paper, in which he described the Spanish terrorist group ETA as freedom fighters, prompting a Spanish weekly to come out with detailed facts on Libyan financial support for ETA. Qaddafi then informed the Spanish government that he planned to land on Mallorca on Dec. 18, and demanded that the prime minister of that country fly down to meet him. The prime minister complied.

The contents of the five-hour discussion involving, at different times, Kreisky, Qaddafi, González, and, according to some press reports, the U.S. vice-consul on Mallorca, Bartolome Bestard, were not published. However, upon leaving the meeting room, a swaggering Qaddafi held a press conference, making statements so brutal that under any rational world order, Spain might have declared itself forthwith in a state of war with Libya.

He told the press, precisely four days after the ruling PSOE (Socialist Party of Spain) had taken the highly controversial decision during its party congress to remain in NATO, that "any country which joins NATO enters the circle of Hell and destruction." He then stated that "Ceuta and Melilla are Arab cities. I hope that it will not be necessary to resort to force to recover them."

What this means is quite simple. First, a naked threat to unleash intensifying terror against the Spanish population unless the government backs down on the NATO issue. And indeed that very night, the U.S.-constructed military pipeline joining the American bases of Rota and Zaragoza in Spain was blown up in three places by what authorities described

as a professional team using the same *modus operandi* as that against the Belgian NATO pipeline the previous week.

Second, one of the few events that would lead the Spanish military to overthrow the elected Spanish government overnight would be a Moroccan takeover of the Spanish enclaves of Ceuta and Melilla in Moroccan territory under conditions in which the Spanish government, like the French in Chad, would back down. When in August King Hassan of Morocco signed the treaty of union with Libya, in the face of what one can only assume to be either mad indifference or connivance of U.S. State Department authorities, observers measured the terrible weakness of Hassan before the Islamic integrist and pro-Russian elements in Morocco, and the fearful implications for Algeria. From the Spanish standpoint, the day in which extremist elements would drive Hassan to seize the enclaves moved nearer.

Qaddafi is a tool of Russian interests in the Mediterranean, but Qaddafi is not the government of the U.S.S.R. Mitterrand and González have not yet fallen under Soviet rule; technically they are still part of the West, though the Socialist International may indeed belong to the East. The real reason for González bending over backward to Russian whims is that the policy of the U.S. State Department is *pro-Russian*.

Witness these facts: The González-Kreisky-Qaddafi meetings took place in the house of the president of Banco de Crédito Balear, Don Manuel Nigorra, whose public relations chief at the Bank is Bartolome Bestard, a Mallorqui who is the U.S. consul on the island. Bestard, according to his own admission, has been a close friend of Bruno Kreisky since the latter set up residence on the island a decade ago, and is present at *all* official and unofficial meetings undertaken by the ex-chancellor on Spanish territory. Only a week before the meeting, Bestard was given a medal by the admiral of the Sixth Fleet for his services in the cause of friendship between the Spanish and North American peoples.

One could understand the State Department overlooking a nine months' friendship. But nine years! And with a man like Kreisky, denounced by leading political figures for several decades as the man who has done his utmost to turn Austria into a refuge for pro-Nazi terrorists of every stripe, a man who has been one of the most foul mouthpieces for Muscovite policy, notably the "peace" movement, a man linked to the most anti-American elements in the Mideast and North Africa.

State Department officials like Bestard have banking interests which link them indissolubly to the Islamic-integrist financial move to take control of Western Europe. A virtual spokesman for the U.S. State Department in Spain, Juan Gariegues-Walker, a close friend of Henry Kissinger, is the official agent for Libya. The purchase of Aresbank and Banco Atlantico by Libyan capital, and the hundreds of millions sunk into Spanish real estate show that Spain, now purchasing most of its oil from Libya and Iran, is the beachhead for the Islamic invasion of the Free World.

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## Investigative Leads

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# 'International' trail in railroad bombing

by Liliana Gorini

This was a bloody Christmas for Italy. On Dec. 23, fifteen people were killed and 112 wounded when a powerful bomb exploded inside the Naples-Milan train between Florence and Bologna. It was supposed to be a much bigger massacre: In the terrorist plan, the bomb placed on the train was supposed to go off inside a tunnel while the train was meeting another train going in the opposite direction, derailing both trains and making rescue operations inside the tunnel impossible. Only the fact that the Naples-Milan express was three minutes late prevented a worse tragedy.

The bombing, which took place in the same tunnel where the Italicus massacre had taken place in 1980, was claimed immediately by almost every known right-wing and left-wing terrorist group in Italy, from the fascist Nuclei Armati Rivoluzionari (NAR) to the Red Brigades. But according to the Italian government and the secret services, the coincidences with the black terrorism wave in 1980 were intended to distract from the real authors and controllers, who "are not to be found in Italy, but abroad," according to both Interior Minister Oscar Scalfaro and Italian Prime Minister Bettino Craxi.

"Whoever ordered the massacre does not understand the importance of Christmas for Italy," declared Prime Minister Craxi to the Italian daily *Corriere della Sera*, hinting at what the press called the "Great Old Man from the East."

The Italian government and secret services, basing themselves also on various warnings which had come from Washington, are now following all possible trails, from the fascist terrorist groups to the Islamic fundamentalists to the drug-mafia networks. The international terrorism track is, according to them, the most credible, since the bombing coincided with a series of similar atrocities in West Germany and France. Testifying before Parliament, Scalfaro said that a few days before the massacre Italy had been threatened by the Islamic Jihad terrorists in Beirut for having arrested seven Lebanese terrorists in Rome who were planning to blow up the U.S. embassy.

Two days before the bombing, another Lebanese terrorist had been arrested in France, Abdallah George Ibrahim, the head of the Lebanese Revolutionary Army who was in Beirut when the American ambassador Francis Meloy was killed in 1976 and who had met with the Red Brigades in Italy at the time of the Leamon Hunt assassination, claimed by both

terrorist groups. The French and Italian secret services had met to discuss the danger of retaliation by Khomeini's and Qaddafi's fundamentalists.

One of the suspected passengers on the train, who boarded at Chiusi with a bulging sports bag and got off in Florence with an empty one, was identified as a Libyan citizen living for some time in Italy. Speaking to the Senate, Craxi also emphasized the similarities between this Christmas massacre and the New Year's massacre on the Paris-Toulouse train last year, claimed by the Islamic Jihad.

### Communists protest international track

Despite all these elements, and many more which have not yet been revealed by the secret services, the Bologna judges who were assigned to investigate the bombing, and the Italian Communist Party controlling them, still refuse to accept the hypothesis of international terrorism and plan to limit their investigation to the black terrorism track, covering up completely the fact that both the "red" and the "black" terrorists in Italy are on the payroll of Moscow and Qaddafi, particularly through the Nazi-Communist connection of François Genoud's and Ben Bella's Nazi International in Lausanne, but also in the "narco-terrorist" connection of Stefano Delle Chiaie, former head of the fascist terrorist group Ordine Nuovo-Ordine Nero and now on top of the cocaine and weapons traffic in Bolivia. The Italian Communists even attacked the government for defending the fascist terrorists when it speaks of "international terrorism," and accused the secret services who are looking into this connection of complicity in the bombing attempt.

Even the funeral of the victims of the terror attack was used by the Communist mayor of Bologna Renzo Imbeni to accuse the state of attacking only red terrorists and not black ones and to demand a parliamentary inquiry on the State. Besides the Communists, a former minister in the previous government, the Socialist Rino Formica, told the daily *La Repubblica* that "the massacre was a message to Italy, that Italy should stick to its subordinated role internationally," and accused the Israeli and American secret services of responsibility for the bombing. The Communist daily *Unita* covered Formica's raving accusation with an article on the "Great Brother beyond the Atlantic using the strategy of bombs."

As American sources quoted by *Il Giornale* indicated, Italy was key in recent months to unblocking the European decision to deploy American missiles, so much so that Rome could be for Washington "the most trustworthy ally after Great Britain." An indication of this renewed cooperation was the arrest of those seven Lebanese terrorists planning to blow up the U.S. embassy.

This certainly did not please either Moscow or Tripoli, which have launched an expansion drive in the Mediterranean. A pro-Western, strong Italy, particularly if it adopted Reagan's Strategic Defense Initiative, would upset Moscow's plan completely.

## **KGB purges Greek armed forces**

*Freemasonic assets of Henry Kissinger and Lord Carrington came out very well, however.*

**B**etween Wednesday, Dec. 19 and Monday, Dec. 31, 1984, a new massive wave of purges was completed in all branches of the Greek Armed Services and internal security organizations, following the announcement of a new, anti-NATO defense doctrine by the Russian KGB-controlled Greek Prime Minister, Andreas Papandreou.

On Dec. 19, barely a week after the annual NATO defense ministers' meeting which Papandreou attended, 6 lieutenant-generals, 12 major-generals and 2 rear-admirals were informed by state-controlled television that they had been retired. Among the sacked officers were: the chief of staff and deputy chief of staff of the army, the inspector-general of the army, the commanding general of the 1st Army, the commanding general of the III Army Corps, the commandant of the Athens Military District, the admiral in chief of the navy, and virtually all the commanders of division-level combat units.

This Dec. 19 move was later followed by the dismissal of no fewer than 50 other generals in critical positions of the military establishment, and a great number of other officers down to the rank of lieutenant-colonel.

Within days, the Papandreou administration moved on to a purge of the internal-security and public-order forces. Over 1,000 junior-rank officers of the gendarmerie and the police were dismissed as well as over 50 officers of senior and general rank.

In both the armed forces and the internal-security forces, officers known for their personal loyalty to

Prime Minister Andreas Papandreou were moved to positions of control. Most of these had experienced a meteoric rise of their fortunes after 1974, the year in which then-Secretary of State Henry Kissinger had overthrown the nationalist military government of Athens and replaced it with a government under Constantine Caramanlis, under circumstances in which the Turkish military command had played the role of "kingmaker" in domestic Greek political affairs.

The exact way in which the Turkish military intervened in favor of Caramanlis against the military government of Greece has not yet been made public. What is known is that a series of secret meetings took place in Paris in early 1974 involving Kissinger, Caramanlis, Archbishop Makarios of Cyprus, Premier Bulent Ecevit of Turkey, and certain Turkish generals in which, under Kissinger's guarantees, the Turkish military promised Caramanlis that it would conduct certain military operations against Greek forces in Cyprus which would result in the collapse of the military government in Athens. Once Caramanlis accepted the offer, a Turkish invasion of Cyprus took place which did in fact cause the summer 1974 collapse of the Athens military government. With a nod from then Secretary Kissinger, Caramanlis was made Greek Prime Minister.

One leading member of the pre-1974 military government who not only retained his position after the change of regime but was given even greater influence under Caramanlis

then, and under Papandreou from 1981 onward, was Air Force General G. Kouris, chief of the air force and the only known Greek member of the Italy-based Propaganda-2 Freemasonic lodge, to which Henry Kissinger is very closely connected.

This past month's purges in the Greek military were all orchestrated by this Air Force General Kouris. As a result of the purges, he is now the chairman of the Greek General Staff of National Defense, the Greek equivalent of the Joint Chiefs of Staff. In this capacity, General Kouris has the overall supervisory and command authority to reorganize the composition and order of battle of the Greek military in order to implement the "new defense doctrine" announced by Papandreou on Dec. 17, 1984. This "new defense doctrine" stipulates that Greece's Warsaw Pact northern neighbors will no longer be considered "potential adversaries"; instead Turkey, Greece's fellow NATO member, is to be viewed as the *sole* "potential adversary" in Greek military planning and deployments.

Although this move involves a minor-league member of NATO, it is of unique importance for the Atlantic Alliance because it is being used by NATO Secretary-General Lord Carrington as a test case in his attempt to redefine the overall character and direction of the European half of the Atlantic Alliance. Carrington's argument is that the European members have defense and security needs which are different from, and sometimes in conflict with, the defense and security needs of the United States. Carrington, who is one of the most popular foreigners in hysterically anti-American Athens, is in close cooperation with the Russian ambassador to Athens, Igor Andropov, in promoting such Kissingerian assets as General Kouris of the P-2 Freemasonic lodge.

### For whom the bell tolls

*Genscher's outrageous foreign-policy performance of 1984 has made him dispensable for the Kohl government.*

**H**aving made many political enemies abroad in past years, West German Foreign Minister Hans-Dietrich Genscher is now being treated as an undesirable inside his own country, and even his own party. Criticism of his foreign policy performance has been mounting steadily, and might reach the point that he becomes a "hot potato" Chancellor Helmut Kohl will simply drop.

It happens that the Free Democratic Party, which Genscher has chaired for more than 10 years, is to elect his successor at a national party convention in early February. Genscher's defection from the previous coalition government of Social-Democrat Helmut Schmidt, which helped bring Christian-Democrat Kohl to power in October 1982, lost his party much support in its predominantly socialist-liberal base. The Free Democrats have not won a parliamentary election since. The debacle of the European Parliament elections in June 1984 forced Genscher to give his party a promise he would resign from the chairmanship by February 1985.

Genscher insists, however, that he will remain as foreign minister in the Kohl cabinet, asserting that he remains the best man for the post. Many people in Bonn have their doubts. Genscher's 1984 foreign policy record speaks for itself:

- At the peak of international outrage over the Khomeini regime's use of Iranian children as cannon-fodder in the war with Iraq, Hans-Dietrich Genscher visited Teheran for cordial talks with the mullahs.

- Only the British government's breaking of diplomatic relations with Libya after the shoot-out at the Libyan embassy in London deterred Genscher from visiting Tripoli for similarly cordial talks in late spring 1984.

- Throughout 1984, Genscher denounced or misrepresented the U.S. beam-weapon defense program, causing confusion and preventing collaboration from the Bonn government.

- Even as news poured in of large-scale Soviet troop rehearsals for a blitzkrieg against West Germany, Genscher stuck to his official "appeasement" approach toward the Kremlin. Months of a Soviet propaganda campaign against an alleged "revival of Nazism and revanchism in West Germany" brought no official protest or even meaningful comment from the foreign ministry.

- Genscher called his appeasement "an initiative for reorganizing the dialogue between East and West." In September, East Germany's Erich Honecker canceled his scheduled trip to Bonn, as did the Hungarian and Bulgarian foreign ministers. Official Polish attacks against "West German revanchism" made it impossible for him to visit Warsaw in October. That was the end of Genscher's "initiative."

- In November, he failed to protest against especially Czech attacks on German "revanchism," while preparing to carry through with a scheduled trip to Prague. A drama around East German refugees in the West German embassy in Prague was enough for many Christian Democrats, who began attacking Genscher

for his humiliating policy of "not addressing controversial issues" with any Eastern government.

- In mid-December, he visited Prague, and then pretended not to notice that the Czech foreign minister—"my best friend among the Eastern diplomats"—had attacked Bonn for "revanchism" even as his plane was landing.

- Just before Christmas, as the West German government was engaged in a propaganda effort in favor of emergency food aid to Africa, Genscher's man at the United Nations was ordered to abstain rather than vote against construction of a \$75-million U.N. conference center in Addis Ababa, Ethiopia. The measure passed. The American delegates fumed with rage because, as U.S. envoy Nyhard said, the sum "could have been used to feed one million Ethiopian families for about one year," or "build a water-supply system for seven million Ethiopians." An embarrassed Chancellor Kohl, contradicting the abstention, wrote a letter of protest over the measure's passage to U.N. Secretary-General Perez de Cuellar.

- While a large part of the Israeli press, on the occasion of a visit from a delegation of West German Green Party members, was denouncing that neo-Nazi party as anti-Semitic, the West German ambassador to Israel came out in defense of the Greens: Ambassador Niels Hansen told a Christmas gathering of German-born Jews in Jerusalem that Israel had better treat the Greens well, or there would be "negative repercussions for Israel in Germany"—in effect threatening the Israelis with anti-Semitism if they did not welcome anti-Semitic Greenshirts!

The word is now out in Bonn: Once he has resigned from the chairmanship of his party, the bell will toll for Hans-Dietrich Genscher.

## **India's Ibero-American initiatives**

*In the last four years, Mrs. Gandhi pressed forward to establish important economic and technological ties with Ibero-America.*

One of the most important projects of the late Prime Minister Indira Gandhi was her work to deepen ties with the nations of Ibero-America, with whom India shares many concerns of sovereign development and world affairs. There is every indication that Rajiv Gandhi will continue this work.

In a statement issued just days after he became Prime Minister in the wake of his mother's brutal murder, Rajiv Gandhi expressed concern on behalf of the Non-Aligned Movement over escalating tensions in Central America. He reiterated India's conviction that the Contadora Group's efforts offered the only path to a solution.

On Jan. 15, Argentine President Raúl Alfonsín will be the chief guest at India's Republic Day ceremonies, a special honor. Alfonsín and Prime Minister Gandhi will sign cooperation agreements drafted in September by the first meeting of the newly established Indo-Argentine Joint Committee which may include expanded nuclear-energy cooperation.

India's interest in engaging the major Ibero-American nations in consultation and joint action with the Non-Aligned bloc on world economic and political problems was made clear in Indian President Zail Singh's four-day state visits to Argentina and Mexico in April of this year, the first by an Indian head of to Ibero-America. In Argentina, Zail Singh was honored by being invited to address a joint session of the national congress.

During Zail Singh's visit to Ar-

gentina, a shipping agreement was signed that will establish regular shipping service between the two countries and will also open up Brazil and other Ibero-American countries to Indian trade. Talks were also initiated to expand existing cooperation in science and technology.

With India, Argentina is one of the few developing nations that has developed nuclear power technology and has refused to bow to the dictates of the Non-Proliferation Treaty. Also like India, Argentina has been a victim of British colonialism.

In Mexico, the Indian President met twice with Mexican President Miguel de la Madrid, during which the need for a new international economic order, "more rational and in accordance with the needs of the developing nations," was agreed upon, according to an official Mexican government announcement. The progress of the Contadora initiative was also discussed, and the Mexican President, like his Argentine counterpart, was briefed on India's views on the major world issues. Both leaders vowed greater cooperation in international forums such as the United Nations.

Two pacts, in science and technology and in education and culture, were extended, and a joint commission was set up to oversee implementation of these and future agreements. Machine-tool technology, information science, water resource management, and medical and agricultural research are included in the agreements.

Cooperation with Mexico in the oil sector is a priority for India, and was a major topic at the follow-up Joint Commission meetings in Mexico City in September. India is interested in buying technology to manufacture offshore rigs.

The developments of last year were prepared in a series of initiatives undertaken by Mrs. Gandhi, beginning with her 1968 "voyage of discovery" to 10 Ibero-American nations. Though Mrs. Gandhi was convinced that India and the Ibero-American nations had much in common and that their friendship and cooperation would be of great benefit, the response from the Ibero-American side was, at best, slow and uneven.

As soon as Mrs. Gandhi returned to power in 1980, she renewed her efforts. The high interest rates and world economic crisis had reminded the Ibero-American nations sharply of their vulnerability as developing nations. That year, then Indian Foreign Minister Narasimha Rao organized a dialogue between Indian officials and the U.N. Economic Commission for Latin America to discuss expanded ties.

In 1981, Mexican President López Portillo visited India as the honored guest at Republic Day, and before the year was out, Venezuelan President Herrera Campins had also paid a state visit to India. In 1981, India concluded trade agreements with Guatemala and Argentina. Then Commerce Minister Pranab Mokherjee visited Argentina and Brazil during July, and the Cancún Summit took Mrs. Gandhi herself to Mexico in October.

The López Portillo visit to India opened intensive discussions on economic cooperation, and by the end of 1982, a broad Bilateral Agreement on Economic Cooperation had been finalized.

## **PAN starts to militarize border**

*A PAN party mob burns city hall and insults a representative of the governor in Coahuila.*

**T**he U.S. government is the intellectual author of the disturbances which occurred in Piedras Negras, Monclova, and Frontera. It is necessary to take political and criminal actions against the PAN. The acts which the White and Blue carried out clash with the measures set forth by the election law and are reason for any party to disappear," said the chief of the powerful Confederation of Mexican Workers (CTM), Fidel Velázquez, answering a journalist's question on whether civil war could break out in Mexico. Velázquez added that the ultimate goal of these conflicts is to make Mexico an international spectacle, playing right into the hands of the the National Action Party (PAN).

Velázquez referred to the violence set off Dec. 30 by militants and professional agitators of the Nazi PAN, in various communities of the north-east part of Coahuila state, with the aim of taking possession of the mayoralties they claim to have won.

As this column previously documented, the election campaign in northern Mexico, unlike the rest of the country, risks turning into a violent bloodbath because of the overtly anti-nationalist and subversive position taken by the PAN party, which is faithfully following orders from the U.S. State Department. The Dec. 30 events must make clear that it has been a national disaster for the U.S. Republican Party to have backed the PAN.

Especially in Coahuila, bordering Texas, the PAN is setting the stage for an escalation to force the militarization of the northern border. The result

is to invite a U.S. invasion of Mexican territory, exactly as Georgetown University pundits have predicted. Since Dec. 12-13, to protest the fact that they won not a single mayoralty in the elections, a PAN mob has been blocking the highway to Eagle Pass. This has led the U.S. authorities to set a military guard over the entrance to the city, and a nightly curfew after which citizens can neither enter nor leave.

By Dec. 30, the day when the state governor, José de las Fuentes Rodríguez, took the official protest of the new mayor of Piedras Negras—which is across the border from Eagle Pass—a mob of some 2,000 PAN followers collected outside City Hall, armed with stones, clubs, molotov cocktails, and firearms. They stormed the municipal building, set it on fire, and battled the police and firemen who attempted to cool them down. The result was two dead and more than 50 wounded.

Part of the PAN mob moved to the plant of the local newspaper *El Zócalo*, which is owned by the new Mayor Juristi Septien, and burned it as well. At that point the army had to intervene to impose law and order.

In Monclova, a mayoralty which up to a few days ago was in PAN hands and was supposed to be turned over on Dec. 30 to the new mayor, a member of the government PRI party, there are now *two* city halls; one that refuses to give up the PAN, and the one representing the incoming PRI mayor, set up in a hotel across from the municipal building.

In Ciudad Frontera and Ciudad Escobedo Reina, the same situation

prevails. In the latter town, the personal envoy of the governor was kidnaped by the mob, stripped, shaved, insulted, and tied to a tree "as a sign of protest."

Up to the time of this writing, Torreón, the state capital, as well as most of the border cities, is being guarded by the army.

The most spectacular feature of the calculated scenario to which Fidel Velázquez refer, is the publicity being giving to it by the U.S. and some European mass media. Before even the news went out in Mexico City, a German radio station was already broadcasting the events. The day of the seizure of Piedras Negras, representatives of the *Washington Post*, as well as U.S. border press, such as Radio KEPS-KINL of Eagle Pass and others, were up early and ready to cover what previously could have passed unobserved—the seizure of a mayoralty. In fact, all the media could film the disturbances, interview the antagonists, and boom up and down the frontier the "unstable climate which the Mexican border is living through."

As a Mexican journalist comments on the numerous articles puffing the PAN in the U.S. Establishment press, U.S. Ambassador Gavin is heading up a campaign strongly favoring the PAN, and the political strength with which the PAN will face the PRI in the upcoming vote is more rooted in U.S. media than in political reality. In fact, the Kissinger plan of militarizing the border cynically foresees blasting the Mexican election campaign all over the U.S.A., because it is already clear to everybody that the PAN is ready to stir up violence and be backed by favorable American propaganda.

It remains to be seen whether the CTM can move sufficient political forces to stop the PAN.

## 'Mafiagate' versus Betancur

*A new Colombian cocaine scandal is aimed by his enemies against the anti-drug President himself.*

The Madrid-Colombia cocaine scandal that has erupted within the past few weeks is being directed against Colombian President Betancur on at least two simultaneous levels. The first, run by the mafia itself, is designed to break Betancur's anti-drug resolve.

According to Spanish intelligence sources, when Gustavo Jacome Lemus, the second secretary at the Colombian embassy in Madrid, was arrested on Dec. 23 for using the diplomatic pouch as his cocaine smuggling route, his first act was to claim that President Betancur was personally complicit in the trafficking. *El País* of Madrid did not hesitate to splash across its front page the provocative and false headline, "Cocaine Comes from the Presidency."

The attempts to implicate Betancur are easily understood in light of the mafia's non-stop efforts to bully, terrify, and now, presumably, humiliate the Betancur government into abandoning its war on drugs, and particularly the President's commitment to extraditing wanted drug traffickers. It is no accident that Jacome Lemus is reportedly an intimate friend and likely employee of Jorge Luis Ochoa and Gilberto Rodríguez, two of Colombia's most prominent mafia kingpins recently arrested in Madrid and now facing extradition to the United States.

The mafia's first major offensive aimed at dissuading the Colombian government from its anti-drug efforts was the brutal April 30 slaying of Justice Minister Rodrigo Lara Bonilla. The impact of that bloody act was, however, to strengthen Betancur's re-

solve to wipe the mafia out finally and permanently. This latest transparent attempt to implicate Betancur in the drug trade, as was originally attempted with Lara Bonilla, has failed just as miserably.

Delivering his year-end presentation to a nationwide television and radio audience on New Year's eve, President Betancur declared: "The [mafia's] threats are useless. We will not yield a millimeter. The most they can do is take our lives and that rests with the will of God, by whose grace we are alive and well. The example of [murdered Justice] Minister Lara Bonilla will guide us."

Betancur added, "There is no truce in this war; there is no room for false compassion for those who directly or indirectly have been or are now in this dirty and contaminating business. . . . Anyone caught should pay all—absolutely all—the consequences. . . ." The two officials charged with running the international press section of the presidency have been arrested.

The second level of assault on Betancur is, if anything, more insidious. Immediately when the news broke of the cocaine scandal, the Bogotá daily *El Siglo*—the newspaper of former ambassador to the United States and perennial presidential contender Alvaro Gómez Hurtado—covered it from the angle of implicating J. Emilio Valderrama, former Colombia ambassador to Spain, in the case. The mafia courier who had sent the cocaine through the diplomatic pouch from Bogotá was a Spaniard named Ballesteros, who had allegedly presented

"personal authorization" from J. Emilio Valderrama for sending the sealed film reels that disguised the cocaine shipment.

Valderrama is not only an intimate friend of President Betancur's, but also the man considered most likely to challenge the presidential bid of the neo-fascist Gómez Hurtado in the 1986 elections; Valderrama's candidacy would likely be under President Betancur's sponsorship.

Valderrama has patiently explained to the public that all ambassadors regularly do such small favors as authorizing the sending of Colombia publicity films via the diplomatic pouch, as he was led to believe he was doing by Ballesteros and Jacome Lemus. Nonetheless, *El Siglo* played up Valderrama's "confession" and has suggested as well that Valderrama is also implicated in the scandalous theft of \$13.5 million out of a Colombian government account in the London branch of Chase Manhattan Bank early last year.

That Alvaro Gómez personally and *El Siglo* repeatedly have endorsed a policy of drug legalization for Colombia suggests that there is a likely link between the two levels of assault currently directed against the President. The discrediting of J. Emilio Valderrama is but a short step away from smearing President Betancur himself with sufficient scandal to eliminate him as a counterforce to Alvaro Gómez's faction within the Conservative Party, come time to choose the official party candidate.

If the mafia/Alvaro Gómez strategy succeeds in emasculating Betancur's anti-drug offensive and his political power as well, there will be little to stand in the way of a Gómez presidency in 1986. And the drug mafia would be sharing the throne right along with him.

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# International Intelligence

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## ***Nakasone: Japanese support beam defense***

Japanese Premier Yasuhiro Nakasone reportedly told President Reagan on Jan. 2 that the the Japanese government firmly supports the Strategic Defense Initiative. According to UPI and the *New York Tribune*, Nakasone was expected to assure Reagan of Japanese backing for the beam-defense program during a three-hour meeting between the two leaders in California. The session, which was devoted to discussions of the upcoming U.S.-Soviet talks in Geneva and problems in the U.S.-Japanese trade relationships, was also attended by Secretary of State George Shultz and National Security Adviser Robert McFarlane.

Apparently, both Reagan and Nakasone took great pains to ensure that their meeting was productive and convivial—despite attempts by Reagan advisers like Commerce Secretary Baldrige to create an atmosphere of “Japanese-bashing” around the U.S.-Japanese trade deficit. Appearing with Nakasone for a photo session before their meeting, Reagan told reporters: “We won’t argue. We’re good friends.” When asked about America’s \$35 billion trade deficit with Japan, the President replied: “Our trade deficit is worldwide due to some of our economic problems,” adding that “We’ve made great progress” in ironing out U.S.-Japanese difficulties.

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## ***Soviets increase military presence in Indochina***

Soviet Marshal Vasilii Petrov, commander of Soviet ground forces, was in Vietnam in mid-December for five days, during which time he not only met with Vietnamese military officers, but also with military delegations from Laos, the Heng Samrin government in Kampuchea, and a Cuban military delegation. The result was visible on the Thai-Kampuchean border. After Petrov’s visit, the Vietnamese began an offensive,

and also did an about-face on their overtures to the United States on the issues of MIAs and Vietnamese political prisoners.

The Soviets have been building up Vietnam as a forward base in Asia, increasing their air power by stationing 14 MiG-23 fighter-interceptors at Cam Ranh Bay, the first time this highly advanced aircraft has been introduced into the region. In November, the Soviets brought in another 7 TU-16 medium-range bombers, bringing the total to 16. There are also eight TU-95 electronic surveillance planes and TU-142 electronic anti-submarine patrol planes at the base.

On Jan. 3, the Vietnamese ambassador in New York declared to a press conference that the actions on the border would continue until all aid is stopped to the Khmer Rouge, supporters of the former Kampuchean government. Vietnam, he said, can fight in both the rainy and the dry season.

In South Asia, the Soviet Union is now directly threatening an invasion of Pakistan. Over the period of Dec. 25-29, “Afghan” forces bombed Pakistani villages in Baluchistan. On Jan. 3, the “Afghan” government in Kabul threatened retaliation against Pakistan! Kabul, protesting “border attacks and provocations” allegedly coming from Pakistan, said that its army “would be forced to resort to similar actions. . . .”

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## ***Kissinger friend is P-2 Freemasonic Nazi***

The dirty truth about former Argentine finance minister Jose Martinez de Hoz is being systematically documented by an Argentine parliamentary investigating committee. De Hoz is Henry Kissinger’s best friend and perennial host in Argentina.

On Dec. 28, the committee, formed to investigate the enormous growth in Argentina’s foreign debt during De Hoz’s term in office, questioned De Hoz’s cousin, Jose Pedro Martinez Segovia, who confessed to being a law partner of De Hoz for the last 30 years. Martinez also admitted that he acted as the Argentine representative for a bank belonging to Argentine financier David

Graiver, who supposedly died in a mysterious 1976 plane crash after his mammoth swindles began to be discovered.

Graiver’s flight-capital banks served leftist Montonero terrorists, military torturers, and Mossad publicist Jacobo Timerman. Graiver was also reportedly a key figure in the Propaganda-2 (P-2) Freemasonic network based in Italy, implicated in terrorism, gun-running, and drug-trafficking.

Although Martinez de Hoz still denies it, the committee has also established that he orchestrated a massive runup in the price of the stock of the Italo electric company in 1974, during the period the finance ministry was arranging for the government to “nationalize it.”

President Isabel Peron reportedly discovered the swindle and refused to pay the market price for the Swiss-owned company’s stock, times its book value. But, after she was overthrown by the 1976 military coup and Martinez De Hoz became finance minister, the inflated payment was agreed on and made to Italo’s Swiss investors.

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## ***War climate builds in North Africa***

Algerian Foreign Minister Taleb Ibrahim made an emergency flight to Morocco in late December to meet with Morocco’s King Hassan. The meeting was designed to review the climate of confrontation rapidly building between the two countries.

According to local observers, tensions began to rise after Morocco’s recent “merger” with Muammar Qaddafi’s Libya, an action secretly encouraged by the U.S. State Department and its roving ambassador, Gen. Vernon Walters, a close friend of Hassan. The merger was viewed as a security threat by Algeria, as by Tunisia and Egypt.

A mid-December coup in Mauritania added to uncertainties. Mauritania borders on both Algeria and the former Spanish Sahara, now part of Morocco, where Algeria has given support to the so-called Polisario rebels in their conflict with Hassan’s government.

## Briefly

The two countries are now close to armed conflict. Armored divisions are massed on both sides of the border. Both Tunisia and Saudi Arabia have been engaged in last-minute mediating efforts.

Tunisia, meanwhile, whose border with Libya has been frequently tense, is being forced to seek new agreements with the Qaddafi government to prevent expulsion of tens of thousands more Tunisian workers in Libya. Close to 10,000 were expelled in recent months, creating an unstable situation inside Tunisia where unemployment runs high.

Should warfare break out between Algeria and Morocco, it would undoubtedly draw in every country of the Maghreb, with Egypt and Tunisia siding with Algeria in response to Libya's entry on the side of Morocco.

### **Bonn spokesman attacks terrorism**

The recent wave of terrorist attacks against U.S. military and private installations will not break the U.S.-German alliance, said the official spokesman of the Bonn government, Peter Böhnisch, in an interview with the leading German conservative daily, *Die Welt*, on Jan. 2.

"But there is one political danger," warned Böhnisch, "namely that the U.S. citizen, who watches the terror against American soldiers who are here to protect Europe on television, might make the mistake of believing that the Americans are not welcome by us. In reality, 80% of the Germans want to be friends to the Americans. But this is not what you can watch in the TV news, which rather broadcast bomb attacks and American flags set on fire in the presence of German politicians. You witness that part of the media are taken up with reckless anti-Reaganism."

Asked who he believes are the string-pullers behind the recent terror attacks in Germany, Böhnisch replies: "According to the evidence gathered by our specialists, the terrorists operate on their own and are not

steered from abroad. But some of them have been trained by international terrorist organizations. And after all, there are a lot of circles interested in any interruption of our vital relations to our allies."

Böhnisch's statements were accompanied by a *Die Welt* editorial which takes up the "who profits from the terror wave" issue and writes: "Granted, the Kremlin seeks talks with the Americans, but accompanies this once again with a concerted [accusations of German] 'revanchism' campaign which is to isolate the German NATO ally. And the bomb attacks of those people who call themselves a fraction of the Red Army [the German 'Red Army Fraction' terrorists] are directed against facilities of Americans and French in the first place. One cannot document any better whom one is serving."

### **TASS attacks apostolic letter of the Pope**

The Soviet news agency TASS has reacted to the mid-December apostolic letter of the Pope on the subject of reconciliation and repentance with a vengeance. In the letter, the Pope stated that "social sins" are always the responsibility of individual people, not of so-called "objective" causes. This was seen as a significant attack on the Marxist-Jesuit "liberation theology," a key in destabilization of U.S. Third World allies.

On Dec. 29, TASS protested that this document signals "a new step of the Vatican to the right," and a "strengthening of the conservative forces in the leadership of the Catholic Church who want to end the liberal tendencies in Catholicism characteristic of the 1960s and 1970s." The Vatican, TASS continues, is about to take measures to "repress those Catholics and their spiritual leaders who more and more recognized the just nature of the struggle for social and national liberation, and the devastating effect of the capitalist system on the working class."

The Pope's letter, TASS concluded, was an attempt to stop the "spreading of class struggle."

● **ALCOHOLISM** is "the final stage of Bolshevism," if the Soviet Union is any measure. In 1980 there were 40 million alcoholics and heavy drinkers in Russia, one-sixth of the population, of which 17 million were under treatment as alcoholics. Every sixth child born ("still born," one might say) suffers mental or hereditary medical problems from alcoholic mothers. Vodka consumption has risen from 5 liters per capita in 1952 to 30 liters per capita in 1983. The State Department calls the Soviet Union a "crumbling Empire"—but clearly, it's a "Stumbling Empire."

● **BOLIVIAN** President Hernan Siles Zuazo on Dec. 31 defeated the most serious coup attempt in his three years of rule. Army chief Gen. Olivis Arias, who had rebelled against his dismissal, yielded after holding himself up in his headquarters with loyal officers for 11 hours. Arias' final attempt at a coup on behalf of the drug traffickers failed in the face of the decisive attitude of Siles and nationalist military officers.

● **VICENCIO TOVAR**, a member of the Nazi-Communist National Action Party of Mexico (PAN), wrote in the daily *Excelsior* on Dec. 26, "In all the 1984 elections, the government generally mocked the will of the people, openly handing over to the electoral mafia control over the elections . . . giving total protection to the dirty campaign of the Mexican Labor Party [PLM] against the PAN." The tirade was prompted by the PLM's exposure of collaboration between U.S. ambassador to Mexico John Gavin and the PAN.

● **BACH'S 'Magnificat'** was performed on Mexico City public TV on Christmas Eve by the Chorus of Child Singers of the National Music School. The chorus is led by Alfredo Mendoza, the president of the Schiller Institute of Mexico.

# Shultz gets his orders: No concessions on beam defense

by Kathy Klenetsky

As we go to press, the Jan. 7-8 talks between Soviet Foreign Minister Andrei Gromyko and U.S. Secretary of State George Shultz have not yet taken place. But events immediately leading up to the meeting indicate that for the time being, President Reagan, Defense Secretary Caspar Weinberger, and other supporters of the Strategic Defense Initiative have gained the upper hand in the fierce faction fight which has been raging over the issue of whether the United States will pursue the beam-defense program or abandon it to appease Moscow.

In the week before Geneva, Reagan sent out a series of unmistakable signals that he would not acquiesce to Soviet demands to bargain away the SDI. He also took measures to reassure Western Europe of U.S. support. The President sent a telegram to the residents of Berlin reaffirming that the United States and its allies are unshakably committed to defending the city from takeover.

On another equally important front, the President announced on Jan. 2 that the United States would increase its aid for famine relief for eight African countries, including Ethiopia. Reagan also unveiled a new program, Food for Progress, to address the real cause of starvation, underdevelopment, by introducing capitalist methods of agriculture to Africa.

These are key steps in the right direction, but they don't mean that the battle for the SDI is won. Beam-defense foes are gathering their forces for a fresh offensive, concentrating on getting Congress to heed Henry Kissinger's injunction to "whittle away" funding for the program. The Jan. 2 resignation of long-time Reagan loyalist and SDI supporter William Clark may be just the latest manifestation of how ferociously Kissinger and the rest of the anti-SDI mob is battling to make Reagan give up his vision of rendering nuclear missiles "im-potent and obsolete."

## Reagan: no concessions

Reagan underscored his "no concessions" stance for Geneva by issuing a formal statement on Jan. 3 in which he flatly asserted that the Soviets should have no objections to the SDI program. "We must seek another means of deterring war," Reagan said. "Certainly there should be a better way to strengthen peace and stability, a way to move away from a future that relies so heavily on the prospect of rapid and massive nuclear retaliation and toward greater reliance on defensive systems which threaten no one."

National Security Adviser Robert McFarlane made a similar point in a press briefing the same day, stating that Reagan wants to move away from the concept of the "mutual balance of terror. . . . The notion that a country is better off in a circumstance in which it is unable to defend itself, I think, is subject to question on its face." McFarlane also said, in response to a question, that the SDI "is not a bargaining chip."

## Shultz in the doghouse

The President's decision to proceed full steam ahead with the SDI represents a devastating blow to the Eastern Establishment, which had entertained great hopes that the Geneva talks would serve as the means to trap Reagan into negotiating away the beam-defense program.

Reagan sent their hopes up the chimney when he deployed Shultz off to Geneva with a set of strict orders to make absolutely no concessions on the SDI. Reagan's instructions to Shultz, hammered out at a series of meetings over the New Year's holiday, included the following major elements:

- Shultz shall inform Soviet Foreign Minister Gromyko of America's willingness to engage them in two sets of arms-control talks, one on offensive weapons and the other on defensive forces, including the SDI. But Shultz is to make it

absolutely clear that the United States will spurn any attempts to curb the SDI program, and will enter talks on defensive weapons with the sole objective of convincing the Russians that research into space defense could sharply reduce the threat of war.

- Shultz shall tell Gromyko that the United States will not agree to a moratorium on ASAT testing as a precondition for arms talks—which the Soviets have been vociferously demanding with State Department backing.

- Shultz shall also confront Gromyko with Soviet violations of the ABM treaty, citing in particular the Soviet radar station at Krasnoyarsk, Siberia, “almost certainly” a violation of the ABM accord.

### Shultz up the tree

This must have been a particularly hard pill for Shultz to swallow, not only because his political allegiance resides with the opponents of the President’s program, but because he had been deployed into the administration for the express purpose of steering Reagan down the same primrose path of arms-control which his buddy Kissinger led Nixon. Reagan has deftly turned the tables—turning Shultz into a messenger-boy taking orders from a President he privately considers his inferior. Whether Shultz will put up with the humiliation and remain in the administration, waiting for outside pressures to create the circumstances in which Reagan can be pressured into significant concessions on the SDI, is an open question.

Reagan is not simply reining in Shultz and other administration enemies of the SDI; he’s also preparing a public offensive on behalf of his program. Anticipating howls of outrage from the Russians over the U.S. refusal to put the SDI on ice, Reagan has instructed the Pentagon to devise an international educational campaign about the Soviets’ vast research-and-development program in advanced-technology defensive systems—something which the Establishment media has covered up.

As reported in the Jan. 3 *New York Times*, the administration plans to step up its briefings and public statements with the objective of showing that the Soviet ABM program is much more comprehensive than any undertaken by the United States since Kissinger’s ABM Treaty.

NSC head McFarlane kicked off the effort in his pre-Geneva press briefing, where he stressed that Soviet spending on defensive systems *equals* their spending on offensive forces. The Soviets, he said, have “gone beyond equality to establish a superior position in measurable areas of greatest importance during crisis,” specifically referring to the Soviet mobile ABM system and the upgrading of the ABM system around Moscow.

The administration made a simultaneous intervention into Western Europe, via an article by Edward Teller, an architect of the beam-defense program, in the Jan. 2 edition of the Italian conservative daily *Il Tempo*. Clearly directed at the Vatican and other Catholic circles, Teller denounced Mutually Assured Destruction as “a moral failure” and argued

that the SDI is the only military doctrine compatible with Judeo-Christian morality (see excerpts, p 54).

The strong push which Reagan, Weinberger, and a few other administration-connected individuals are putting behind the SDI is encouraging, but it would be extremely foolish to see these positive developments as a cause for complacency. The enemies of the beam-defense program aren’t about to lay down and die; indeed, they’re busily sharpening their knives.

### Traitors in Congress

A key battleground will be the U.S. Congress, where a cabal led by Kissinger’s pals, Sen. Sam Nunn (D-Ga.) and Sen. Larry Pressler (R-S.D.) have already worked out a strategy to stall the U.S. ASAT program and reduce SDI funding by 75%! They’ve been joined by other Congressional traitors, including Sens. Charles Mathias (R-Md.), Ted Kennedy (D-Mass.), William Proxmire (D.-Wisc.), and Dale Bumpers (D-Ark.), and Reps. Les Aspin (D-Wisc.), George Brown (D-Calif.), Larry Coughlin (R-Pa.), and Joe Moakley (D-Mass.)

According to Senator Mathias’s aide John Hess, there will be “substantive activity” against the SDI on the Hill. “We’re going to target various individual components of the SDI budget. That way, we won’t be attacking the SDI in general, but we’ll be able to get rid of certain key parts.” Hess also remarked that Kissinger’s strategy for “whittling down” the SDI “sounds real good.”

Reliable sources report that this gang’s strategy involves eliminating funding for the most important element of the SDI research program—prototype development—and slashing its funding from an expected Pentagon request of \$3.8 billion in fiscal year 1986 to a mere \$1 billion. That’s half a billion *less* than the \$1.4 billion that Congress allocated to the SDI in FY 1985.

To make sure Congress does this, a number of nuclear-freeze and “public interest” groups have recently set up a coalition for the express purpose of lobbying Congress to reduce the SDI budget. Comprised of Physicians for Social Responsibility, Common Cause, SANE, the Union of Concerned Scientists, the League of Women Voters, and assorted other pro-Moscow groups, the coalition works closely with the Space Working Group, an informal Capitol Hill outfit which presidential candidate Lyndon H. LaRouche exposed on national television in May as a vehicle used by the Soviet Embassy in Washington to get anti-SDI legislation introduced in Congress.

Further conspiracies against the SDI will be hatched at a meeting of the United Nations Association in New York Jan. 14-15, which will bring together top Soviet representatives and the upper echelons of the U.S. arms-control mafia, including Kissinger associates Brent Scowcroft and Helmut Sonnenfeldt. UNA sources have told this news service that the behind-closed-doors confab will be devoted almost entirely to mapping out a strategy for derailing the SDI.

# Bulgarian justice: Vesco and the DOJ

by Paul Goldstein

Financial warfare launched against the presidential campaign and other organizations associated with Democratic contender Lyndon LaRouche, including against *EIR*, was prepared and begun in the late spring by the American Express Corporation—mere weeks after Henry A. Kissinger, who vowed to “deal with LaRouche after the elections,” joined American Express’s board. This information is now confirmed by well-informed law-enforcement sources.

American Express attempted to destroy the credit-card access of EIR Research, Inc., pulling out of an agreement on the basis of an apparently prearranged client complaint that his card had been overcharged. Subsequently, a number of private banking institutions with accounts of other LaRouche-related organizations, including his campaign committees, cancelled campaign credit-card accounts and unlawfully seized campaign monies in the hundreds of thousands of dollars on the basis of similar “chargeback complaints.” The purpose was not only to bankrupt his organizations and strip LaRouche’s personal security screen, but to provoke a government investigation of the LaRouche network along lines of the Federal Bureau of Investigation’s entrapment programs.

The American Express client in question has proven links to Latin American drug traffickers. American Express itself has such drug-trafficking links. That is no coincidence. American Express is the financial conglomerate formerly run by Edmund Safra, one of the world’s leading Dope, Inc. bankers. As intelligence sources confirm, “Dope, Inc.,” specifically the “Bulgarian connection” apparatus in international drug trafficking—the same that employed Algi Agca to attempt to kill the Pope—has been using the private banking institutions at its disposal in New York, New Jersey, and Florida to conduct financial warfare and create bogus evidence against LaRouche—in order to permit Dope, Inc.’s agent-apparatus in the U.S. Justice Department to launch a Cointelpro drive against LaRouche.

The Justice Department elements involved are exactly the same as those who ran, and then covered up, the famous “Billygate affair,” in which President Carter’s brother was closely engaged in business dealings—and political dealings—with Libya’s outlaw Qaddafi government mediated through Sicilian mafia figures, and such Soviet-Bulgarian-

linked figures as Armand Hammer and mobster-financier Robert Vesco.

Component parts of the operation against LaRouche include:

- The Boston office of U.S. Attorney William Weld. Weld opened up an investigation of The LaRouche Campaign and Independent Democrats for LaRouche on the basis of alleged financial irregularities stemming from credit-card “chargebacks” and complaints from contributors—extraordinarily few in number, as even the credit-card companies admitted. Weld’s “Get LaRouche” drive, is being conducted in collaboration with several Justice Department deputy assistant attorney generals, holdovers from the Carter administration, who are known to take their orders from Walter Sheridan, who ran the illegal side of the Justice Department’s “Get Hoffa” drive of the 1960s and 1970s, and created Inter-tel, the in-house security arm of the late Meyer Lansky’s Resorts International. Weld was the law partner of *Washington Post* legal counsel Boisfeuillet Jones. Jones ran the Drug Abuse Council, funded by the Coca Cola Foundation, which campaigned for the legalization of marijuana and cocaine.

- Robert Ferguson, president of First Fidelity Bank of New Jersey. Ferguson was responsible for bringing Lansky’s and other Dope, Inc. casino-gambling operations to New Jersey, becoming the state’s largest bank in the process. Notably, First Fidelity has a branch office in Bogotá, Colombia, money-laundering center for the continent’s cocaine mafia.

- Robert Vesco. Intelligence sources now report that Vesco is involved in a Bulgarian-based “export-import” operation and is working with both the Bulgarian and Cuban intelligence services in drug-running operations through Panama and Nicaragua. Vesco was responsible for gaining access to Florida banking for the Colombian cocaine mafia, with aid and back-up from the Lansky organization, which controls organized-crime operations in the Caribbean and Central America.

- Kenneth Bialkin. Political protection for the Lansky organization was and is provided by the Anti-Defamation League (ADL), for which Bialkin is chief attorney. A member of the firm Wilkie, Farr, and Gallagher, Bialkin arranged Vesco’s takeover of Investors Overseas Services and its Fund of Funds, through which Vesco bribed such Carter administration figures as John White, intimately involved in Billygate operations. Florida organized-crime investigators say Vesco, Bialkin, and the ADL head in Miami, Joseph Teitlebaum, triggered American Express action against LaRouche through their drug-linked associate, Benjamin Weitzman.

- National Data Corporation. NDC is a spin-off of the NSA, created by former Air Force intelligence officers. NDC has monitored all financial transactions of LaRouche campaign committees for the Federal Election Commission, working closely with Walter Sheridan in the “Get LaRouche” operation.

# Wall Street readies shock against Reagan

by Richard Freeman

In early December, a spokesman for the elite private citizens' Bipartisan Budget Appeal told a reporter that in January, the U.S. bond market would back up in response to a lack of confidence in President Reagan's ability to cut the budget. The spokesman stated that the rattling of the bond markets at the time of the President's second inaugural address would convince him of the wisdom of killing the Strategic Defense Initiative, the program for development of beam-weapon defenses against Soviet nuclear attack. "The cost of the program is the best argument against it," he stated.

The Bipartisan Budget Appeal is composed of 600 manured members of the East Coast Liberal Establishment's banking, diplomatic, and legal community. Its primary goal is the destruction of the U.S. defense budget. It is headed by former Lehman Brothers Kuhn Loeb chairman Peter Peterson, and includes the prince of appeasement, Cyrus Vance, and the heads of 22 of the 37 firms that are primary marketers of U.S. Treasury debt.

On Jan. 2, the group began to make good on its threat with all the subtlety of a fireworks display. The U.S. Treasury entered the bond market with an auction of \$5.75 billion worth of seven-year Treasury notes. The offered yield of 11.67%, while down from the last auction of such notes in October, was far higher than expected. Nevertheless, a bad reception to the Treasury issue sent bond prices tumbling as much as 1¾ points. Investors, such as the big insurance companies and investment banks which populate the Bipartisan Budget Appeal, stood on the sidelines and did not venture to buy issues, letting the prices drop.

In light trading Jan. 3, bond prices bounced back, but the amount, half a point, is less than a third of the previous day's drop.

## Re-Dolent hearings

There is no way of proving that he knew the bond-market disaster was timed for that day, but on the same Jan. 2, Sen. Robert Dole (R-Kan.), in his last act as chairman of the Senate Finance Committee before assuming the post of Senate Majority Leader, staged a show-case hearing that permitted him to proclaim that "budget-cutting is the top priority of the 99th Congress," which opens on Jan. 4. Dole declared that his hearings were "clearly aimed at setting the stage for a major assault on federal spending in 1985."

To buttress his case, Dole produced Wall Street and government "experts" to blather a certain line. Both Alan Greenspan, a member of the Citicorp Bank board, and Martin Feldstein, each of whom once headed the Council of Economic Advisers, said that if Reagan cuts the budget by \$100 billion, interest rates could fall by two percentage points. Jimmy Carter's former CEA head, Charles Schultz, said higher taxes are needed.

But the really rancid aroma at the hearings emanated from Dole himself, who is by no means so interested in budget-cutting for economic reasons as he is for defense-policy reasons. Dole's chief military adviser and long-time friend is Robert Ellsworth, the top U.S. fundraiser for the KGB-penetrated think-tank, the International Institute for Strategic Studies of London, which has been outspoken against the SDI. Dole forbid any attack on the real causes of the budget deficit, announcing, "blaming Federal Reserve Board chairman Paul Volcker is not the answer—it's merely an evasion."

Of course, attacking Volcker is precisely the answer, since his high interest rates have accounted for roughly 75% of the \$1 trillion in outstanding Treasury debt that will have accumulated during Volcker's reign, October 1979 to the end of fiscal year 1985 on Sept. 31.

There is a grave danger that the budget debate will be the number-one item before the Congress during its next session, just as Dole prophesies. The danger lies in the fact that it is the economy, not the budget per se, that should be the true subject of any deliberations. Were the economy healthy and growing in physical terms at rates of 5% to 10%, a perfectly feasible proposition, then balancing the budget would be a trivial question—it would practically balance itself.

This goes to the heart of the matter. Cuts in the defense budget are not the only threat, not even the only defense-related threat. Various budget-balancers are committed to cuts in basic economic infrastructure—water diversion, nuclear power—as well as NASA space programs. Infrastructure is the backbone of future productivity and any military buildup the United States finds it necessary to undertake. Keep cutting infrastructure, and the United States could not conduct a military mobilization, a fact the Soviets understand all too well.

On the other side of budget-cutting, number-two Senate Republican leader Alan Simpson (R-Wyo.) justified the worse sort of chiseling against social security recipients, eliminating the cost-of-living escalator clauses, as if all those living on social security are well off and not hit by inflation. Simpson said that President Reagan had pledged during his reelection campaign not to cut the social security budget. "But Congress didn't make that pledge."

Chiseling against America's elderly has nothing to do with economic health. It is an ideological blindness to reality. Wall Street's Bipartisan Budget Appeal crowd intends to continue shaking up the bond market until all of Congress is caught in this ideological trap.

# Washington's most corrupt bureaucracy

by Sanford Roberts

One of the vilest excrescences of the Watergate era and James Earl Carter's administration was the creation of a political police in the United States, the so-called Federal Election Commission. Placing itself above the Constitution and the laws of the land, the FEC is a blatantly partisan instrument of the Liberal Eastern Establishment and its choice of candidates for public office. In a city where nothing has been quite clean for some years now, the FEC has earned its reputation as Washington's most corrupt bureaucracy.

The secret of the FEC's notoriety on this count is a bewildering tangle of statutes and regulations called the Federal Election Campaign Act. The FECA is so convoluted that it empowers a collection of politically inspired appointees, i.e., the Commission, to make novel, oblique, and arcane interpretations of law to accomplish preconceived political objectives. This corrupt quality of FEC decision-making which circumvents both the Constitution and Congressional intent has been the target of several federal judges.

In *FEC v. Machinists Non-Partisan Political League*, an appellate court chastised a "novel extension of the Commission's investigative authority" and rejected "a sweeping demand by the FEC for membership lists and internal communications of a political group over which no showing of jurisdiction has been made. . . ." Another federal appellate judge blasted the FEC for viewing free-speech activity as "a potential 'evil' to be tamed, muzzled, or sterilized," and said the Commission had "failed abysmally" in meeting its responsibilities (*FEC v. CLTIRIM*). The list goes on *ad nauseam*.

The best example of the unconstitutional nature and conduct of the FEC is the Commission's present investigation of 1984 Democratic presidential candidate Lyndon H. LaRouche, Jr. The LaRouche candidacy captured the hearts and minds of millions of patriotic Americans who were inspired by LaRouche's program calling for crash development of a beam-weapon defense and the reimplementation of American System economics. However, at the FEC, LaRouche is an "evil to be tamed, muzzled, or sterilized" or perhaps all three.

In 1980, the FEC began a systematic inquisition of supporters of LaRouche's 1980 presidential bid which was only curtailed by an federal-court injunction. In a strong opinion, Judge Charles Brieant pointed to "an extensive list of unnecessarily oppressive acts by the FEC" and the cost of "de-

fending against the FEC's interminable, inconclusive, and oppressive investigations." In conclusion, he stated: "It would be hard to imagine a more abusive visitation of bureaucratic power . . . as is shown by the relatively uncontroverted facts alleged here and described, we think with some restraint, in the foregoing pages of this opinion."

Shortly after the close of the 1984 campaign, LaRouche's campaign committee received several FEC Matters Under Review (MURs). These MURs claimed that, because the campaign had not promptly paid back certain loans obtained from its contributors, the committee may have violated sections of the FECA. The incredible fact is that an advisory opinion rendered by the FEC itself denies the Commission jurisdiction over these disputes. This is not only a "novel extension of the Commission's investigative authority," but an extension of authority which the FEC previously denied to itself!

Over the Christmas holidays, the FEC even surpassed the idiocy of these MURs. It decided to open another MUR against LaRouche to investigate credit-card contributions and loans to the campaign because FEC auditors found bank notations on credit-card chargeback slips which claimed "cardholder dispute," "declined," or "unauthorized." The Commission seized upon these chargeback slips as evidence of lack of donative intent by the contributor or lender. Moreover, in defiance of its own regulations, the Commission hastily sent out a letter to targeted LaRouche supporters without even informing the campaign a MUR had been opened. Again, the FEC has no jurisdiction over such matters, but rather manufactured jurisdiction for itself by reasoning that if the donors did not intend to give money to the campaign, then the campaign falsely reported the transactions as contributions or loans in violation of the FECA's reporting requirements. Of course, had the campaign not reported the transaction, the FEC—Catch-22—would have also opened a MUR against the campaign for reporting violations.

At this time, the FEC was whitewashing the obvious criminal activity of the Mondale-Ferraro campaign. After last summer's scandal over the 1978 Ferraro congressional campaign, the FEC began a review of the sham purchases used to retire her campaign debt. Despite considerable evidence to the contrary, the Commission voted that there was no reason to believe that Ferraro, her husband, or anyone in the campaign had violated the law.

During the primary season when Walter Mondale's campaign was having financial problems, they circumvented the spending limitations of the FECA by manipulating the finances and activity of individual delegate-selection committees. After a perfunctory inquiry, the FEC found there was over one-third of a million dollars misspent. Despite an accumulation of evidence pointing to criminal violations, the FEC signed a conciliation agreement with the Mondale campaign which merely required them to pay back the misspent funds and a token fine.

# Dr. Teller on ethics and nuclear weapons

*The following is the translated text of an article by Edward Teller in Il Tempo, "The Threat of a War; Ethics and Nuclear Arms." The article appeared on Jan. 2. Coincidentally, on the same day, Il Tempo published a half-page ad with the Schiller Institute's Declaration of the Inalienable Rights of Man.*

Ethics is fundamental in every function of human society, and religion is the principal path by which the moral code is perpetuated. . . .

Having affirmed the obvious, it is easy to consider the absurd. A moral society renounces a particular type of weapon just because it is too destructive. An amoral society develops, installs and is ready to use these same weapons. In such conditions, the presence of morality jeopardizes the survival of morality itself.

The roots of my religious convictions belong to the Jewish tradition. Jewish law . . . must be obeyed, but it admits human imperfection. For example, it does not ask that in case of injury one turn the other cheek, but it establishes that never in any circumstance should one do more harm than that which is received. An eye for an eye, but not two eyes for one. The civil law of a Christian society is very similar to Jewish law. . . .

On this basis, I maintain that the commandments taught by the Christian church tend more toward idealism, while the Jewish ones tend more toward realism. Both standpoints are needed for the well-being of a moral community. Idealism spurs betterment; realism prevents the disaster which would make betterment impossible. Their extremes—romanticism and formalism—really have little to offer a society.

During this century, the United States has made an effort to maintain peace. About 20 years ago, because of the technical gap between new destructive weapons and old defensive systems, deterrence came to be based exclusively on the threat of reprisal, a strategy of Mutual Assured Destruction. For a Christian society, this doctrine was a moral failure from the outset.

The only way out of the dilemma seemed that of staying ahead of the Soviets in the arms race. . . . But history has taken a different course. From superiority we have passed to equivalence, only to discover that this equivalence could not be verified or defined. In the end we have been confronted with the probability that the Russians have surpassed us in the quantity and perhaps also the quality of their armaments.

A few years ago, a fundamental change came into the technical situation. Thanks to ingenious inventions and dili-

gent efforts (more diligent on the Soviet side), it has become probable that we can build effective defenses against a nuclear attack.

The scenario evoked by "Star Wars" has little to do with what should be done. Space stations are costly to install and relatively easy to destroy. A defense should be realized with the opposite criteria. Defensive systems should be less costly than the countermeasures that could penetrate them or the attack that could destroy them.

The official name of the effort going on today is Strategic Defense Initiative, but it would be more exact to define it as "Strategic Defense Response." There exist proofs showing how much more seriously the Soviet Union is engaged in the development of defensive systems, and not only in those officially admitted by Moscow, but on a much larger scale, achieving considerable results in this sector. Today, Mutual Assured Destruction is a failure from the practical as well as moral standpoint. Our reprisal capacity is becoming less and less trustworthy.

The potential development of defensive systems poses a different moral question. In their famous letter of May 1983, the American Bishops clearly affirmed that weapons are justified when they are used to defend the innocent. It is a shame that the Bishops did not recall that President Reagan had preceded them by two months, asking for a strengthening of defense in March of that same year.

Given that defense is justified, the Bishops still went on to condemn all types of nuclear weapons, regardless of what use they are put to. These statements are not completely consistent.

This omission, together with the lack of a serious discussion on defense, turned the Bishops' letter, understood as a contribution to a moral problem of crucial importance, into a political statement. In fact, the letter is an example of what I would not hesitate to define as a simplistic romantic approach, little more than a summary appeal to broad public opinion.

What should be fought against, on a moral basis and with all available technical means, are all the means and methods of mass destruction, fire bombing, nuclear missiles launched against cities, and biological warfare. To attempt to destroy weapons aimed against the innocent, it is necessary to use any valid means: lasers, missiles, small nuclear weapons, or any other effective system. And every nation of solid moral fabric should collaborate in efforts in this direction. Whether with bow and arrow or hydrogen bomb, aggression is always to be condemned, and defense is always to be supported, whether it uses particle beams or the energy enclosed in atomic nuclei.

A unity of view on this subject could help us make a step forward in the solution of the most fearsomely moral problem of our day, in assuring the protection of the innocent and the survival of a society which so strongly appreciates moral values, that it calls them human rights.

# Daniel Sneider and the assassination of Indian Prime Minister Gandhi

by Lyndon H. LaRouche, Jr.

If former *EIR* associate Daniel Sneider, the son of U.S. diplomat Richard Sneider, retains any part of the conscience he used to exhibit, he will come forward to tell all the relevant facts about the Soviet KGB's direct part in his own break with *EIR*. Although Daniel Sneider did not know, during the summer of 1983, that he was a pawn in the process leading up to the assassination of Prime Minister Indira Gandhi, there is no excuse for his blinding himself to the facts today. He did, once, genuinely admire Indira Gandhi; he owes it to her, to India, and to himself, to assist in bringing the whole truth to the surface.

The core of Sneider's culpability was his effort to discredit a 1983 *EIR* dossier (*The Hot Autumn '83*, August 1983) which contained highly accurate forewarnings of a number of the key elements of the plotting which later proved integral to the assassination of Mrs. Gandhi. Although the dossier had no specific indication of an assassination plot against Mrs. Gandhi from these plotters, had the dossier been acted upon, her assassination might have been prevented. Moreover, the statements adopted by Sneider, in his efforts to discredit that dossier, were false; he was told those statements were wild falsehoods, and he should have known that those statements were falsehoods.

What Sneider did was dishonorable. More significant, is the influences operating upon him, to cause him to behave so despicably. Two principal influences are known to have contributed to his conduct in this matter. One was U.S.-based. The second was Soviet intelligence, and was known by Sneider to be Soviet intelligence, a Soviet channel operating on both Sneider and Dr. Steven Bardwell.

The role of Soviet intelligence, in steering Sneider's behavior of the summer 1983, is more or less thoroughly known to us. The question is: What role did the U.S.-based influences play in this affair? Does their part dovetail, in more than a coincidental fashion, with the Soviet operation? For example: Did Sneider, then or more recently, have any links to the Anti-Defamation League (ADL), an organization collaborating with Dr. Jagit Chauhan Singh's terrorist Khalistan Liberation Front?

There were two, overlapping, features to the Soviet side of pressures operating upon Sneider et al., during the spring and summer of 1983. Following President Ronald Reagan's televised announcement of his Strategic Defense initiative, on March 23, 1983, the Soviet government, at the highest political level, ordered escalated adversary operations against this writer. By late spring and early summer of 1983, Sneider et al. came under heavy Soviet-directed pressures, transmitted inclusively through New Delhi circles under the influence of Soviet Politburo member Geidar Aliyev, Evgenii Primakov, and Rostislav Ulianovsky. The pressures were radiated through the circles of one K. R. Ganesh, an Indian government official, also the key figure of the India-Soviet Friendship Association, and radiated, secondarily, through New Delhi *New Wave* publisher, Ganesh Shukla. Under these pressures, *New Wave* radically reversed its editorial policy on a number of major issues, and Mr. Shukla himself underwent a manifest sharp change in behavior: The lurking Soviet fist had come down on certain circles in Delhi, and had come down brutally hard.

During the months prior to President Reagan's March 23, 1983 announcement, *New Wave* had been persuaded by this writer and others, that the kind of Strategic Defense Initiative (SDI) later (March 23) announced by the President, was the proper fresh approach to the strategic situation. *New Wave* had published this view, and had worked otherwise to promote sympathetic discussion of the proposed policy among influential Indian circles.

It was disgusting, but not completely astonishing that *New Wave* would abruptly reverse itself on this issue after March 23, 1983. During the months prior to March 23, 1983, the Soviets bragged confidently, that high-level Democratic Party circles would prevent the President from adopting the SDI; as long as they believed this, there was no need for Moscow to muscle *New Wave* out of supporting this policy. After March 23, 1983, Moscow did muscle *New Wave* and others on this issue. Considering Moscow's escalating rage against me personally, over SDI, and also considering Moscow's resources for bringing pressure to bear on K.R. Ga-

nesh's circles in New Delhi, *New Wave's* abrupt about-face on SDI, was disgusting, but not really astonishing.

What was astonishing, was that Ganesh Shukla would go much further than merely turning against the SDI. He is professedly, and most credibly, a "north India brahmin," with a fierce, and admirable, patriotism respecting threats to India's local interests at home and in the Indian Ocean region. That he should go beyond the issue of the SDI, to turn against India's own most vital interests, was truly astonishing; and yet, under brutish Soviet pressures, that is exactly what he did during the summer of 1983. He rattled off a litany of wildly false assertions, against *EIR's* documentation of the destabilization threat to India, and Sneider adopted and echoed that litany, like a cracked phonograph record.



**T**he core of Sneider's culpability was his effort to discredit a 1983 *EIR* dossier which contained highly accurate forewarnings of a number of the key elements of the plotting which later proved integral to the assassination of Mrs. Indira Gandhi. Had the dossier been acted upon, her assassination might have been prevented.

The significance of Sneider's behavior on this account, was that, since he spoke with the authority of an "insider" on relevant aspects of *EIR's* activities, Sneider's lies did do important damage to the circulation of that warning dossier. In that fashion, and to that degree, Sneider contributed to the later assassination of Prime Minister Gandhi. Sneider was almost certainly not aware that the forces identified in the dossier would go so far as to assassinate the Prime Minister, but, witting of that fact, or not, as when a fellow climbs in drunk behind the wheel, he is morally responsible for what follows such an immoral decision. He would help to remedy his complicity in this chain of events, by coming forth with the relevant facts best known to him.

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## The whooping-cough vaccine shortage

*Scared parents and opponents of mass vaccination could just succeed in bringing the dread disease back.*

Over the past year, there have been numerous reports of an impending, and now actual, shortage of DTP vaccine, which immunizes children against diphtheria, tetanus, and pertussis, otherwise known as whooping cough. This is a result of the fact that only one pharmaceutical company, Lederle of Pearl River, New York, is actively producing and distributing the vaccine.

The shortage of vaccine is a result of a series of multimillion-dollar lawsuits by parents of children who suffered complications from the whooping-cough vaccine. While whooping-cough vaccine is generally quite safe, and highly effective, it is responsible for one to two deaths and approximately 32 cases of brain damage among each 10 million children immunized.

Before vaccination, whooping cough was a leading cause of childhood deaths in the United States, accounting for 7,518 deaths among 265,000 cases in the United States in 1934. Currently, approximately 2,500 cases are reported in the United States each year with about 45 deaths. Even this reduced rate is significantly higher than the morbidity associated with the vaccine, which causes about 43 cases of severe reactions among 13.5 million annual doses.

Rare reactions to the vaccine were first reported in 1974 and a debate over the safety of the vaccine has raged since then. After the initial reports, immunization levels in Britain, where vaccination is optional, dropped to 30%

and two major outbreaks of the disease occurred.

In the United States, resistance to vaccination was less prevalent until recently, when it has increased as a result of agitations by various "holistic medicine" and "public interest" groups. Their efforts bore fruit last September and October when an epidemic of 225 confirmed cases of whooping cough broke out in Seattle.

The reaction of the "medical environmentalists" such as Dr. Robert Mendelsohn, an Illinois pediatrician and a critic of the vaccine, was to charge physicians with creating fears of an epidemic to promote business. According to Mendelsohn, "Vaccinations are the lifeblood of pediatrics. Without vaccines, patients wouldn't come into their offices." His reaction to the Seattle cases was to deny their existence.

It is precisely the success of the vaccine which has made parents—who have never seen the devastating effects of whooping cough—susceptible to the propaganda of the anti-vaccination lobby. According to Dr. Alan Hinmann, director of the Centers for Disease Control's Division of Immunization, "The reason we don't have a problem is because of the vaccines we've been using. And unless we use these vaccines we'll have a problem again. The benefits of vaccination far outweigh the risks."

The consequences of inadequate vaccination can be seen in Ibero-America, where whooping cough still

ranks high among causes of infant death. As the health and sanitary infrastructure of many urban areas in the United States collapses, the consequences will be amplified by lack of vaccination.

The American Medical Association at its annual meeting in Chicago voted in favor of a committee report calling for a federal fund to pay for care of vaccine victims. The AMA took the position that it is impossible to make a vaccine or drug that is completely safe. Therefore, the government should protect manufacturers from expensive lawsuits stemming from rare side effects. Considering the potential consequences of lack of vaccination, and the extremely small number of cases, this is a reasonable proposal.

Attacks on this proposal have come from Rep. Henry Waxman (D-Calif.), chairman of the House health subcommittee and one of the leading anti-technology and pro-euthanasia members of Congress, and from the Heritage Foundation, which runs the "right" side of the anti-technology movement.

Waxman's argument that federal compensation will destroy incentive to develop safer vaccines is simply an attempt to give a plausible reason for not dealing with the situation, and gives the lie to so-called arguments about cost-benefit analysis. By any such analysis, vaccination against whooping cough produces benefits overwhelmingly greater than the real costs of rare side effects.

In the case of the Heritage Foundation, their advocacy of liability suits to improve product safety is, at the least, an attempt to justify the kind of litigation costs that will justify the withdrawal of the drug industry from vaccine manufacture and the raising of costs to levels which will preclude mass vaccination.

## The Vienna connection

Henry Kissinger has always had a soft spot in his heart for Vienna, Austria.

The erstwhile capital of the Hapsburg Empire was where the famous Count Metternich held sway, the same Count Metternich whom Kissinger eulogized in his early-1950s Harvard University doctoral thesis, *A World Restored*. That was the book in which Henry praised as "lucid and powerful" Metternich's violently worded hatred for the discovery of America and the founding of the American Republic.

Therefore, it should come as no surprise that Henry is caught up in a web of anti-American intrigue emanating out of Vienna today.

The intrigue involves former Austrian Chancellor and Socialist International big-shot Bruno Kreisky.

In February of this year, Kreisky is due to come to the United States for a series of meetings with top-level policymakers. According to our information, two of the individuals he is most intent on meeting with are Henry Kissinger and former State Department undersecretary Lawrence Eagleburger, now president of the Kissinger Associates "consulting" firm.

Kreisky, true to character, has been up to some very nasty things during early January. It is he who has been the intermediary in arranging meetings between Libyan assassin Muammar Qaddafi and Socialist International heads of state in the Mediterranean region, including Greece's Andreas Papandreou, France's François Mitterrand, and Spain's Felipe González.

Kreisky has also been the intermediary in meetings over the past years between Qaddafi and the leader of Malta, Dom Mintoff, whose late-December trip to Moscow was followed by his resignation in favor of a pro-Soviet extremist and the transforma-

tion of Malta into the "Grenada of the Mediterranean."

The González meeting was particularly intriguing. It took place in a castle in Mallorca whose owner heads a bank employing one Tome Bestard, U.S. vice-consul for Mallorca (see article, p. 43).

Since Kreisky is so eager to meet Kissinger in February in the United States, it is more than circumstantially clear that the Kissingerians in the State Department are being caught *in flagrante delicto* in an attempt to destroy American influence in the Mediterranean!

Kreisky is quite unabashed on two points. One, which he recites to interlocutors repeatedly, is that he is dead set opposed to U.S. policy and power in the Mediterranean. He believes (as do the important people in the Soviet command staff) that the United States is to be blamed fully for causing the conditions for a superpower confrontation in the Mediterranean.

The second point is Kreisky's great friendship for Henry Kissinger. He boasts that during Henry's academic career, he, Kreisky, frequently hosted Kissinger for lectures in Vienna under a special Ford Foundation-funded project.

But Kissinger's own intriguing in the Mediterranean and vis-à-vis the bloody Qaddafi goes beyond his antics with Kreisky.

On or about Feb. 23, Dr. Kissinger is expected to deliver the keynote speech in Rabat, Morocco, for the week-long meeting of the Moroccan-American Foundation, in his capacity as foundation chairman. The Foundation's mover-and-shaker is the New York-based Angier Biddle Duke, of the prestigious (Duke University, etc.) Duke family, who has formerly served as ambassador to Morocco and Spain and who is one of the more well-trav-

elled insiders for the New York-Boston banking families.

Also on the board of the Foundation are David Rockefeller and former U.S. ambassador to Morocco Robert Neumann, who now shuttles frequently back and forth between Georgetown University in Washington, D.C., and Moscow.

According to one Foundation figure, Henry had been privately encouraging King Hassan to go ahead with his recent regional political deals with Qaddafi. We have not yet ascertained the full financial gain Henry received for such advice—a cut in the rich Moroccan phosphate trade of Occidental's Armand Hammer and the Soviets? But what our source tells us is this: "Henry's feeling is that it was a good move for a short-range situation. It will help the United States. It is a necessary pact with the devil. He took a pragmatic view."

Whether it was "pragmatism" or not, Middle East insiders tell us that Dr. Kissinger was instrumental in having installed Qaddafi in power in the first place. As head of the U.S. National Security Council, he helped arrange the demobilization of U.S. military and intelligence officials in Libya in 1969 to help Qaddafi take power at that time, they report.

Dr. Kissinger was also key in bringing Greece's Papandreou, languishing in the jails of the Greek junta in 1969, into power. Mitterrand, too, largely owes to Kissinger's intervention the demobilization of French conservative networks during the 1981 election that helped him take power, our sources tell us.

So, if Henry and Bruno now team up to drive the United States out of the strategically central Mediterranean region, it should come as no surprise. Count Metternich would be proud. . . .

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# National News

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## 'Palace guard's' Deaver announces resignation

Michael Deaver, one of the leaders of what this news service has termed Reagan's "Palace Guard," handed in his resignation on Jan. 3 as deputy chief of staff. Deaver, who is a protégé of Soviet asset Armand Hammer, will leave his post sometime between March and May of this year to become a public relations executive in Washington.

Whoever Deaver might have been as a Reagan staff member in California is unclear. After coming to Washington, D.C., however, his concern turned to acceptance by the Eastern Establishment circles attempting to keep Ronald Reagan on a leash.

Deaver's role was to control the information flow and perceptions of the President. Washington rumor mills said that the source of his power base was, at least partially, his connection to Nancy Reagan. Mrs. Reagan is reported to have consulted with "Mike" three or four times a day.

In a half-hour national television broadcast May 10, independent Democratic presidential candidate Lyndon LaRouche pointed the finger at Deaver, concluding his presentation on the problems in the Reagan administration: "If I have attacked President Reagan, it is not because I don't like him personally, but because he is a captive of Michael Deaver's Palace Guard. He doesn't know what's going on, even inside his own administration."

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## Aspin gets Armed Services job

Wisconsin Democratic Rep. Les Aspin and other tools of the arms-control mafia succeeded Jan. 5 in ousting Mel Price from the chairmanship of the House Armed Services Committee. By a vote of 125 to 103, the House Democratic Caucus deposed Price and gave the job to Aspin.

Aspin, who opposes President Reagan's

Strategic Defense Initiative and has close ties to the Aspen Institute, had armtwisted fellow congressmen to back his bid to replace Price for a number of weeks, claiming that Price was too old for the job.

Several conservative Democrats, including Charles Bennett (D-Fla.) and Bill Nichols (D-Ala.) were also contending for the post—an extremely influential one in determining U.S. military policy—but Aspin had the most support.

House Speaker Tip O'Neill (D-Mass.) had initially agreed to support Price's bid to retain his chairmanship on two conditions: that Price would agree to give up the post in two years, and that he immediately resign from his chairmanship of the Armed Services Committee's research and development subcommittee.

It is unknown if Price is now being forced to also give up the chairmanship of this subcommittee, which wields great influence over funding levels for programs like the Strategic Defense Initiative. Next in line to succeed him as chair of the subcommittee is Rep. Pat Schroeder (D-Colo.), the anti-defense liberal who co-chaired Gary Hart's presidential campaign.

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## Webster's man at DEA resigns

Francis "Bud" Mullen, the executive assistant director for investigations at the FBI who was sent into the Drug Enforcement Administration in 1981 to, in effect, merge between the two agencies, resigned as director of the DEA on Jan. 3.

He reportedly has several lucrative offers in the private sector, and it is rumored that he will run for public office.

Mullen remained "acting" DEA director for two years because his confirmation was problematic. It was opposed by both U.S. allies and by constituency groups in the United States—such as the National Anti-Drug Coalition—because it was apparent that the overtly ambitious and highly political FBI was attempting to take over the DEA. Mullen later "officially" resigned from the

FBI, but was reported to be on the telephone with FBI director William Webster daily.

Mullen's nomination was held in abeyance by the Senate because of his handling of the Raymond J. Donovan background check. Mullen, in his FBI role, had been responsible for providing the body with accurate information on which to decide if Donovan should be confirmed as labor secretary. In one of the harshest condemnations ever made of a federal agency, however, the Senate concluded that Mullen and the FBI had deliberately lied, had withheld information, and had misdirected them, primarily with information which would have obviated the need for an appointment of a special prosecutor on the Donovan case.

Despite that condemnation by the Senate, Mullen was finally confirmed by that same body on Oct. 7, 1983 to assume what is universally recognized as a highly sensitive position.

One DEA insider being considered to replace Mullen, according to federal sources is John C. Law, the DEA's deputy administrator. Law was brought into the DEA from the FBI by Mullen himself.

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## Ramsey Clark enlisting Jackson in 'decoupling'

Ramsey Clark, the Johnson administration's attorney general turned terrorist controller, is enlisting Reverend Jesse Jackson's help in beefing up the campaign to remove U.S. troops from Europe and strengthen the Nazi-modeled and Soviet-backed West German Green Party.

Clark, who marched through the streets of Teheran to help bring Ayatollah Khomeini into power in 1979 and who is sponsoring Green Party leader Petra Kelly at a forum in New York City January 17-18, told a caller Dec. 31: "We've been working to get Jesse Jackson involved more with the Green Party for some time. It's been partially successful; he's been over there to get to know them better, and we'd hope he'd be able to meet with some of their people when they come over here."

## Briefly

"Jesse is very interested in the Green Party, both as a party movement and as a question of harmony," Clark said. Like the Greens, "Jesse certainly favors a substantial reduction of U.S. troop presence in Europe."

Clark noted that he himself had met with Green Party leaders three times in West Germany and "at least half a dozen times here. I hope the Greens are the wave of the future; I am impressed with their tenacity and their judgment."

On the question of the U.S. military presence in West Germany, Clark said: "I'm afraid Caspar Weinberger sleeps secure at night that we'll be in Germany for a long time. I hope we won't. We need more people action, more people on the streets, more people protesting the presence of the U.S. in Germany. I hope Jesse Jackson will get more involved in this," Clark concluded.

### Hart touches base with his controllers

Senator Gary Hart will begin a European tour on Jan. 10 to touch base with his oligarchical controllers, East and West. He will no doubt lend his support to this grouping's strategy of derailing President Reagan's Strategic Defense Initiative and "decoupling" the United States from Western Europe.

First, Hart will visit the House of Commons and make a speech at the University of Edinburgh. On Jan. 16, he is scheduled to meet French President François Mitterrand in Paris, before moving on to Zurich for meetings with business and financial executives. Then in Moscow, he hopes to be able to discuss arms control with Soviet officials. His last stop is back in Switzerland, where the senator from Colorado will make a speech at the University of Geneva on arms control.

On U.S. soil, the senator who distinguished himself in 1984 as a "loser's loser"—having lost the Democratic primary to the candidate swamped by the greatest Republican landslide in history—is in the process of creating a new think-tank to "locate the

best and most creative thinkers in America."

"We will try to get their ideas into the political dialogue and debate," Hart said, in describing the center in a television appearance Dec. 31.

Hart, like Geraldine Ferraro, is a creation of an Aspen Institute project called the "Young Leaders' Project," which met in early 1984 to launch new political careers.

### California court rules for euthanasia

In a ruling on Dec. 27, the California State Appeals Court made legal history by ruling that an individual has a constitutional right to refuse medical treatment.

In the case of William F. Bartling, who had died Nov. 6 of multiple illnesses, the California court declared it legal to deny medical care to any individual who can be induced to say that he wishes no more treatment. The court ruled that a patient's "right . . . to refuse medical treatment is a constitutionally guaranteed right which must not be abridged" and which is "paramount to the interests of the patient's hospital and doctors."

Much has been made of the fact that Bartling was suffering from five different major illnesses, which, in a previous era, would have led to his death. Bartling, however, was nowhere near death. But for some reason, he had become convinced that he should be allowed to die and requested removal from his respirator.

Bartling's hospital, the Glendale Adventist Medical Center, opposed his effort, arguing that medical ethics and the responsibility to preserve life prevented them from acceding to his request. Bartling then petitioned the courts.

Even after his death, the court proceeded to make a ruling, thus giving the right-to-murder lobby a major victory. Outrageously, the court even acknowledged that Bartling periodically wavered from his desire to die, and that his desire to die was the result of "severe depression" and an impairment to the point of "legal incompetency."

● **JESSE JACKSON** announced Jan. 1 that he will leave for the Middle East to bargain for the release of four Americans kidnapped earlier this year in Lebanon by terrorists. The Americans were kidnapped off the streets of Beirut by terrorists believed to part of the "Party of God," which carried out the bloody bombings of U.S. facilities in Lebanon.

● **BETHINE CHURCH**, the widow of former Sen. Frank Church, is considering challenging Idaho Sen. Steve Symms, the ultra-conservative opponent of arms control who defeated her husband in 1980 in a campaign that stressed Church's ultra-liberal record.

● **THE U.S. NAVY** is converting two nuclear-powered submarines to increase the military capability of the elite counter-terrorist Delta Force. Defense sources, quoted in a Jan. 3 UPI wire, say that the subs will remain classified as "hunter-killer" submarines, but the conversion will give the subs the ability to carry troops that could be used by the Delta Force.

● **SENATOR Charles Grassley (R)** of Iowa announced on Jan. 3 that he was putting forward again, together with Sen. Nancy Kassenbaum (R) of Kansas and Sen. Joseph Biden of Delaware (D), a proposal for a freeze on the U.S. budget. Quite incredibly, and most appropriately, the three senators decided to call their proposal the "KGB Freeze"—after their initials, Kassebaum, Grassley, and Biden.

● **THE U.S. SENATE**, in the first act of its 99th session on Jan. 3, passed an arms control resolution, S.R. 19. The resolution recommends "that the President include, as official observers on the United States delegation to any formal negotiations which take place, a bipartisan group of Senators, designated upon the recommendation of the Majority Leader and the Minority Leader of the Senate."

## Editorial

### 'American system' can develop Africa

President Reagan's Jan. 3 announcement of a new "Food for Progress" initiative to relieve the famine in Africa was a most welcome development. Particularly encouraging was his stress on "the need to stimulate agricultural development on that continent," including through research programs to improve agricultural production in the rain-short regions of Africa.

The President directed that the U.S. government's food aid to Africa for fiscal year 1985 exceed \$1 billion, providing over 1.5 million tons of emergency food. While far short of the 30-40 million tons required, this could be the start of the right approach.

What is needed is a military-style emergency mobilization to deliver the food where it is needed *now*, combined with a crash program to develop the infrastructure, industry, and agriculture of the continent over the somewhat longer term—with "American system" methods. These are the dirigistic methods that Franklin D. Roosevelt used from 1939 to 1943 to gear up the depressed U.S. economy for the war effort, and that he threatened to use after the war to end the hegemony of the British Empire. Such methods have nothing in common with the British "free-enterprise" doctrine of Adam Smith and the dope-pushing East India Company, the swindle most vigorously promoted in Washington, D.C. today by Henry Kissinger, the Heritage Foundation, and the Treasury Department.

American-style industrial capitalism is needed, not what Roosevelt described to British Prime Minister Winston Churchill as "18th century British methods."

"Who's talking of 18th century methods?" Churchill asked. Roosevelt replied: "Whichever of your ministers recommends a policy which takes wealth and raw materials out of a colonial country and returns nothing to the people of that country in consideration. 20th-century methods involve bringing industry to these colonies, 20th-century methods include increasing the wealth of a people by increasing their standard of living, by educating them, by bringing them sanitation, by making sure that they get a return for the raw wealth of their country."

The "18th-century faction" in Washington today is promoting Kissinger's infamous debt-for-equity scheme to loot the countries of the Third World. This has been backed by officials of the Reagan administration as a laudable opportunity for increasing the role of the private sector.

It is nothing of the kind. "Free enterprise" à la Kissinger means the same thing that it did under the British East India Company: dope. The Caribbean Basin Initiative, for example, concocted by Kissinger, David Rockefeller, and Lawrence Eagleburger, aimed to give free rein to Dope, Inc. throughout the region. Jamaica was selected as the model—and was turned into a drug economy.

Provided the Kissinger moles are turned out of the U.S. government, the means are ready at hand to implement an Apollo Project-style program to solve the African food crisis. The same people who are opposing the President's Strategic Defense Initiative for beam-weapon development are promoting genocide in Africa; and the research and development for the SDI itself produces exciting spinoffs which are vital to increasing food production worldwide.

Here are a few examples of what can be done:

- High-energy lasers and other beams of coherent radiation can be used to irradiate food, lengthening the shelf life of meat and produce to as long as 10 years without refrigeration.
- Beam technologies can be used in coal-fired plants to transform sulphurous emissions into fertilizer.
- The most advanced forms of laser and electron-beam welding are needed to produce high-quality farm equipment.
- Low-temperature plasmas can revolutionize production of the steel needed to build modern railway lines across sub-Saharan Africa.

This illustrates the "Great Project" approach which the President must adopt. If he does not, the malthusians and free-enterprisers will sabotage his "Food for Progress" initiative from the start.

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