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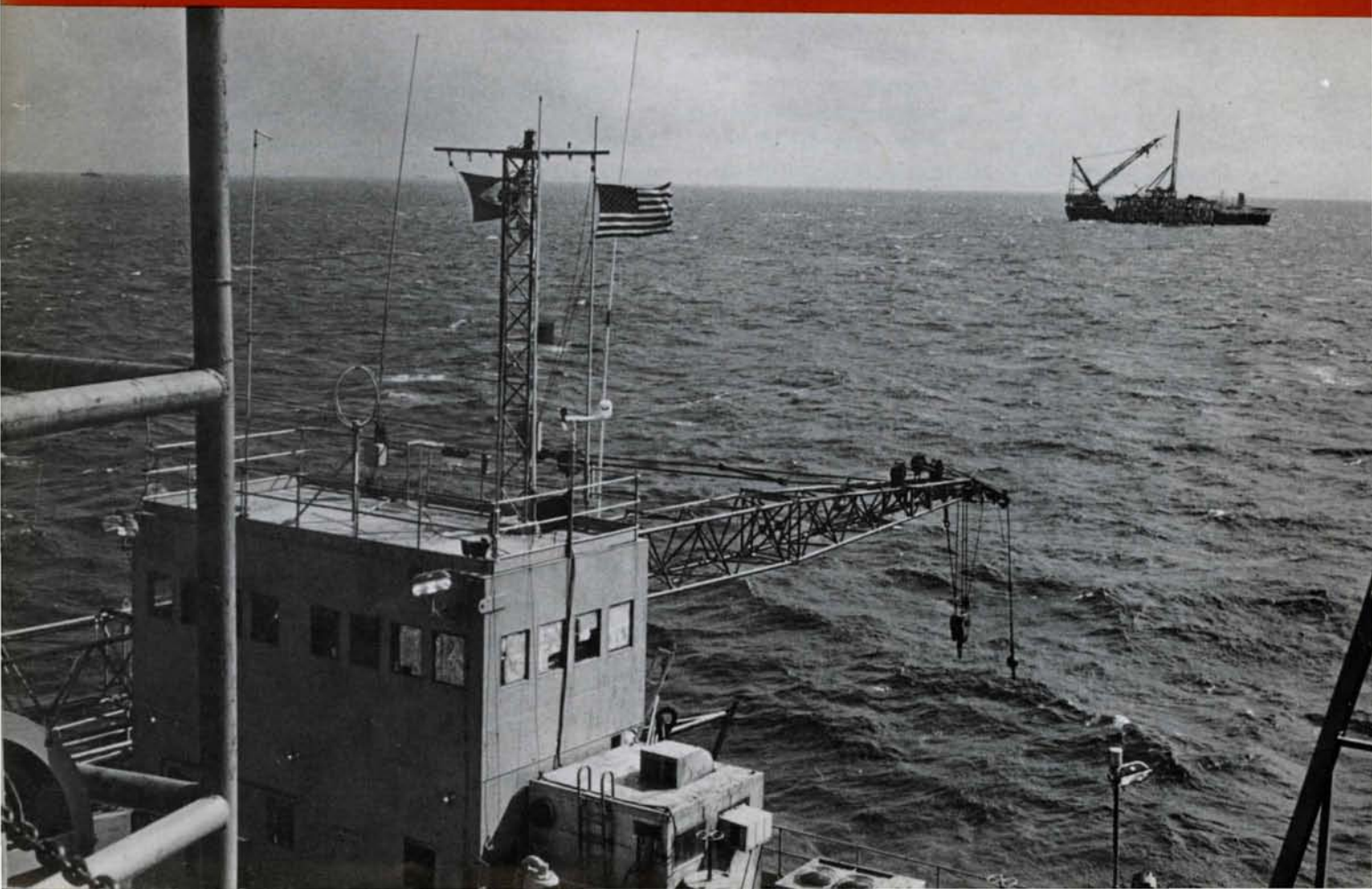
Executive Intelligence Review

May 18, 1982

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Malvinas crisis: a wider war in the making?
British assets vulnerable in Latin America

**Brazil: conquering the
next American frontier**



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EIR

From the Managing Editor

‘In open violation of the Monroe Doctrine and of the 1947 Rio Treaty to which the United States is a signator and the Senate has ratified, Alexander Haig is handing over U.S. military information and supplies to a European power conducting colonial aggression against a sovereign state of the Western Hemisphere,’ declared a recent editorial in the semiweekly newspaper *New Solidarity*, published by NSIPS, our own publisher. We think its commentary on the Monroe Doctrine sheds light on the subject of our Special Report this week, Brazil’s economic development.

The Monroe Doctrine as formulated in 1823 by Secretary of State John Quincy Adams commits the United States to defend the hemisphere from encroachment by all colonial powers, emphatically including Great Britain. “What was Adams’s purpose in insisting on this doctrine at a time when U.S. naval power could not pretend to defend the entirety of the Western Hemisphere against British naval superiority, except to establish a principle *for posterity*?” asks the editorial. “The principle that the British System of Free Trade against which this nation had recently fought to free itself, represented an intolerable threat to the development of sovereign republics. . . .

“Adams knew the great economic potential that Latin America represented, and looked to the day when the growth of U.S. industrial power could be brought to bear in developing the internal potential of those nations. It was not a desire for ‘markets for U.S. goods’ . . . that characterized America’s commitment to the spread of republican forms of government, but the recognition of the need to develop the productive powers of nations, and an educated citizenry.”

In connection with our Special Report, it is worth noting that the same republican networks which gave birth to the American Revolution produced Portugal’s great Marquis of Pombal, who as Foreign Minister under José I in 1755-77 introduced polytechnical institutes to Brazil and the rest of the Portuguese Empire to promote science and industry; and he expelled the Jesuits, urging the French and Spanish to do the same. We invoke the memory of Adams and Pombal as we urge the trial for treason of that arch-Jesuit, Alexander Haig.

Susan Johnson

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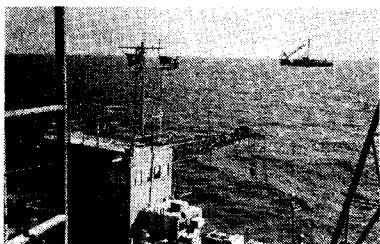
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NSIPS/Dennis Small

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Britain's Latin American assets are vulnerable

by Kathy Burdman

In the midst of the high-powered financial and military warfare launched against the Republic of Argentina by the British monarchy a weapon of Argentina has been overlooked—one which could bring Her Majesty's government running to the negotiating table. Argentina, Venezuela, Peru, and other Latin American nations should immediately "seize and expropriate all British assets" on the continent, Democrat Lyndon H. LaRouche, Jr. recommended May 3.

Argentina's objective, LaRouche stated, should be to "make the British pay" for their colonial invasion of American waters, without harming the United States. A default by Argentina on its \$35 billion foreign debt, \$12 billion of which is owed to U.S. banks, both LaRouche and Argentine bankers said, would bring down the Western banking system as a whole and harm the U.S. economy most.

LaRouche recommended that instead, Argentina place the full weight of action upon Britain, by seizing Britain's estimated \$3 billion in corporate and non-loan bank assets inside Argentina. In response to British freezing of Argentine assets in Britain, Argentina to date has forbidden repatriation of British assets in Argentina, but has seized nothing. LaRouche recommended seizure by other Latin nations of Britain's additional \$15-\$17 billion in assets elsewhere on the continent.

LaRouche further advised that Latin American allies of Argentina should first pull their more than \$10 billion in deposits out of British banks in London, to avoid

having them frozen, as has been done to Argentina.

Certain large British banks such as Lloyds or Barclays would suffer major losses of a magnitude that would force the Bank of England to try to bail them out and make a general bank collapse likely. The prestige of London as a world financial center would be finished. British industrial companies would suffer large losses on Latin American subsidiaries, causing Britain's already awesome unemployment to skyrocket. Direct political pressure would result on the Thatcher government. As one German banker told *EIR*, many companies in the United States and Continental Europe will be ready to support targeted action against Britain. "It's a good idea," a source at Dresdner Bank told *EIR*. "It's technically feasible," one Swiss banker commented.

British 'miscalculation'

Mr. LaRouche, Advisory Board Chairman of the National Democratic Policy Committee and a leading international economist, said that the British are "grossly miscalculating" world affairs. "Only brutal shocks and humiliation" will shake the British "out of their dream world," he advised Argentina.

The initial reaction from Argentine bankers to LaRouche's plan was positive but cautious, one Argentine banker told *EIR*. "There has been some talk in Argentine nationalist circles of doing this, and it should be done," he said. "The British are invading our hemisphere and we must defend it."

However, Latin America is under "extreme financial pressure" from British and other foreign bankers to avoid such nationalist moves, or suffer a loss of "all foreign investment," not just Britain's, he added. "There is too much fear in Latin America today because all of us are net importers of capital. The infrastructure and industry of many nations are being built by foreign investment."

British bankers have threatened Venezuela and Peru—both strongly pro-Argentina—with a total credit cutoff if they give military assistance to Argentina. "Venezuela and Peru both desperately need foreign credit for their five-year development plans. Entrance into a war could destroy their budgets, and the international banking community would consider them a credit risk and cut them off," a Chemical Bank economist said May 5.

U.S. banks, economy at risk

Neither the dependence of the U.S. economy on Latin American trade, nor the danger to U.S. banks, which have over \$105 billion in loans outstanding to Latin America, should be underestimated. "I can't see any U.S. national interest in this at all," the President of a major U.S. bank told *EIR* on May 3. As the accompanying table shows, U.S. bank loans outnumber British bank loans of \$34.8 billion to the area by almost three to one.

Britain is threatening the banking system by squeezing Argentina of foreign credit, while trying to protect British banks by not forcing an outright default. Argentina for its part has vowed to "pay all its debts" to prevent "a default, which would endanger the U.S.

banking system," an Argentine banker said May 3 (see interview below), and is even paying British banks, into an escrow account set up by Argentina's central bank. But Lloyds and other British banks announced May 2 that they don't "accept" the escrow, and are demanding U.S. and other banks "share proceeds" of all Argentinian payments.

Britain aims to panic other banks away from Argentina, and shut down its economy. But if bankers do panic, loans will dry up to all of Latin America, with uncontrollable results. The six major Latin borrowers in our table need \$86.8 billion in new loans in 1982, and \$78.7 billion of that is just to roll over principal and pay interest on existing debt.

As for trade, U.S. exports to the area were almost \$40 billion in 1981, 17 percent of total U.S. exports, supporting millions of jobs in U.S. industry. U.S. exports to Argentina alone were \$2.1 billion, twice those of Britain. Above and beyond bank loans, more than 200 U.S. corporations have direct investments in industry, agriculture, and trade in Latin America worth over \$75 billion in assets, more than three times Britain's \$20 billion assets on the continent. U.S. investment in Argentina alone is \$4 billion.

"The National Association of Manufacturers [NAM] and U.S. Chamber of Commerce are terrified over the threats to our commercial relations with Latin America," one administration source told *EIR*. A NAM spokesman told *EIR* May 3 that it plans to lobby against U.S. support for Britain. "You will hear some loud noises from the U.S. business community" if Britain escalates the war against Argentina any further, he warned.

Bank lending to six Latin American nations

(in billions of dollars)

Nation	Total foreign debt*	Total owed to U.S. banks*	Total owed to British banks*	New borrowings needed in 1982	Of which to be used for:		
					Principal rollover	Interest payments	New net credit
Argentina	\$ 35	\$ 12	\$ 8	\$14	\$11	\$ 3	\$0
Mexico	70	40	10	21	10	11	0
Brazil	70	30	10	18.3	7.2	10	1.1
Venezuela	30	13	4.3	24	15	4	5
Peru	9	3	1	5.5	2	1	2
Chile	15	7	1.5	4	2	2	0
Total	\$229	\$105	\$34.8	\$86.8	\$47.7	\$31	\$8.1

Total debt service due in 1982 (principal plus interest): \$78.4 billion

Source: New York bankers' estimates

*Total loans outstanding at end of 1981

Currency Rates

What an Argentine says

From a May 3 EIR interview with the representative of a leading private Argentinian bank:

Q: What is the Argentinian debt-payment situation?

A: We are paying all our debts, and we have no desire for a default that would endanger the U.S. banking system or the rest of the banking system. We are paying our debts directly to non-British banks, and payments to the British banks are going into the escrow account held by the Banco Central at the Banco de la Nacion Argentina, a private commercial bank whose stock is owned by the federal government.

The British are not satisfied with this. Lloyds has invoked what may be referred to as a "proceeds-sharing" clause in the consortium loan agreements. This is not a cross-default clause, it is merely an agreement that payments will be distributed "proportionally" on consortia loans. We are paying the British their fair share—into the escrow account. This is exactly what was done by the U.S. during the Iranian crisis, and there is plenty of precedent for it in international law. Lloyds' loan to the Aguas y Energia utility was the first one to mature, but many loans are maturing . . . and the British are doing this in all cases. The U.S. banks are taking their money and telling the British "everybody is getting their fair share."

Q: You mean they accept the escrow arrangement?

A: Implicitly—by accepting our payments and refusing to cooperate with the British, they are implicitly claiming the escrow account to be legitimate. Otherwise the U.S. banks would have to refuse payments and declare a default. This they will never do. They won't give the British anything. . . . If the British call a default, they will just bring down their own banks . . . so there is nothing they can do.

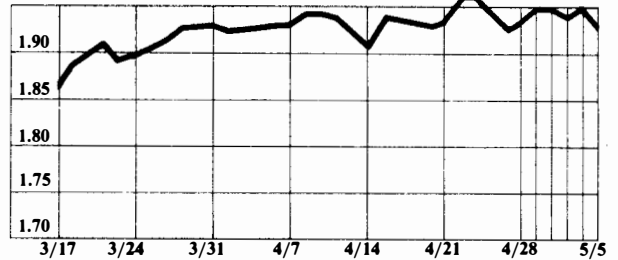
Financially, they're backing us to the greatest extension of credit possible, making efforts beyond all other banks and beyond what was expected of them. Citibank is doing a wonderful job, very cooperative. Chase, Morgan, all of them have been in Argentina for a long time and they're very cooperative.

Q: What about the run on Citibank in Argentina last week?

A: Nothing anti-American about that, it happened at several banks because people are just short of cash. The Banco Central stands ready to offer them a special rediscount line if they have any trouble at all.

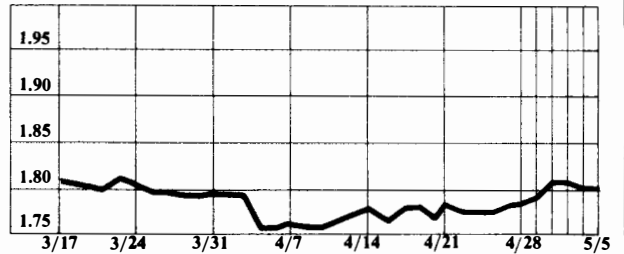
The dollar in Swiss francs

New York late afternoon fixing



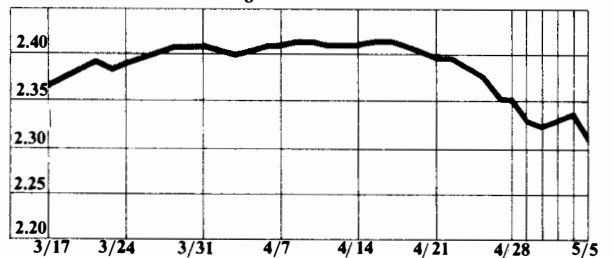
The British pound in dollars

New York late afternoon fixing



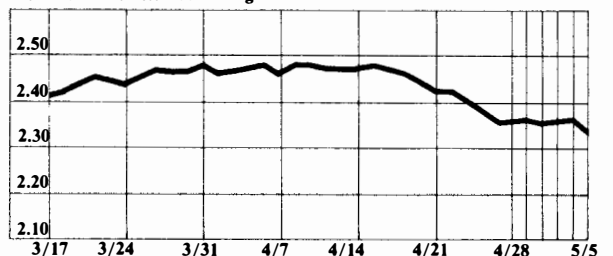
The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing



A U.S. 'going out of business' sale

by Leif Johnson

On April 24, the *New York Times* devoted its lead headline to the announcement that the Consumer Price Index had fallen for the first time in 25 years—since 1965, to be exact. The drop was small, about 0.3 percent, and only for one month, but the trend toward lower inflation has been noticeable for some time. Paul Volcker's anti-inflation strategy, the media burred, is working.

The rejoicing will be short-lived. The reason for the temporary deflation is a combined collapse of farm prices and the heaviest sell-off of consumer and producer inventory the nation has ever witnessed. As in the 1930s, the decline in prices is strictly due to the depression. The American economy is having a going-out-of-business sale. With a total unemployment rate of 23 percent of Americans willing and able to work in March 1982, the ability of consumers to purchase goods has plunged dramatically. Therefore prices took a small dip.

Farm-price collapse

The most dramatic shift in prices was in foods. Wholesale prices of foodstuffs have been declining since last May, when they stood at an index number of 260.9 compared to the 1967 base of 100. By December wholesale food prices for foodstuffs had sunk to 234.1, a decline of 10.3 percent. Since a year ago, prices paid to farmers have begun to crumble. Corn, then at \$3.30 per bushel, had tumbled precipitously to a low of \$2.43 by November 1981. Wheat, at \$4.06 per bushel in April, had dropped to \$3.80 by December, then to \$3.60 in March 1982. Soybeans, one of the most important cash crops for farmers, fell from \$7.60 in April to \$6.00 by December, and then to \$5.88 in March 1982.

The 10 percent decline in foodstuffs wholesale prices did not result in a 10 percent decline in food prices for the consumer. The decline to the consumer was less than 1 percent, the rest of the "savings" being absorbed between the farmer and the buyer—and most of that was absorbed not by the "middleman," but by bankers, insurers, and other financial entities.

The consumer who rejoices over the slight drop in food prices is like the housewife who exults over the

local grocery store going bankrupt so she can buy his stock at cut-rate prices. The farmer is being hit with a dual problem. He is receiving today on average exactly what he was receiving for his crops and livestock in 1979. But since 1979 his costs of production have gone up 25.5 percent. That is why he cannot buy tractors and other necessary equipment and why 3,000 farms every week hit the auction block. At the same time, consumer spending for food, declining since 1979, dropped sharply since August 1981.

According to the U.S. Department of Agriculture's *Farmline*, a monthly reporting bulletin, Americans are consuming only 15 percent more red meat than the Polish population per capita, and are consuming 33 percent less milk and milk products than the Poles. But Americans are consuming twice as many chickens, because they are relatively cheap.

In one of the more honest speeches made recently by a Governor of the Federal Reserve System, Henry C. Wallich told an audience at Rockford College, Illinois on April 7 that it is Fed policy to reduce American food consumption.

Inventory liquidation

The American farmer is not the only businessman being driven out of his profession. In the first quarter of this year, the economy witnessed the largest inventory liquidation in postwar history. Forty billion dollars worth of inventory, or about \$17 billion in 1977 constant dollars, was sold to meet short-term financial obligations after two years of usurious interest rates. Merchants and producers sold at whatever they could get to raise cash. That meant that prices showed a lower inflation rate or even dropped.

The largest inventory liquidation took place in auto: \$7.9 billion in auto inventories and \$1.3 billion in truck inventories were sold. Even with this enormous manufacturing liquidation, the ratio of inventories to sales remains at nearly the January post-World War II peak; American businesses will continue to be sacrificed until low-interest credit is made available to rebuild the economy.

If interest rates were suddenly lowered across the board, Volcker's so-called inflation-fighting strategy would only have guaranteed that the structural inflation built into the U.S. economy over the medium to long term would become immediately visible. The effect of Volcker's tight credit policies has been to shut down productive industry. That means the overhead of the total economy is increasing while the productive farm and manufacturing sector is shrinking, feeding a tendency for prices to rise if credit is simply loosened. Only if the U.S. Treasury directs a program of low-interest credit to investment in productive industry and agriculture can an economic recovery be assured.

California growth advocate fights back

State Savings and Loan Commissioner Linda Yang is getting in the way of Fed Chairman Paul Volcker.

California State Savings and Loan Commissioner Linda Tsao Yang is taking a vocal position in defense of homebuilding and family formation in the United States, and causing headaches for the "post-industrial society" strategists who avowedly want to shut down the nation's savings and loans in order to gut the housing industry.

Mrs. Yang told me in an interview May 6 that she objects to the "policy thinking" behind the Federal regulators' proposals, which she said are exemplified by comments made by the FSLIC Director, Brent Beesley (known in California as "Mr. Doom"), in San Diego recently. Departing from the prepared text of a speech, Beesley told S&L executives that "there are too many S&Ls," Mrs. Yang related. "He said, 'We have too many walking dead, and we might as well give the walking dead a decent burial,' and I listened in stunned silence. That is playing God."

The Fed and FSLIC are putting together a new Omnibus Banking Bill, Capitol Hill sources told me May 6. It will take shape when House Banking Committee Chairman Fernand St. Germain (D-R.I.) reports his "Net Worth Guarantee" bill (H.R.6267) to the full House the last week in May. That bill will help S&Ls by providing \$8.5 billion in U.S. Treasury notes to shore up their capital ("net worth"), and will be supported by Senate Banking Committee Chair-

man Jake Garn (R-Utah).

In conference, the Senate plans to add to the House bill provisions including the "Volcker Bill" or "Regulators' Bill," first devised by the Fed Chairman. It would allow big commercial banks to buy up S&Ls, the aides said. By also tacking on portions of Senator Garn's Financial Institutions Deregulation bills, S.1720, "We'll make this into another Omnibus Banking Act," one aide stated (the first was passed in 1980). The entire bill could be law by June. Its aim is to "get the S&Ls out of the market, and out of housing," said a Treasury source.

But Mrs. Yang doesn't hold with what she calls the "trendy" idea that "housing should be put on the back burner—or killed," as she put it. She flew to Washington May 3 to meet with the banking committees on this.

In particular, she "objects to provisions" in both St. Germain's and Garn's bills which would allow the FSLIC and the Fed life-and-death control of all the nation's state-chartered S&Ls, including the \$55 billion in state-chartered S&Ls' assets in the state of California. Both H.R.6267 and the "Volcker Bill" now contain "provisions which would allow the federal regulators exclusive authority to "determine the 'economic viability' of state-chartered S&Ls," she warned. "I feel the state should make that determination for the benefit of the

state economy."

Mrs. Yang said that U.S. industrial growth depends on "building 30 to 40 million new housing units in the U.S. during the 1980s, a job which only S&L people know how to get done, because they are the most efficient mechanism for collecting funds from Wall Street and around the country, and putting into homes. How can we re-industrialize and raise productivity if workers can't find adequate housing? Or have to drive 50 to 80 miles to work? They say, 'let people double up and triple up the number of families per house! Let the married sons and daughters move back in and live with the folks!' I don't buy this."

Mrs. Yang related how, when she came to this country from China years ago as a student, she viewed the "wonderful housing conditions such as I had never seen" as central to Americans' social stability. "Every person in America has the right to expect that by working hard and saving, he can shelter himself and his children decently."

For her efforts, Mrs. Yang has been attacked by Gov. Jerry Brown's administration recently as "blocking progress" in S&L deregulation. Brown's Secretary of State for Business, Lynn Schenk, has demanded that she quit, S&L executives say.

The real pressure, she acknowledged, is coming from Washington, because "California always leads the nation," and her vocal denunciations of zero growth are being noticed nationally. "A lot of pressure has been exerted [from Washington] to make me change my policy," Mrs. Yang told me.

"But I will not."

A pound of Mexican flesh

The Alfa Group's creditors want to use the conglomerate's troubles to wreck the country's "alliance for production."

On April 22, Grupo Industrial Alfa, S.A., the Monterrey-based conglomerate that is Mexico's largest private firm and a key part of the government's "alliance for production" program for development—and Mexico's largest Volcker casualty—halted payments on principal for \$2.3 billion in debt held by private commercial banks, mainly in the United States. One week later, the Alfa Group held an extraordinary meeting in Houston with 130 creditor banks to outline a reorganization plan involving sales of many subsidiaries, in the face of projected losses that could total \$314.8 million in 1982.

At the Houston meeting, the company's creditors, led by Citibank, Continental Illinois, and Chase Manhattan, made it clear that their intention is to grab as much of Alfa's hard assets in steel, capital goods, foodstuffs, petrochemicals, and tourism as Mexico's nationalistic laws allow. Alfa is only the weakest of Mexican private-sector firms which could face insolvency in the future. The bankers therefore see it as a test of government reaction, a potential precedent for foreign takeover.

Alfa has already sold a \$60 million share in Mexico's media conglomerate, Televisa, and is attempting to sell its \$20 million investment in the Las Hadas resort.

Much more is being demanded. U.S. press accounts say the bankers want Alfa to sell 49 percent of all its

subsidiaries—including the profitable Hylsa steel operations, the core company which constitutes some 40 percent of Alfa's assets. Hylsa's direct reduction technology is among the most modern in the world.

Citibank, in its eagerness to attach hard assets in the troubled firm, secured Alfa's agreement to a mortgage on one of Alfa's corporate buildings. When Alfa confirmed this arrangement at the Houston meeting, there was a round of boos; none of the other bankers want to be left out in the cold if Alfa's technical default situation is called.

The same Rockefeller-linked interests attempting to control the bankers' side of the negotiations—Chase Manhattan emerged as the "chair" of the 20-bank steering committee set up—are not just calling for 49 percent of firms such as Alfa to become open to foreign purchase; they want 100 percent. This call for reversing Mexico's nationalistic foreign investment regulations came from a Rockefeller front group called the "U.S.-Mexico Businessman's Committee," at an April 20-22 meeting of the CEMAI business council in Mexico.

Mexican press sources indicate that the bankers' demands go beyond gaining hard asset collateral. Among conditions reported to have been placed on the table in Houston were: 1) reorganization of its administrative board; 2) the formation of a "technical council" of

"outside experts" to advise whether Alfa met "current standards" in its management practices; and 3) joint appointment of a new comptroller to supervise the firm's complicated finance structure.

One of the key questions is what the Mexican government's role will be. Last fall, when Alfa's troubles first surfaced, the government extended some \$680 million in credits. Alfa had fallen into the red due to the effects of high U.S. interest rates, which sent the Alfa Group's loan-charge costs soaring to \$358 million in 1981, twice the level of the year before. Then, it was hit hard by the February peso devaluation, which in effect, required it to suddenly earn 40 percent more pesos to pay its dollar debts.

The government views Alfa's steel-making division as part of strategic national production and will not permit its closure or sale to foreign interests. Ironically, in the midst of these financial woes, Hylsa inaugurated its latest plant, in Tlaxcala, and the firm continues forward with an expansion plan to 1.6 million-ton capacity.

It is not known, however, how far the government will go to keep the operation as a whole alive, which accounts for 43,000 jobs. The government may step in with further loan guarantees, or buy up some of the Alfa subsidiaries itself.

Some Anglo-American policy centers are attempting to make such a move as difficult as possible. Susan Purcell, Mexican expert for the Council on Foreign Relations in New York, threatened at a late March seminar that "The takeover of Alfa [by the government] during a period of high inflation could have a discouraging effect on needed private investment."

A drive to reopen the Farm Act

The agricultural emergency in the United States is forcing Congress to consider new credit measures.

The past few weeks have seen a drive by farm organizations, farm credit agencies, and both Democrats and Republicans in Congress to force the Reagan administration to provide relief to America's near-bankrupt farmers (see Congressional Closeup).

A moratorium on farm foreclosures, as part of the renewal of legislation governing the Farmers Home Administration (FmHA). But even loyal supporters of Reagan's budget-slashing policy are worried. Senate Majority Leader Baker and Kansas's Robert Dole, an administration point-man for the farm sector, are rumored to be preparing their own version of an emergency farm bill.

There presently exists "a farm price and income situation comparable to that existing during the depths of the Great Depression," stated Rep. Kiki de la Garza, chairman of the House Agriculture Committee. During the depression years of 1929-32, farm income dropped 70 percent. By comparison, from 1979-81, farm income dropped by 39 percent, followed by another drop of 25 percent in 1982 to date. As a result, foreclosures are mounting rapidly.

To date, President Reagan has refused to release \$600 million in emergency credit allocated for the FmHA's emergency-loan program.

One of the main avenues of relief now being explored is a reopen-

ing of the Farm Act. It took over one year beyond due-date to clear Congress. Its proposed modification now, only four months after passage, indicates the seriousness of the situation.

In particular, farm groups have been demanding revision of the act's aid and price-support sections. The pressure on Congress was increased by fact-finding hearings staged by the National Farmers Union throughout the farm-belt over the past two months.

Sen. John Melcher (D-Mont.), a leading opponent of the Federal Reserve Board, has proposed an "Emergency Agricultural Act of 1982," which would revise the "no good" Farm Act by setting a floor price under wheat and corn ensuring farmers a price equaling 70 percent of costs of production.

"Farmers and ranchers are going broke," Melcher told the Senate March 29. "There is no way that the farmers and ranchers can continue to produce with prices below the cost of production." His bill would also mandate the release of the FmHA's impounded \$600 million in loan-money. "It makes no sense whatever that the Department of Agriculture is not acting aggressively to implement this vital program at a time when farmers and ranchers are going broke."

In the House, a group of farm-state Democrats led by Charles Stenholm and Kent Hance, both of Texas, have formed a "farm crisis

group" to rewrite the current farm law. Meanwhile, Reps. English (D-S.D.) and Daschle (D-Okla.) have introduced amendments specifying debt moratoria for hard-hit farmers to the FmHA credit bill to be marked up by mid-May. The bill, to run from 1983 to 1985, sets the agency's lending ceiling. Their amendments would enable farmers to defer payments on principal and interest during a period of severe economic stress like the present one.

Other amendments have been introduced to continue programs of business and industry loans to create new jobs in rural areas.

The amendments are a challenge to current FmHA policy. Despite official denials, reports from a variety of sources indicate that the agency is pursuing a plan to force foreclosure of up to 30 percent of delinquent farm borrowers in many states, by "cleaning up" the agency's "over-extended" loan portfolios.

According to Congressional sources, everyone is getting worried over the rate of U.S. farm failures, and there is especially widespread support for the proposed revisions in the Farmers Home Administration legislation.

Farmers have been selling food at well below cost of production—about 50 percent of parity (costs of production plus a fair profit). They have financed the losses by borrowing up to as much as 65 percent of net income, a ratio that is predicted to rise to 70 percent this year. At Paul Volcker's usuriously high interest rates, this means that they not only cannot plow funds back into capitalization of their operations, they cannot even afford to maintain operations.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$1.8 bn.	China from Canada	Canada will supply China with 3.5-4.2 mn. tpy of wheat in each of the next three years, under new agreement. This is 0.7 mn. tpy more than current agreement.	Payment terms have been reduced from 18 to 12 months.
	Iraq from India	Iraq has chosen Water and Power Consultancy Services of New Delhi to design and engineer the 92,500 hectare Kifil irrigation project in the desert south of Baghdad. The plan will use water from the Euphrates River. The same firm has finished designing a 125,300 hectare irrigation and drainage project on the Tigris River, which is about to come up for bids.	Iraq has several other irrigation projects about to go in the fertile crescent, where agriculture began.
\$1 bn.	Saudi Arabia from Cyprus/Pakistan/India/South Korea	Saudia Arabia awarded \$1.0 bn. contracts for housing for military personnel to construction firms from Saudi Arabia and many labor-exporting countries of the Third World. This contract will provide for 3,631 housing units and community facilities.	Part of \$9 bn. 10-yr. program for 40,000 housing units for security personnel. Saudi defense people don't pay mortgages.
\$7 mn.	South Yemen from Brazil	Petrobras' foreign subsidiary, Braspetro, will perform seismic studies in South Yemen. Braspetro is actively exploring and producing in Iraq, Libya, Algeria, Guatemala, China, and Trinidad.	Petrobras has discovered more oil abroad than in Brazil . . . so far.
\$37 mn.	Bolivia from Argentina	Bolivia has started building multipurpose San Jacinto dam near Argentine border. Main purpose will be to irrigate 15,600 acres. Will generate 7 MW electricity. First phase contract for dam, powerhouse and irrigation canals awarded to José Carellone of Argentina and CIMA of Bolivia.	
UPDATE			
\$3 bn.	Canada/West Germany/France/U.S.A.	Canadian and German companies have formed joint venture to develop, liquefy, and transport natural gas from Canadian Arctic islands to Western Europe. 170 bn. cu. ft./yr. of gas from King Christian and Ellef Ringnes islands would be shipped in ice-breaking tankers.	Another consortium of French and Canadian companies is studying similar project on Melville Island, which would ship the gas to the United States.
\$58 mn.	Brazil from France Creusot-Loire	The generators for the Samuel hydroelectric plant will be supplied by Creusot-Loire, with much of the work done by its Brazilian subsidiary, Mecanica Pesada, and other firms in Brazil. Plant on Jamari River in the Amazon will generate 220 MW.	Brazil can build the world's biggest generators, but accepts foreign participation as part of large financial packages signed on state-state basis.
CANCELED DEALS			
\$8 mn.	Argentina from U.S.A.	Trade sanctions imposed by U.S. in support of Britain's attack on Argentina mean suspension of \$2 mn. softwood lumber sales and \$6 mn. in military sales. \$200 mn. in preliminary Export-Import Bank credits will not go through. Eximbank is considering suspending the \$550 mn. credit for Allis-Chalmers supply of hydroelectric plant for Yaciretá Dam.	The Argentines barely pardoned U.S. for Carter administration suspension of Allis-Chalmers credits. U.S. sold Argentina \$2.2 bn. last year, double imports from Argentina. Good-buy to a prime market?

Aspen's projects scrapped

The high-cost, low-efficiency synfuel boondoggles in the West are now blatantly uneconomical.

On May 2 Exxon announced abruptly that it was canceling its share of the Colony Oil Shale Project near Parachute, Colorado. Tosco, Exxon's 40 percent partner, was forced to follow suit, killing the \$5.5 billion project, which originally also included Robert O. Anderson's Atlantic Richfield Company. It would have been the largest commercial oil-shale project in the nation, producing 47,000 barrels of oil per day.

The Colony Project was considered the most secure of the synfuels projects because it was backed by the financial resources of Exxon, which said it did not even need any of the \$20 billion in federal loan guarantees available for the projects. WyCoal Gas, a \$2.7 billion coal gasification project in Wyoming, and SRC II in West Virginia, a \$1.6 billion coal liquefaction venture among Gulf, Japan, and West Germany, had already been canceled. Occidental Petroleum has indefinitely postponed its \$3 billion Cathedral Bluff shale oil project in Colorado. And the list will grow.

Ironically, what is falling victim to high-interest rates, lower crude oil prices, a relative supply glut, and soaring long-term construction costs, is the entire high-cost energy strategy of Exxon, Anderson, and their friends at Chase Manhattan. That strategy (see *EIR*, Feb. 16, 1982) was to lock the entire U.S. economy into astronomically priced synthetic liquid fuels, natu-

ral gas from Robert O. Anderson's Beaufort Sea, and coal slurried by pipeline over thousands of miles, wasting vast amounts of water.

Twenty-four months ago Exxon was publicly predicting a 30-year trillion-dollar investment in a domestic synthetic fuel industry. Robert O. Anderson's personal energy aide from Anderson's Aspen Institute, John Sawhill, left his job at Carter's Energy Department to head the newly created U.S. Synthetic Fuels Corporation, immediately voting himself and his cronies from Wall Street the highest salaries in the history of government and reveling in the prospect of commanding potentially \$88 billion for synfuel subsidies.

Today, Sawhill, kicked out by Mr. Reagan, is nibbling sour grapes: "I really expected this would happen. The economics just aren't there." Sawhill is now pushing for an accelerated fill-up of the U.S. Strategic Petroleum Reserve (SPR), a move beneficial to old friends like Robert O. Anderson, because it helps soak up the world oil glut at taxpayers' expense and sinks it into salt domes somewhere in Louisiana. (Sawhill does not explain that, even assuming the oil can be recovered, it diverts billions of dollars which should be funneled into some form of strategic nuclear energy reserve. Right now the SPR is funneling millions to the terrorist regime of Ayatollah Khomeini.)

A second component of the

high-cost energy strategy is falling apart as well. The Alaska Natural Gas Transportation System, or ANGTS, an Arco-Exxon-British Petroleum project which, at last estimate, will cost more than \$43 billion to complete, sought to lock more than 60 percent of U.S. gas customers into natural-gas prices estimated 1,000 percent higher than present. The project's backers are reported to be postponing the project "indefinitely," a euphemism for killing it.

The heavily backed political porkbarrel had gained a congressional waiver package through some "capital-intensive" Capitol Hill lobbying by John MacMillian, Robert Strauss, Walter Mondale and the firm of Democratic National Chairman Charles T. Manatt. They gained unprecedented permission for a pipeline company and gas producers to jointly hold equity in ANGTS, which would otherwise have been a gross violation of anti-trust laws. But at present interest costs, even Chase Manhattan is forced to walk away from this legalized swindle.

While it is fortunate for the country that this boondoggle is collapsing, the danger is that Americans will insufficiently appreciate the lesson. The administration and Congress must redirect the resources originally assigned to these destructive areas into a fundamental buildup of the nation's nuclear power grid. A new report circulating in the Department of Energy estimates that national electricity supply sufficiency "could be at risk in much of the country as early as 1990," warning of "long-term economic losses through a weakened energy infrastructure" and drastically increased oil imports.

EIR

The special reports listed below,
prepared by the EIR staff, are now available.

1. **Crisis In Washington: The Fight for Control of the Reagan Administration.** Details the power grab by George Bush, Alexander Haig, and James Baker III; the growing influence of Henry Kissinger; why Paul Volcker has gone unchallenged; the "Swiss group" led by Fred Ikle and Jack Kemp. Includes 25 profiles of leading administration figures. 75 pages. \$250.

2. **Mexico After the Devaluation.** Analysis of the international assault which forced the recent peso devaluation, and of the new government economic measures. Examines four pressure points on Mexico: new threats of capital flight, the danger of trade war with the U.S., spillover of the Central American conflict, and flaws in the ruling PRI party. 75 pages. \$250.

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Business Briefs

Gold

British see multipolar monetary system

Economic advisers to the Thatcher Government based at British universities predict that an Argentine debt default will lead to a monetary collapse in which Europe will create a gold bloc opposed to the United States. The collapse will ensue from combined defaults of Argentina and other nations pushed under financially by "persisting high interest rates."

According to one internationally known British economist, "It's not just Argentina. Poland and Romania will also go at roughly the same time. And if you add up the debt of these three countries alone, it comes to between \$80 and \$90 billion, or about 20 percent of the total outstanding commercial-bank loans to the Third World, and that is several times the total capital cover of the Eurodollar market [the banks' own capital funds which might be applied to cover loan losses]. That would be sufficient to bring down the banking system."

Banking

IMF advisory group warns of threat

The Group of Thirty (G-30), an advisory group to the International Monetary Fund, released a survey of 111 major world banks on May 4, and reported that more than half of the banks that replied to their questionnaire stated that they are "unsure whether existing rescheduling arrangements would be able to tide over the system in the event of more frequent and larger reschedulings" of LDC debt. More than 10 underdeveloped countries have had their debt rescheduled by major banks within the last two years, and without such reschedulings some will fall into default.

The survey also stated that "increasing pressure on corporate balance sheets

and a growing number of bankruptcies in Western countries," are adding to the risks in the international banking system. One member of the G-30, Prof. Peter Kenen of Princeton, reported recently that the G-30 is carrying on a study for the reorganization of the world banking system in the event of its breakdown. The Group of Thirty is chaired by former IMF managing director Johannes Witteveen, and includes on its advisory board the chairman of Royal Dutch Shell, as well as Anthony Solomon, the President of the New York Federal Reserve Bank, and Henry Wallich, one of the members of the Federal Reserve Board of Governors in Washington, D.C.

Foreign Exchange

Why the dollar began to fall

Heavy dollar selling by Latin American nations, as well as expectations that U.S. interest rates will fall, contributed to a strong dollar plunge against most major currencies. The dollar, which was 2.39 deutschemarks on April 23, was down to 2.33 DM on May 3 and then plunged to 2.28 DM on May 7, a decline of 4.6 percent. The dollar also plummeted from 1.94 Swiss francs on May 3 to 1.89 Swiss francs on May 7, losing 2.6 percent of its value in one week.

The most damaging force working against the dollar is the sale by Latin American investors. According to one New York foreign-exchange dealer May 7, "private holders of dollars in Latin America are moving heavily into the Swiss franc and the German mark as a result of the crisis."

The fall in U.S. interest rates is also a cause for the dollar's fall. Ten-year U.S. Treasury bonds fell from 14.68 percent average yield at auction in February to 13.77 percent on May 5.

However, of greater importance than the fall in U.S. interest rates—which could be short-lived—may be the fact that the U.S. trade deficit for the first

three months of 1982 was \$5.9 billion, while Germany and Japan ran substantial surpluses. As the reality of the United States moving into current account deficit and Germany and Japan moving in growing surplus becomes increasingly perceived, the dollar will fall further.

Conference Report

LaRouche calls for 'great enterprises'

Making his first major public speaking appearance in Bonn, West Germany since 1975, *EIR* founder Lyndon H. LaRouche called for an immediate solution to the rapidly deteriorating world strategic and economic situation based on mobilizing the populations of nations around "great enterprises" in this period of acute crisis. These "great enterprises" would include "bringing the developing sector to parity living standards over the next 50 years" and "the conquest of space." In order that the human race may survive, LaRouche noted, these enterprises are necessary to "shift man's point of view" to overcome the normal "little-man" syndrome of the average citizen in most societies.

LaRouche delivered his message before an audience of about 50 individuals attending *EIR*'s May 5 seminar on the theme "The Depression of the United States Economy." In attendance were three Ambassadors from Latin America (Bolivia, Uruguay, and Colombia), the personal aide to the Ambassador from Argentina, representatives from the United States, the Soviet Union, China, and Bulgaria, and attachés from the embassies of India, Cuba, Vietnam, the Ivory Coast, and Nepal. Also in attendance were officials from the West German finance ministry; members of the West German banking and industrial community; representatives from business and the press in Japan; and *EIR* subscribers from across Western Europe.

Speaking on the stated theme, "Why Only a Two-Tier Credit Policy and Regulated Banking Practices Can Foster Re-

covery from the Present General Depression," LaRouche stressed the "Rooseveltian methods" that produced the recovery of the 1940-44 period, a recovery that created the basis for American economic strength for the decades since. "A mobilization for war means a mobilization of the forces necessary for peace," LaRouche stated, drawing upon the ideas of Leibniz and Machiavelli to make the point. "You don't need war, you just need dirigism. A mobilization of the population is necessary."

The sessions earlier in the day were preceded by a welcoming statement to the conference by U.S. Embassy Commercial Attaché Harrison Sherwood.

The first presentation was given by *EIR* Economics Editor David Goldman, who spoke on "A Contrast of *EIR* and Leading Econometric Projections for the U.S. Economy Since October, 1979." Uwe Parpart, Research Director of the Fusion Energy Foundation, followed with a presentation entitled, "The Mathematical Basis for Successful Economic Forecasting." Parpart emphasized that the LaRouche-Riemann method of analysis was based on looking at "phase-changes" in the economy, rather than at "linear dependencies" and "equilibrium systems," as is the case with all other presumptive modeling systems."

International Credit

Anglo-Americans threaten East bloc debt blowup

The British and their assets in the U.S. State and Defense Departments are trying to blow up the Polish debt situation, and create an East bloc debt crisis, right in the middle of the Malvinas events. It is possible the British are out to bankrupt the Germans and other Europeans with significant loan exposure to the East bloc before they themselves could be bankrupted by an Argentine-led Latin American debt moratorium.

Aides to acting Undersecretary of State Robert Hormats said at the end of April that the United States would make

Poland's debts a major topic at the June NATO heads of state summit. U.S. bankers have been echoing State. "I would think the major topic will not be Argentina or other Third World debt, but 'Should Poland be put into default?'" a Citibank economist said April 29.

The *Journal of Commerce* hinted April 30 that the U.S. government is telling U.S. bankers not to reschedule some \$2.4 billion in principal and \$2 billion in interest which Poland says it cannot pay and which is due in 1982. U.S. bankers may be forced by Washington to withdraw credits from much of the Soviet bloc, including the Soviet Union, the *Journal* confirms.

A British banker told the Foreign Credit Interchange Bureau annual meeting in Munich at the beginning of May that all \$95 billion in Western bank loans to the entire Soviet bloc is now "at risk," and said that his company is now suspending all new credits even to East Germany, one of the soundest economies in the East bloc.

U.S. Industry

Conti Illinois tie key to Harvester shakeup

International Harvester took a new step toward bankruptcy court when it announced May 3 that its top management had been shaken up and chairman Archie McCardell would be ousted.

The key new appointment is William Karnes, the retired chairman of Beatrice Foods, as the new head of Harvester's finance committee. Karnes had extensive dealings in the past, through Beatrice Foods, with Continental Illinois Bank, the largest creditor to Harvester.

The appointment led many to suspect that Harvester will have to deal extensively with Continental Illinois when it goes through bankruptcy reorganization proceedings. "When I heard about it," one banker said May 3, "my first thought was that this was a prelude" to Chapter 11 bankruptcy reorganization of the giant farm-equipment producer.

Briefly

● **THE U.S. EX-IM BANK** imperiled the development of a major hydro-electric dam in Argentina by the cancellation of a \$500 million Export-Import Bank loan to Argentina May 1. The cancellation, which was mandated under Secretary of State Alexander Haig's restrictions on credit to Argentina, will cause the project to be canceled altogether, Argentine sources said.

● **WILLIAM BROCK**, President Reagan's Special Trade Representative, is reportedly voicing "grave concern" over the "business and financial consequences in Latin America" for U.S. business since the administration backed Britain in the Malvinas conflict. American corporations in the area have apparently been lobbying Brock against U.S. support for Britain and U.S. sanctions on Argentine trade and finance.

● **ARGENTINIAN** financial officials denied a May 1 UPI report that the Argentine government has moved more than \$800 million out of U.S. banks in New York to Swiss bank accounts in Zürich. "As far as I know that story was started by a Swiss bank and has no validity whatsoever," an Argentine spokesman in the U.S. told *EIR*. "American banks are being very cooperative with us, and so it makes no sense. Why should we want to harm that good relationship?" The Big Three Swiss banks, Swiss Bank Corporation, Union Bank, and Crédit Suisse, issued a similar denial from Zürich May 3.

● **FIFTEEN** U.S. certified carriers have reported a total first-quarter deficits of \$557 million, the largest display of red ink in any corporate sector.

● **OILFIELD** equipment, the last major U.S. market for the machine-tool industry, crumbled in the first quarter, bringing machine-tool orders down to \$504 million for the first three months of the year.

Brazil conquers the Americas' next frontier

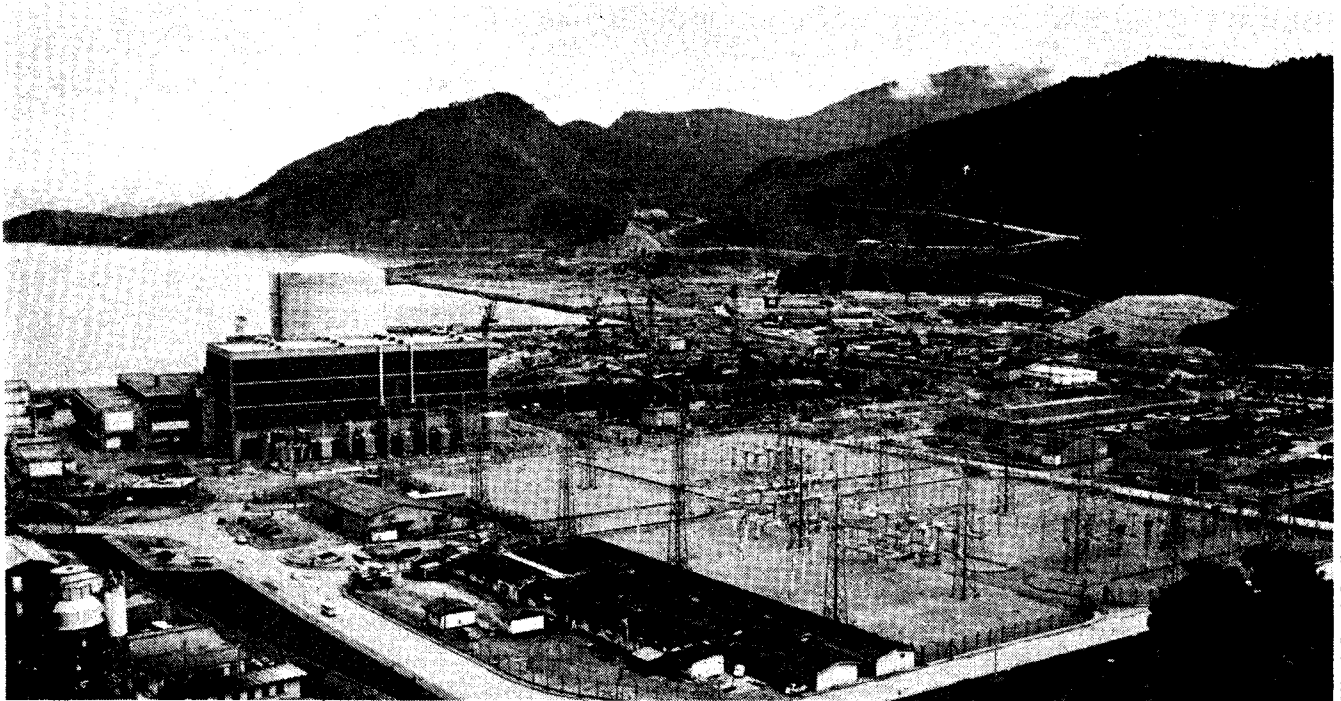
by Dennis Small, Latin America Editor

Visiting Brazil today is like taking a trip 150 years back in time to the young republic, the United States of America. It is not that Brazil is just now introducing steamships or constructing 1830s factories. On the contrary, Brazil this year entered the nuclear era by achieving synchronization at its first nuclear plant, Angra I, on March 14, 1982. And aspects of its industrial base are among the most advanced in the world: Brazil's armaments industry, for instance, currently sells airplanes even to the United States.

What reminds one of the young America is rather Brazil's pervasive commitment to the idea of progress, the unbroken optimism that the majority of its national political and economic elite display about the country's future. Brazil's development to date has been seriously flawed by a failure to invest adequately in its labor force, and here the parallel to the young United States—whose leaders understood that economic growth depends not only on the development of a nation's natural resources, but of its most precious resource, labor power—breaks down. Nonetheless, Brazil remains truly one of the United States's best potential partners in the developing sector, and an especially important pillar of stability in Latin America.

This point was repeatedly and patiently explained to this writer over the course of a recent three-week visit to Brazil, by leaders of the Brazilian government, private sector, military, scientific, and journalistic communities. Typical were the comments made by the President of the national oil monopoly, Petrobrás, Mr. Shigeaki Ueki. "We have the potential to become a developed country within a period of time much shorter than the most optimistic projections," Mr. Ueki told me bluntly. "The ideas of the Club of Rome on limits to expansion and growth, or the old theories of Malthus, are a certain form of pessimism," which have been discredited by "the development we have had in our country."

Mr. Ueki concluded with a pointed message to policymakers in Washington, especially significant on the eve of the May 12-15 state visit to the United States by Brazilian President Gen. J.B. Figueiredo: "It is important that the



NSIPS/Dennis Small

The Angra dos Reis nuclear complex in the state of Rio de Janeiro. Shown here is the new and operating Angra 1, built by the U.S.A.'s Westinghouse. Angra 2 and 3 are under construction at this same site by West Germany's KWU and Brazilian partners.

United States have strong allies. It is not possible to be a strong country without an intensive industrialization program.”

Brazil's optimism is well-founded. Its land mass is larger than that of the continental United States, yet it has only half the population. This *under*-population is especially striking in relation to the country's prodigious natural wealth. Brazil has the world's largest deposits of iron ore; enormous hydroelectric potential; commercial quantities of almost every known mineral including uranium; fertile soil; and extensive forests.

But far more important than this natural endowment is the fact that, over the past 20 years, Brazil has managed to significantly expand its industrial base for transforming these raw materials, and is today the leading industrial power in the developing sector. The southeast of the country has been the center of these efforts, in particular the highly industrialized state of São Paulo, which has achieved levels of production that would make it—were it a state of the United States—economically the third largest, following New York and California.

Brazil is now trying to extend this growth to still-backward areas of the country like the North and Northeast. The huge Greater Carajás Project is a good example of this. There, \$60 billion are being invested in an integrated mining, hydroelectric, and agricultural project designed to exploit the world's largest and purest deposit of iron ore (Carajás Mountain), and in this way open up the entire Amazon Basin to industrial development. A kind of “frontier mentality” prevails in Brazil, very much

like that of the early American republic, which is driving the nation into the underdeveloped West to continue growing.

From 1956 to 1960, for instance, the country constructed an entirely new capital city—Brasília—from the ground up, in the middle of the unpopulated central highlands as a symbol and a means for opening up the interior of the country. Although there are certain unfortunate aspects of Brasília's architecture and urban layout, more important is that an entire city *was* constructed out of nothing in less than four years—an impressive feat by any standards. Brasília today is a point of national pride. As one industrialist explained to me: “Brasília was our Apollo Project. It proved that we Brazilians can do anything we set our sights on.”

Yet despite this impressive growth, the majority of the Brazilian population remains enmired in oppressive poverty, especially in the North and Northeast of the country. Forty percent of the population is still without electricity. Per capita food consumption in most of the country remains under 2,000 calories per day. And in the booming industrial city of São Paulo, 2 million of its 10 million inhabitants live in slums, known as “favelas,” in cardboard shanties with open air sewers.

The U.S. role

Even among the most nationalist of Brazil's nation-builders there is total openness—even eagerness—to cooperate economically with the United States. Although 60 percent of the Brazilian economy is in the

hands of the state sector, the country remains open to both domestic and foreign private investment. Brazilians view themselves as an integral part of the Western capitalist world, and seek American capital and technology in order to achieve their national goals.

The United States, however, has not risen to the challenge. It has in fact been a very poor partner over the past half decade. During the Carter years, the United States openly tried to sabotage Brazil's industrial development, as per the policy dictum of National Security Adviser Zbigniew Brzezinski: "We will not tolerate another Japan south of the border." In the case of Brazil, this meant trying to stop the landmark Brazilian-West German nuclear accord for 8 fission plants (including the full fuel-cycle), by pressuring both governments to abandon their accord. Carter failed miserably in this attempt—but he did succeed in poisoning U.S.-Brazilian relations for years afterwards.

The Brazilians were relieved to see Reagan elected president, but they remain wary of American motives and reliability in dealing with Latin America—a problem which has been compounded by the pro-British stance of the United States on the Malvinas crisis. One of the highest military authorities in Brazil told me privately: "We want to be the best of friends with the Reagan administration and the United States. But you must understand that to be a good friend we must be stable, and stability means that we must continue to have high rates of economic growth, since we have to absorb 1.5 million new workers into our work force every year."

The single biggest obstacle to achieving this Brazilian goal is named Paul Volcker—the Chairman of the U.S. Federal Reserve. Volcker's high-interest-rate policy has delivered a shock to the Brazilian economy—burdened by the world's largest foreign debt, at \$70 billion—and sent it into a tailspin since 1980. Last year, after a decade of remarkable industrial growth, Brazilian GNP *declined* by 3.5 percent. Prospects for 1982 are equally grim. The head of Brazil's House Foreign Relations Committee, Mr. Flavio Marsilio, confirmed to *EIR* that Mr. Volcker's unacceptable interest-rate policy would definitely be on the agenda for the mid-May Figueiredo-Reagan summit.

The likelihood of further economic recession in 1982 has Brazilian authorities particularly worried, since this is an election year in Brazil, where both Congressmen and the crucial electoral college for the 1985 presidential election will be chosen. If the economic crisis gets too severe, the leftist opposition parties will be greatly strengthened, and could challenge the political control of the governing PDS party and its military backers. Although most informed Brazilians consulted by *EIR* did not expect the situation to get out of hand in 1982, there is widespread concern over what will happen both

in 1982 and beyond.

There is another way in which Brazil is very much like the United States: the leaderships of both nations are infected with the dangerous ideological disease known as "pragmatism."

Having made important progress under duress in the past, Brazilian self-confidence—like that of many Americans—often translates into a foolish short-sightedness on international strategic developments. "Don't worry, we will manage somehow," was the constant refrain heard from Brazilian politicians and businessmen confronted with the hard facts of world economic reality. Time and again I was told that in 1981 world trade had collapsed by 1 percent, but Brazil's exports had increased by 17 percent, and that they fully expected to be able to continue increasing exports even as the world economy entered into a full-scale depression.

This type of pragmatism is what lies behind the toleration of the policies of Brazil's version of Paul Volcker, Planning Minister and economic czar Antonio Delfim Netto. Delfim, a man of enormous personal power inside Brazil, has overseen the policies of austerity and recession dictated to Brazil over the past few years by its creditors in the City of London. It is commonplace in Brazil to hear even the most pro-development of individuals—such as Petrobrás President Ueki—praising Delfim's adroitness at navigating within the parameters defined by the international economic disaster, and even praising the monetarist policies shared by Volcker and Delfim. "The world may be going to hell, but we Brazilians have a big country and are clever, and we will get by as we have in the past," is the unspoken argument of many Brazilians.

Yet just underneath this glib disregard for international reality, one perceives a growing, uneasy realization within the Brazilian elite that something has to be done to stop the United States' headlong flight into economic suicide, lest the entire Western capitalist world vanish.

The mid-May trip to the United States of Brazilian President Figueiredo and his top advisers will be an important measure of how far that realization has sunk in. So too will it reflect to what degree the Reagan administration has abandoned Carterite foreign policy, and is willing to invest in stabilizing Latin America by participating in the industrial development of Brazil.

During his recent stay in Brazil, EIR Latin American Editor Dennis Small toured the just-commissioned Angra 1 nuclear power plant at the Angra dos Reis nuclear complex in the state of Rio de Janeiro, and traveled by helicopter for a special visit to the Enchova offshore oil platform operated by the state-owned oil company Petrobrás about 100 miles north of Rio de Janeiro. An upcoming issue of EIR will feature editor Small's report on the development of Brazil's energy sector, and the debate on its future.

The magnitude of Brazil's new economic opportunities

by Mark Sonnenblick

In a world filled with people who moan about "the exhaustion of natural resources," the surface of Brazil's natural wealth has barely been scratched. Carajás, a mountain estimated to contain \$333 billion worth of top-grade iron ore with separate deposits of copper, aluminum, nickel, manganese, and tin ore was discovered almost by accident in 1967. (See box, page 25 on plans for the development of Carajás.) Carajás alone could supply enough iron ore for 30 years of the entire world's steel production at current rates.

The Brazilians have started systematic mapping of their national territory using aerial photography and have discovered enough mammoth mineral deposits deep in the interior to keep alive the Brazilian belief that "God is Brazilian." The unexplored vastness of the country is illustrated by the discovery during mapping of a 700-mile long river system previously unknown to civilized man.

The government has given top priority to locating and developing domestic energy sources to replace the imported oil which eats up almost half of Brazil's export earnings. Brazil's state-owned oil company Petrobrás is investing over \$1 billion per year in exploration and development to meet its target of producing 500,000 barrels per day of crude in Brazil by 1985. Exploration efforts raised identified uranium reserves from 1,400 tons in 1974 to 266,300 tons in 1981, which is more than enough to power 43 large nuclear stations for their lifetimes.

Industry

Brazil's industrial output is more than that of the rest of Latin America combined. In less than a generation, Brazil has transformed itself from a predominantly rural country to a modern industrial giant whose progress alarms technologically stagnant competitors.

Brazilian industrialization lagged—even by Latin American standards—until the 1950s. Brazil then began a rapid process of domestically manufacturing articles which had been imported. This import substitution has gone in phases, starting with the easiest consumer products, then consumer durables, then the inputs which go into the products, and the machines which make them. The chart on page 20 shows the rapid

annual growth rates achieved over the course of the 1970s, a pace unmatched except by such developing sector leaders as Mexico and by Japan's postwar reconstruction.

Even when the 1974 oil shock hit, the government of Gen. Ernest Geisel decided that Brazil, which then imported 80 percent of its oil, should not join the industrialized West in recession. Brazil would "grow its way out of the crisis," Geisel announced. The Geisel government aggressively sought to substitute imported oil with fuels found in Brazil. It signed the remarkable "nuclear deal of the century" with West Germany in 1975, but only after Henry Kissinger made the United States an unreliable supplier. (In July 1974 the United States had informed Brazil that it would no longer guarantee supplies of enriched uranium fuel for the Angra 1 power station being built by Westinghouse.) Under this deal, Brazil is building its own nuclear industry, including the recently completed \$250 million engineering facility, the world's most advanced.

Brazil's planners simultaneously began the heavy investments needed to reduce the economy's dependence on the other big items in the swollen import bill.

How Brazil ranks in the world economy

Area: #5; bigger than continental United States

Population: #6; 125 million people

Economy: #10; #8 in the West; \$226 billion GNP in 1981

Steel production: #10

Manufacturing: 25 percent of all developing sector manufacturing

Auto production: over 1,000,000 cars produced in 1980

Iron ore production: #2, second only to U.S.S.R.

Iron ore exports: #1

Agricultural production: #7

Agricultural exports: #5

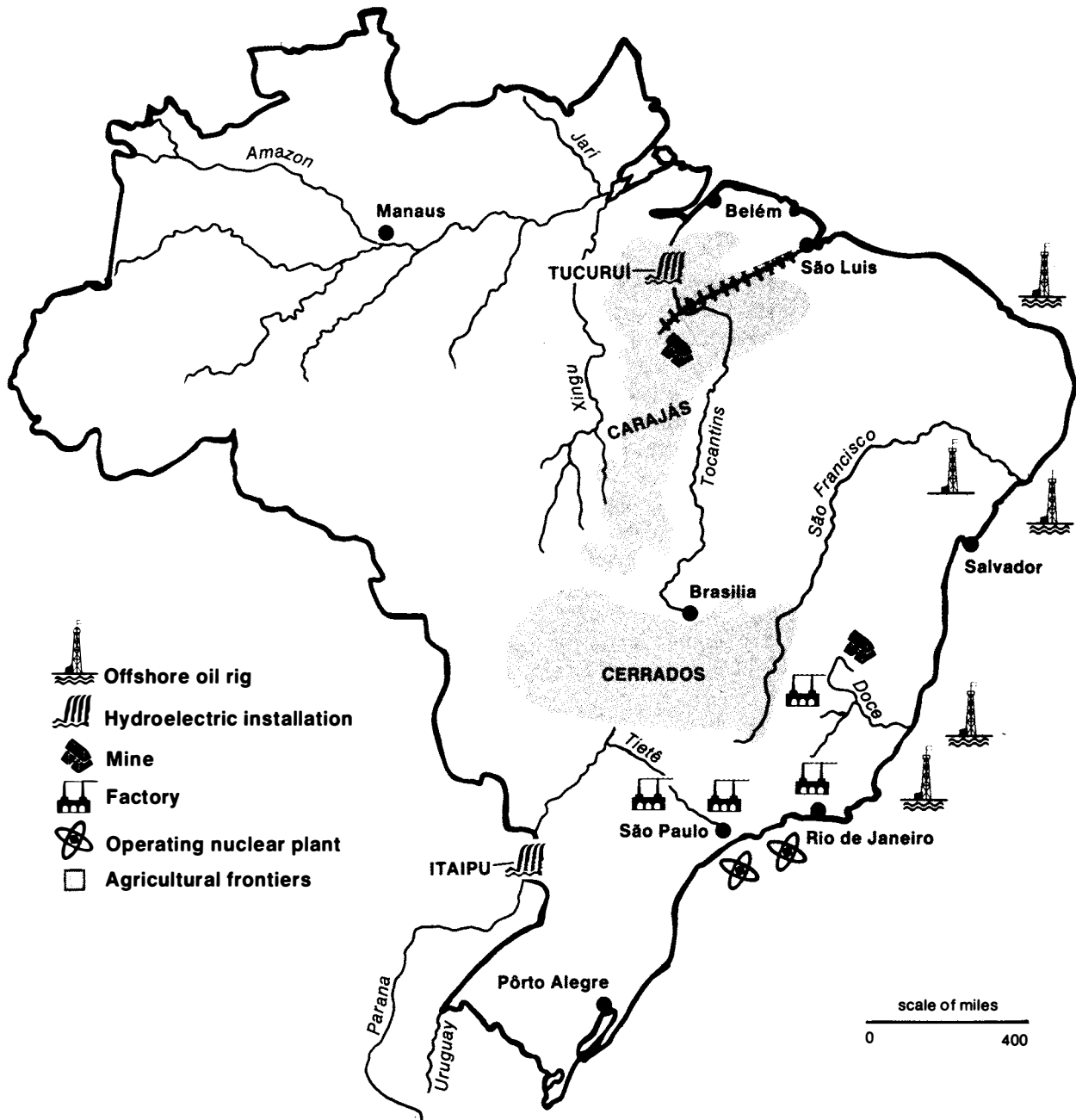
Coffee production: #1

Sugar exports: #1

Hydroelectric power production: #4; building world's largest hydroelectric dam (12.6 million KW capacity)

Inflation: #3; after Israel and Argentina (95 percent in 1981)

Brazil's development frontiers



This map highlights just a few of Brazil's biggest development projects.

Dams: Itaipu Dam on the Paraná River border with Paraguay is the world's largest. Its 12,600 MW is double that of Grand Coulee Dam. Its cost, \$13 billion, is a bargain. Tucuruí Dam, in the Amazon region on the Tocantins River, will be Latin America's third-largest dam. It will provide cheap electricity for aluminum smelting, the huge Carajás project, and industrializing the impoverished Northeast hump of Brazil. The Amazon region has 200,000 MW hydroelectric potential.

Mining: Carajás and traditional Rio Doce valley are shown. Brazil has hundreds of other mining sites.

Industry: Manufacturing is heavily concentrated in São Paulo and Rio states; but processing of crops and minerals takes place at dozens of centers throughout the country.

Nuclear: First power stations are sited near Rio and São Paulo.

Agriculture: The "cerrados" in the Center-West are arable prairies more than double the size of Texas. The area shaped like Italy (but twice as big) around Carajás includes some of Brazil's 27 million hectares of lowlands fit for basic food crops.

Oil: Only the United States and Britain are doing more offshore drilling than Brazil. Brazil is bringing four offshore finds into production to supplement old shore fields. Reserves are over 1.3 billion barrels.

Between 1974 and 1980, Brazil added at least 70 percent to its capacity to make steel, non-ferrous metals, cement, and paper. Petrochemical capacity was increased 138 percent; agricultural chemicals and alcohol tripled; fertilizer capacity multiplied nine times.

The real miracle was in the area of capital goods, the machine tools and heavy engineering which are the mark of a truly industrialized nation. At the end of World War II, Brazil was making only \$30 million worth of such items per year. In the midst of the 1971 industrial boom, its \$400 million production had to be supplemented by \$1.3 billion in imports. Imports shot up to a peak of \$3.9 billion in 1975, as Brazil tooled up for basic and machine-making industry. By 1978, machinery production was already over \$3 billion.

The rapid capitalization of Brazilian industry ended abruptly in 1980, as the impact of the world recession brought on by U.S. Federal Reserve Chairman Paul Volcker's high interest rates was felt in Brazil, and both private and public sectors put off investments in new production capacity. Brazil's capital goods producers have sought to counteract the decline of investments. In 1981, they diverted \$1.5 billion worth of machinery, boilerwork, and equipment, plus \$2 billion of automobiles and other transport equipment, into the world market. They are also retooling for the surest growth market in today's world: armaments. Brazil now reportedly makes over \$5 billion in military equipment and exports \$2 billion each year, making it the number-five exporter.

The agricultural sector

Brazil, long a world leader in coffee, sugar, and cocoa, threw its efforts into soybeans over the last decade, harvesting 16 million tons of soy in 1981. Thirty-five percent of Brazil's people are employed farming 50 million hectares. But there is enough arable land in the interior to feed several billion people. The map on page 20 shows an area in the center of the country called the "cerrados." Of 180 million hectares of savannah lands there, 150 million hectares are suitable for agricultural use, but only 6 million are presently being cultivated. All these plains need to be bountiful is lime to correct soil acidity and irrigation from readily accessible aquifers and rivers.

This rich land of the future—Brazil is already the world's fourth-largest agricultural exporter—however, cannot yet provide 76 percent of its population with incomes adequate for basic nutrition, according to the Food and Agricultural Organization.

The underdevelopment of human resources is as serious an obstacle to Brazil's achievement of its tremendous potential as its lack of capital. The problem is apparent in Brazilian agriculture, which has achieved a deceptive prosperity on the basis of paying illiterate peons \$3 per day. Wellington Barros, head of the

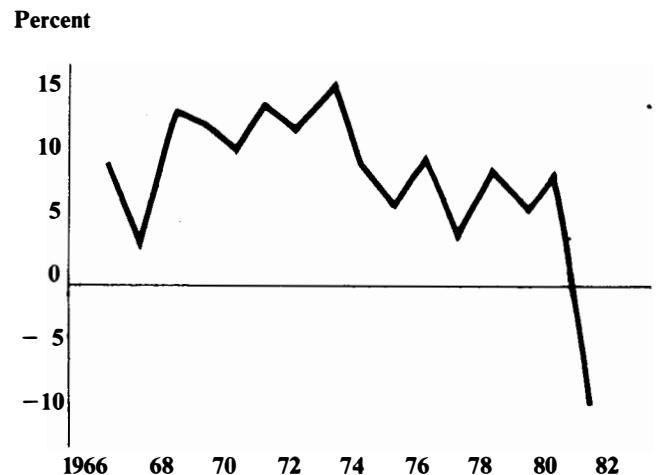
National Rural Professional Training Service, reports that "Brazil loses about 50 percent of its grain production due to lack of professional qualification of the workers and small farmers." He explained that losses during mechanical harvesting of soybeans fell from 18 percent to 5 percent with a minimum of training of operators, but most owners had "a declared fear" that educated tractor-drivers would want more than the minimum wage. Anthropologist Daniel Gross found fleets of sugar-cane cutting machines designed and made in Brazil parked next to the mills because human sweat of canecutters is cheaper than fuel for the mechanical harvesters. It is doubly ironic that the sugar was headed for making alcohol to be used for automotive fuel.

The bottom line on the short-changing of both man and land in agriculture is crop yields, which have stagnated at half world levels and a third of U.S. productivity. Corn, for example, averages 1,442 kilos per hectare in Brazil compared with 6,865 in the United States. And 25-30 percent of Brazil's corn crop is lost after harvest because only 0.5 percent of Brazil's farms have on-farm storage, compared with 60 percent in the United States. With adequate capitalization of human and land resources, Brazil could double and triple the effective harvest on present lands. With the incorporation of new lands, it could bring a hungry world ten times its current 55 million ton grain harvest.

The development of technology

One of the reasons for Brazil's extraordinary indus-

Brazil's annual rate of industrial growth



Note: Annual rate of change of real industrial output, including manufacturing, mining, construction, and public utilities.
Source: Getulio Vargas Foundation, Rio de Janeiro, Brazil

trial progress has been its emphasis on assimilating the world's most modern technologies. Like Japan, Brazil has a very strong orientation toward developing its own technological capabilities beyond those available abroad, and of preparing technical manpower to assimilate the most advanced discoveries made elsewhere. That is one of the motivations of the country's extensive nuclear program.

Brazilian scientists are proud that they have thermonuclear fusion programs in half a dozen universities. The University of São Paulo has its own experimental tokamak, made in Brazil. The University at Campinas continues the work of the late Dr. Sergio Porto, a world leader in laser separation of chemical isotopes—the kind of process which could forever end the problem of resource scarcity.

In sharp contrast, Brazil has also made a priority national commitment to the most backward energy technologies: those based on the harvesting of biomass. Millions of hectares of good farmland and hundreds of peons have been locked into labor-intensive programs for producing alcohol, charcoal, and more exotic substitutes for modern fuels. This degradation of man and land threatens Brazil's future as a developed industrial nation.

'Big is beautiful'

During the Geisel administration (1974-79) when

the idea of Brazilian "grandeza" (greatness) reigned unchallenged, plans were carefully formulated to continue Brazil's rapid growth. A recent Federal University of Rio study lists 33 ongoing projects, each requiring an investment of over \$1 billion. The total cost of these projects over the next four to sixteen years is \$230 billion (almost as much as a year's GNP).

Most of these plans—and the very idea of hubristic big projects—are now under fierce attack by the "little people"—the world's zero-growth forces. The World Bank and Brazil's foreign creditors would like to compel Brazil to abandon its struggle to become a major world power by the end of this century. Planning Minister Delfim Netto will soon unveil a centralized budgetary process to aid the World Bank in axing projects managed by autonomous state agencies.

But the most important attack of the enemies of Brazilian development focuses on the frontier-style optimism which still infects Brazil's entrepreneurs, its state sector managers, and its military leaders. In its 1977 secret report on the Brazilian economy, the World Bank complained that Brazil's experience with rapid growth "rarely achieved by developing countries . . . established great confidence in the long-term growth potential of the country, which has made it difficult to adjust to the necessity of moderating the growth rate as a means of combating the balance of payments and inflation problems Brazil faces today."

Brazil's balance of payments: 1970, 1979-82

(in billions of current dollars)

	1970	1979	1980	1981	1982*
Trade balance	+ 0.2	- 2.7	- 2.8	+ 1.2	+ 3.0
Exports	2.7	15.2	20.1	23.3	26.0
Manufactures	0.4	6.7	9.0	11.9	15.0
Imports	- 2.5	-19.9	-22.9	-22.1	-23.0
Oil	- 0.3	- 6.4	- 9.8	-10.6	- 9.5
Service account	- 0.9	- 7.8	- 9.5	-13.3	-13.3
Interest on debt (net)	- 0.2	- 5.3	- 5.9	- 9.1	- 9.5
Current account	- 0.8	-10.5	-12.1	-11.7	-11.1
Capital movement	1.0	7.7	9.3	11.5	11.1
Loans and investment inflow . . .	1.7	14.1	16.3	18.2	18.3
Amortizations	- 0.7	- 6.4	- 7.0	- 7.6	- 7.2
Total debt service	- 0.9	-11.7	-12.9	-16.9	-16.7
Debt service as a percent of exports	32.8	77.0	64.2	72.5	64.2

Source: Central Bank of Brazil, 1970, 1979-81.

* Year 1982 is projected on the basis of official statements in April which assume the world market will recover in second semester. If not, Brazil will have to make extreme sacrifices to repeat nominal 1981 trade performance.



'I believe in cooperation between Brazil and the U.S.'

The following interview with Dr. Eliezer Batista, the President of Companhia Vale do Rio Doce (CVRD), was conducted on April 22 in Rio de Janeiro by Dennis Small.

Small: What are the activities of Companhia Vale do Rio Doce?

Batista: CVRD is a mining company. We are initiating a very big project in the north of Brazil [Carajás—ed.] as a continuation of our existing facilities in the south. At the same time we are setting up a joint venture in the north with Japanese companies to produce alumina and aluminum. This is altogether an investment of close to \$7 billion in a period of four years. On top of this we have other nonferrous properties which are being developed gradually, because this capitalization effort is worth billions, so we cannot start a lot of new projects simultaneously because there is not enough capital. So we decided to minimize the capital effort by associating ourselves with mainly Brazilian private groups. But in the case of smelting, we are associated with Japanese capital on a minority basis.

Everything is on a business basis; but at the same time this coincides with the fact that this project is also a development project, because it's going to open enormous areas of Brazil for development. Most of the mineral resources are conveniently concentrated geographically, which enables us to use the same infrastructure for the whole region. And it is also a coincidence that the area is extremely rich in terms of soils. We have in part of the territory basalt soil, which is very good for agriculture. And along the railway we have very good areas for forestry development. So the government decided to create an agency for development which is going to use our infrastructure, the enormous hydroelectric potential of the area, and the biomass and also the hydro wastes that are available in the area as a consequence of the construction of the big Tucuruí dam. The combination of all these infrastructure facilities will represent the opening of an enormous area equivalent to several countries, with a minimal investment, but creating for the

country enormous new possibilities in terms of natural resources.

Small: So CVRD is involved in not only mining per se but also processing of raw materials—alumina, aluminum, and so forth?

Batista: Yes. We have a smelter here already in operation in Rio. We have six pelletizing plants that produce 17 million tons of [iron ore] pellets. We are building this smelter and alumina-producing facilities as I told you. And our target is to go more and more into the processing of minerals—not to become only an exporter of raw materials. We are more and more going into processing of these products, these raw materials, because we have very cheap hydropower, a lot of biomass to produce cheap energy, and the reducing agent for metallurgical purposes. And this is all available in this area, therefore making the Carajás development scheme a very economical one. This is something that very few people know about, because most of the so-called development programs in the Third World are usually very expensive and require a lot of infrastructure, which is not the case with Carajás. We are in charge of the infrastructure, and that makes it economical—in spite of the high investment—because we have guaranteed our market in advance. We pre-sold the whole production, which facilitated of course the financing under very attractive terms, which is also very important.

The other projects are going to be mostly private and are going to use the same infrastructure.

Small: In many Third World countries, the focus on development is often simply extractive, and nothing else, which can be criticized for not contributing to the development of the host country. But what you're describing is an integrated industrial process, where the extraction is just the first step in an ongoing industrialization effort. Is that an accurate description?

Batista: Yes. We are already building, as in the case of aluminum, the alumina and metal facilities at the same

time. So it's not only production of raw materials. We are going a step further, and probably we will go even further depending on the economic conditions of the items involved. We cannot go, for example, into fabrication of aluminum because of marketing conditions, but we are going farther and farther depending on the overall situation of the world economy.

Small: You said that the financing conditions are actually quite attractive. What were those and what is the situation now?

Batista: We operate with very important institutional financing establishments like the World Bank, like the European Community, like the Kreditanstalt für Wiederaufbau in West Germany, like Exim Bank of Japan—not Euromarket conditions which are very costly.

Small: On the policy question of large development projects like this there is a very heated discussion. Many banking sectors, including those around the International Monetary Fund, tend to oppose large development projects that lead to industrialization in Third World countries. I would imagine that Brazil, and the CVRD in particular, does not share this view. What is your thinking on this?

Batista: It depends on the degree of sophistication of the large industrial projects. We are not involved in highly sophisticated industrial development. This is the processing of raw materials on the first and second stage, and I think the natural evolution of world conditions requires that. I think what you're saying is mostly valid for other types of industrialization. In this I think we are following a natural trend all over the world where we have better inputs in terms of costs that enable us to compete economically worldwide in changing the geography of certain metals and minerals by force of circumstance—by economical reasoning alone—not by political factors. Of course, if some political factors are also taken into consideration, we may have some alterations in some of these questions. But up until now we didn't feel any pressures in this country. On the contrary, we are the largest iron ore producer in the world and we are competing very sharply all over the world and we are successful because we are producing economically.

Small: How have world market and financial conditions affected the pace of development of the CVRD projects?

Batista: We got support from the consumers and also, in association with the consumers, we got support from the institutions I mentioned to you, with very cooperative and reasonable financial conditions—including the World Bank. So I don't have anything to complain about.

Small: And the growth of world markets for your prod-

ucts?

Batista: We are not counting on any growth of the world market. We are very realistic and basing ourselves on the rock bottom of the conjuncture. That means we are more substituting part of our own existing market. So we have no great expectations for the future of iron ore as such. This is the reason we are limiting ourselves to the present conditions as terms of reference.

Small: Who are the main customers for Brazil's iron ore exports?

Batista: We are all over the world, from China to the United States and anything in between: Europe, Eastern Europe, the Persian Gulf.

Small: I would imagine that the state of the steel industry, for example, in the United States would be a serious obstacle to the expansion of exports of iron ore.

Batista: It is, but we are selling a little bit to the States. We are selling more elaborated products to the States, like pig iron, and semi-finished products of steel. This is one of the ways we think we are going to increase our participation in the American market—through the export of more elaborated products, because we have cheaper energy here.

Small: Do you have any specific targets geographically, other countries, that you would like to see your trade expand with in particular?

Batista: We are interested in expanding our trade with everybody, especially the United States. I think the American economy is very important for us and we think we have a good chance there not only for iron but for the different non-ferrous products.

Small: You're involved in steel production per se?

Batista: No.

Small: Does your company do R&D work in frontier areas of technology, either in mining or processing?

Batista: Yes. This is a very strong point in our company. Actually we have some breakthroughs in terms of mineral-processing developments, for instance, the high intensity magnetic separation for iron ore, developed by our own people. The concentration of anatase, which is a titanium ore, to a very high TiO₂ concentrate, was also developed by our company. We are very much advanced in the use of pulverized charcoal as a substitute for oil in our industrial systems. This is our own development. We are quite advanced in biomass, especially for metallurgical purposes. And things like this. That is the reason CVRD has been very successful in many of our activities.

Small: Do you include in biomass things like firewood?

Batista: Not that. Wood alcohol and things like this.

The Carajas project: Industrializing the Amazon

In the year 1980, the government of Brazil undertook one of the largest development projects on the face of the Earth: the Greater Carajás Project in the eastern Amazon. Slated to absorb over \$60 billion in investment in mining, agriculture, and related infrastructure, the project will center around the rich Carajás mountain, which has the world's largest and purest deposits of iron ore. Greater Carajás is the brainchild of Dr. Eliezer Batista, the president of the state mining company Companhia Vale do Rio Doce (CVRD). CVRD is one of the pillars of the Brazilian state sector, and is the world's largest exporter of iron ore.

An interministerial group headed by Planning Minister Delfim Neto has overall authority over Greater Carajás. Delfim's enthusiasm for Carajás cen-

ters around its usefulness to help pay off Brazil's huge foreign debt. Chase Manhattan Bank has estimated Carajás' total worth at \$333 billion; and when completed it will generate \$17 billion per year in export revenues—on top of the \$25 billion currently exported. But the thinking of Dr. Batista and others is different, emphasizing that Carajás is an integrated mineral, hydroelectric, agricultural, and forestry project, which will industrially transform the face of the inhospitable Amazon region as a whole, and open up an entire area of Brazilian territory for development. It will directly employ over 1 million Brazilians—despite the fact that the projects have correctly been designed on a capital- and energy-intensive basis in order to maximize productivity.

The principal elements of the Greater Carajás project include:

1) *Carajás mine*: Discovered in 1967, the Serra dos Carajás is estimated to have 18 billion tons of 66.18 percent pure iron ore—double the average U.S. purity. The CVRD iron mine will produce 35 million tons per year of ore. Other minerals found in commercial quantities include copper, gold, aluminum, manganese, nickel, and tin.

2) *Tucuruí Dam*: Large quantities of cheap energy will be provided for the Carajás mining and processing activities principally by the Tucuruí Dam, slated for start-up in 1983. Tucuruí will generate 4,000 MW of electricity in its first phase—making it the world's third largest hydroelectric facility (the first largest is also Brazilian, the Itaipú dam currently under construction on the Paraná River between Brazil and Paraguay). Construction of locks at Tucuruí will also allow river navigation on the Middle Tocantins River.

3) *São Luis Railroad*: A 550-mile railroad is being constructed from the Carajás Mountain to the Atlantic port city of São Luis, cutting through thick Amazon jungle.

4) *Port facilities*: Ocean and river port facilities are under construction in São Luis, Barcarena, and Itaquí.

5) *Highways*: In addition to the Trans-Amazon Highway, which traverses the Carajás region in an East-West direction, a North-South highway connects the port of Belém with the capital city of Brasília. This links the newly industrializing eastern Amazon with the center of the country.

6) *Forestry*: There is an enormous lumber potential in the eastern Amazon region, whose exploitation will be coupled with reforestation projects in order to maintain the ecological balance of the area.

7) *Agriculture and livestock*: Within a studied area of approximately 270 million acres, an area of about 170 million acres was determined adequate for agricultural and livestock activities. In the first stage of the project, 38 million acres are to be brought under cultivation, with 10 million acres of these to benefit from irrigation projects.

Investments and yields in the Greater Carajás Program

	Investments (in billions of current U.S. dollars)	Annual revenues	Population affected (in thousands)	Direct employment
Direct investments				
(sub-total)	39.2	17.0	5,600	1,022
Mining and metallurgy	28.1	9.2	380	67
Forestry	1.3	0.6	980	179
Agriculture	8.1	6.5	3,400	624
Livestock	1.7	0.7	840	152
Infrastructure investments				
(sub-total)	22.5	—	1,244	225
Housing	14.6	—	1,244	225
Other (ports, dams, roads)	7.9	—	NA	NA
Total	61.7	17.0	6,844	1,247

Small: There has been a lot of discussion in the United States about alcohol and its relative energy efficiency. I know that Brazil has a major project in this area. But from an engineering or scientific standpoint, what do you think the energy efficiency of this source is?

Batista: If we take the barrel of oil at \$30 as a reference it can be very economical. Especially if you go into acid hydrolysis, wood alcohol for production is the most economical because of the very high forest productivity that we have in Brazil. We have reached through forestry genetics improvement very high yields. We are now averaging 80 solid cubic meters per hectare-year in terms of eucalyptus forest yield. Normally, you don't have one-fourth of that elsewhere.

Small: How much deforestation has there actually been?

Batista: I cannot speak for the country. Rio Doce is very conscious of the problem of ecology. We are the only company in South America that I know of that has an ecological counselor. We don't cut one tree without studying all the consequences. Especially in the Amazon where the environmental problems are very serious, we do not cut anything. On the contrary, we are planting even more than we are cutting.

Small: The readers of *EIR* are executives of small, medium, and large-size businesses, technicians and scientists, politicians and diplomats. They are people who are interested in foreign relations and in economic development around the world. Can you explain for them why people in the United States should be interested in Brazil's development and in the activities of CVRD in particular?

Batista: Because we believe that we have a lot of common interests, because, as I told you before, we can produce a great number of items that are of interest to the American market, where we can be extremely competitive. I believe we have complementary economies. We should cooperate constructively because there is a lot of complementarity in our interests. There are a lot of intelligent people in the States who think in the same way. You may have some people thinking the way you mentioned before, but I don't think they represent the majority of the American people.

Small: We'll do everything possible to make sure that's the case.

Batista: If you clarify the problem for everybody, I think it's the logical way. You cannot be rich in a world of miserable people. Even to maintain your own position, you have to help others to develop. We believe in that. This is the reason why we, on our side, will try to help others. There are others in Latin America, in Africa, with whom we can cooperate constructively; we don't think we should be selfish.

To take a good example: pollution. Pollution problems are becoming so worldwide today that you cannot restrict yourself to political borders. One thing I do here, affects you there, and vice versa. This is all interrelated today, the world has become very small.

Small: We have found that despite attempts by the media to present technology and science as a dangerous thing, nonetheless most Americans do maintain a commitment to technological advance and a commitment to progress.

Batista: I think that's the way it should be. It's not through ignorance that you are going to clarify your problems. You may have some problems but you will be able to correct them. Otherwise you are leading yourself into ignorance. Like the matter of ecology: sometimes you have to change ecology, for the better, not for the worse. For example, in the tropics, you have malaria and a lot of other disease. If you don't kill the mosquitos, you are going to die yourself. You have to alter the ecosystem. If you go into radical conservation, you could not even touch your mosquito. You have to find a constructive middle road, which is possible.

Small: So the solution to ecological problems is more technology?

Batista: Yes, of course. More science. Because technology is the practical use of science. And science is knowledge in evolution. You have obsolete technology based on obsolete science; so the more you develop science the better you are equipped to develop technology for the benefit of mankind. We have to know better the laws of nature in order to obey them better. Like Bacon said, the best you can do is to obey nature, because you cannot command nature. And to obey better, you should know better the laws of nature. This is science, physics.

Small: So then, you're in favor of nuclear energy?

Batista: Yes, I am, because what is the alternative? Fundamentally, if you can control nuclear power, then it is the cleanest sort of energy. Look at coal, for instance, with all the implications of CO₂ in the atmosphere, which is a very complicated matter, so that no one is 100 percent sure of what is going to happen with this canopy of CO₂ in the atmosphere, which may change the climate of the Earth. If you go into fantastic coal development that people are proposing all over the world, what is going to happen to that? It's much worse than nuclear power.

Small: Absolutely, and the radioactive emissions of a coal-fired plant are greater than from a normally functioning nuclear plant. We have a saying in the United States: that more people have died in Ted Kennedy's car than in nuclear power accidents.

Batista: That's a good one.

'Brazil's growth proves that the Club of Rome is wrong'

Mr. Shigeaki Ueki, the President of Petrobrás, Brazil's state oil company, granted the following interview to EIR's Latin America Editor Dennis Small on April 22, 1982. Mr. Ueki is a widely respected expert in the fields of energy and development. He served as Brazil's Minister of Mines and Energy from 1974 to 1979, before being named head of Petrobrás.

Small: I would like to begin by asking you about the production goals of Petrobrás. As I understand, there is a goal for 1985 that is very ambitious. What is that goal and will you reach it?

Ueki: Our goal for 1985 is to produce 500,000 barrels per day. During the past three years we have attained a fairly reasonable growth from a production level on the order of 160,000 to 170,000 barrels per day. Today we are producing more than 260,000 barrels per day. At this rate of growth—and we expect to maintain it because of the new reserves we have discovered—we are in condition to reach 500,000 barrels.

Small: What exploration activities, in particular, are being carried out at this point?

Ueki: We are carrying out exploration in practically every sedimentary basin in the country, on-shore and off-shore. In the Amazon region, we are operating in the lower Amazon, the middle Amazon, and also off-shore in the delta of the Amazon river. We are in the basins of Maranhao, Seará, Rio Grande do Norte—we are producing oil and we have had further new discoveries in Sergipe and Alagoas as well as in Bahia. We also have our basin in Campos, which has been the most productive in the country.

Small: What about oil imports?

Ueki: Over the past three years we have been able to reduce oil imports by nearly 200,000 barrels per day. This reduction was made possible by the increase in domestic production and by the decrease in oil consumption in our country (as has occurred in many other countries around the world) as a result of a certain deceleration of our economy, and also because of the success the government

has had in substituting other sources of energy for petroleum—non-conventional, as in the case of alcohol, biomass, coal. In other words, we have gone from 950,000 barrels per day in imports to around 750,000 barrels per day currently.

Over the coming years, the growth in domestic production will be able to fully cover the growth in consumption. We can therefore say that the current import figure will be the maximum level for the next several years. There is a good possibility we will even be able to reduce that volume.

The Club of Rome is wrong

Small: There has been much comment in the press concerning attempts by the Carter administration to halt the nuclear accord between Brazil and the Federal Republic of Germany. What is a little less known is that the Carter government, and even people still in power in the United States, had the broader intention of stopping the industrialization of any country in Latin America. Zbigniew Brzezinski, Carter's National Security Adviser, once told Mexican government officials in private, "The United States will never permit another Japan south of the border"—speaking of another industrialized country. What do you think of this in light of Brazil's ideas for modernizing itself?

Ueki: I do not believe that a man as intelligent as Brzezinski would have made statements of that nature. I think for the West's own security, it is important that the United States have strong allies. It is not possible to be a strong country without an intensive industrialization program. Of course, we must not overlook activities such as agriculture, minerals, and so forth. In fact, we must give high priority to agricultural production and mining. Brazil over the past 20 years has developed relatively high rates of growth, to the point of being almost a "miracle." We faced problems, and we still have problems. But I consider them crises of development. Thirty years ago we Brazilians made up 3 percent of the world population, and our economy represented on the order of 1 percent of the world economy. Today, we are still 3 percent of the world population, but our economy is now

nearly 3 percent of the world economy. Our job, our struggle has been one of increasing our participation in the world economy: from 3 percent we shall move to 4, from 4 to 5 percent. We Brazilians find that we not only have territory of continental dimensions, with mineral resources and so forth, but we also have a population prepared for that development. I believe that the most intelligent policy that countries friendly towards Brazil could pursue is to collaborate with and participate in our development process, so that the economy of the capitalist world can be increasingly strengthened.

Small: So the future of Brazil is to continue industrial growth. You reject the Malthusian theory of the Club of Rome that we have reached the "limits to growth?"

Ueki: I believe that the ideas of the Club of Rome on limits to expansion and growth, or the old theories of Malthus, are a certain form of pessimism. And the best reply, in my opinion, is the development we have had in our country and of many other countries similar to Brazil in recent years. As the cultural level of the population increases, there is a decrease in the rate of growth of population. We are at an intermediate stage of development, and because of this fact we have registered a population growth rate that is greater than countries that are even less developed. As you know, the least developed countries have growth rates of around 2.2 or 2.3 percent, because of the high rate of infant mortality and the relatively short life expectancy. Countries in an intermediate state of development, such as Brazil, Mexico, and others, have growth rates of 2.8 or 2.9 percent, due to the fact that the infant mortality rate is less and life expectancy is greater.

But later, with the increase in the cultural level—and we have the example of many countries—that growth rate which reaches almost 3 percent and in some cases exceeds 3 percent, begins to experience a certain decline. Brazil is already on the downward curve of population growth, so much so that the latest statistics indicate that our population is now growing at a rate 2.4 to 2.5 percent. To get to 2 or 1.5 percent, as would be desirable, I think that we should increase our investments in education, in the improvement of the cultural level of our people, and the growth rate will fall naturally to around 1.5 to 2 percent.

We do not expect and we do not believe, because of our ways and the kind of country we are, that we will face a problem similar to that of Germany or other countries where there is zero population growth.

Small: Brazil is a country with enormous economic development potential, a country the size of the continental United States, yet with only half the population. Evidently, the problem with Brazil is not overpopulation.

Yet there are those who say that the main problem with the development of the Third World is that there are too many people. Do you believe this theory?

Ueki: No. I do not believe that the Third World's problem is overpopulation. The Third World's problems have many causes: the educational and cultural level of the population; in some countries it is a problem of natural resources; in other cases, unfavorable geography. But above all it is a problem of people, of developing people. We think that, not only in the case of Brazil but in other underdeveloped countries as well, that we should, first of all, pay great attention to the nutrition of children—the consumption of protein—so that as they grow, they can have brains prepared to receive new knowledge. We know today that a person poorly nourished during the first years of life, suffers with a relatively damaged brain and does not have the ability to absorb new knowledge. This may seem like a somewhat inhumane consideration—but the return on investment in those generations is relatively low. What we should do is do everything possible to increase food production and nourish *well* the new children that are born every day, so that they will be fully capable of acquiring new knowledge and capable of becoming a crucial factor in our progress.

I believe in progress based solely on man. It is not possible to have a developed country with underdeveloped people. Once the population is normally developed, it is possible to develop countries with otherwise unfavorable conditions. Just imagine Brazil's case, if we had well-developed men in a country with the potential we have today. We have the potential to become a developed country within a period of time much shorter than the most optimistic projections.

One of the programs that we have expanded the most has been the school meal program. Twenty, thirty years ago Brazil did not have a school nutrition program, but today tens of millions of children receive basic nutrition in the first years of their lives. I am certain that this generation will be better than mine.

The effect of Volcker's policies

Small: One of the obstacles to Brazil's development and that of all Third World countries are the conditions of economic recession prevailing in the advanced sector. The United States at this moment is not a good economic development partner for countries like Brazil, because of our own depressed economic conditions. In this light, what do you think of the policies of the Chairman of the U.S. Federal Reserve, Paul Volcker, and the high interest rates that have been maintained up to the present, in terms of the effects on the United States and the repercussions on Brazil?

Ueki: In the first place, I think that the policy adopted by the American government for fighting inflation is a

correct one. I think that the government of President Reagan is doing well on this matter. The inflation rate in the United States has fallen. This is important because the dollar is the reserve currency for the entire world, and if the leading currency in the world manifests a high degree of instability because of American inflation, the world is in jeopardy. Therefore, the American government had to adopt a relatively severe policy of controlling monetary expansion, which in turn caused a recession in your economy and increased the interest rates, as well as unemployment rates. I believe that these negative statistics—the inflation, the unemployment—will be temporary. With the fall of inflation and, above all, with the more positive and realistic attitude of the unions, the Reagan administration is having success in obtaining a more stable economy with development that is more realistic and less artificial—in other words, not based on inflation, but in accordance with the real potential of the United States. We cannot speak only of the negative aspects of unemployment, the large deficits of the Treasury. We have to look at the structural changes that are taking place. I think that the most important factor that will have repercussions not in one or two years, but for tens of years, is this realistic, positive attitude on the part of American unions: that in order to compete with other countries, there must be an increase in productivity, that there cannot only be demands for wage increases. All this is going to be highly positive.

Clearly, with the recession in the United States and the high interest rates we are creating for countries like Brazil, we have very serious problems. Our debt service is more costly than our oil imports. And this worries us. But we do not believe that high interest rates will be eternal. There will come a time when the interest rates will become coherent with the fall in the inflation rate. It will be a natural consequence of the drop in inflation.

Therefore, we should resist those negative aspects that we have today in the Third World. On the other hand, the American recession did lead to a 1 percent drop in world trade last year, not in the United States but in Europe also. Yet even during an unfavorable year we Brazilians were able to expand our exports by 15 percent while the rest of the world fell by one percent. This year we are seeking to repeat the same thing. To export well in a favorable conjuncture is easy; to export in an unfavorable conjuncture requires more work, more adeptness. We think we are capable of this.

Small: For 1982 the conjuncture is going to be even worse than it was in 1981; there is going to be a worse collapse in world trade. However much longer can this Brazilian policy of exporting to a world in recession continue?

Ueki: World trade may well suffer a new decline in 1982,



Petrobrás headquarters in Rio de Janeiro.

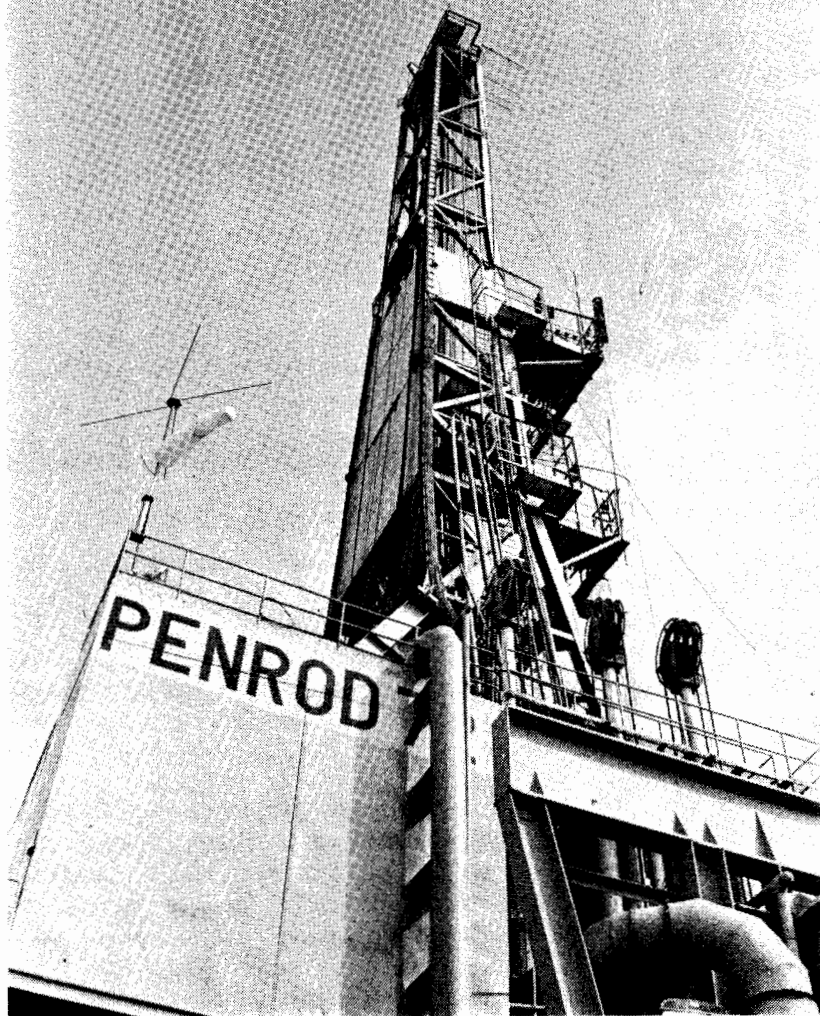
NSIPS/Dennis Small

for two reasons: the recession, and a general decline in prices. Volume of trade may remain constant, or even increase over last year, but in value it could be less. But we should also be realistic. The increase in world trade in the past was largely influenced by inflation. The inflation in the United States was a terrible thing, in real terms. If one really looks at what the inflation was in the United States over the past 15 years, it was a terrible thing. And since the dollar is the reserve currency of all countries, everybody paid for American inflation. So if that inflation falls, as it is now doing, we are creating the basis for sustaining the economy on a more favorable footing. We may have a temporary boom, an economy highly favorable to everyone, with 15 percent inflation in the United States. But I think that with that policy, the chances for a world disaster would be much greater than with the current policy—even with the recession of 3 or 4 percent in the United States—of negative 1 or 2 percent growth in world trade.

The world oil market

Small: Let's talk a little about oil markets. The enormous increase in the oil price since 1973 caused a serious economic crisis in non-oil-producing countries in the

Petrobras: fuel for industry



NSIPS/Dennis Small

As the state sector oil monopoly with 1981 sales of \$22 billion, Petrobras has long been a principal bastion of the pro-development faction in Brazil that seeks to modernize that nation as quickly as possible. Former President Gen. Ernesto Geisel (1974-1979), for instance—whose administration was most consistently based on this “Big Brazil” philosophy—was President of Petrobras earlier in his career, and to

this day retains a strong power base there. Petrobras’s current president, Shigeaki Ueki, is close to Geisel and, as his interview with *EIR* demonstrates, shares a strongly pro-development outlook. For these reasons, Petrobras has been a special target of the City of London and related financial interests, that would dismantle this centerpiece of Brazil’s powerful state sector in order to impose policies of zero growth.

Petrobras’s Enchova offshore oil platform, leased from Penrod, a Brownsville, Texas company.

Petrobras, however, remains strong and growing. In 1981, it increased domestic oil production by 17.3 percent over 1980, achieving a level of over 260,000 barrels per day by the end of 1981. Although this constitutes only about one-quarter of the country’s total consumption, Petrobras engaged in significant exploration and drilling activity in 1981 which hold excellent prospects for further growth in production. Ueki projects domestic production of 500,000 bpd by 1985, which is of great significance to Brazil in its efforts to balance its trade account.

Although a relative newcomer to the field (it was founded in 1953), Petrobras is scoring important successes in exploring for oil. In 1981, of 148 new wells evaluated, 12.7 percent of those drilled on land were found to produce oil, and 8.6 percent of those drilled offshore were successful. Petrobras has also established risk contracts with foreign oil companies since 1976—22 new risk contracts were signed in 1981—but of these so far only one has struck oil in quantities believed to be commercial.

Petrobras’s biggest growth area is the offshore fields in the Campos Basin, located about 70 miles off the coast of Brazil just north of Rio de Janeiro. Production in this basin alone now tops 100,000 bpd.

This journalist was given a helicopter tour by Petrobras of this offshore area, including the Enchova platform and the port town of Macaé. Macaé was a fishing village of 30,000 until 1976, when Petrobras struck oil offshore. Over the succeeding six years Macaé’s population has grown by 50 percent, and the Petrobras personnel, both Brazilian and foreigners, have brought a total revolution to the area. Contrary to the views often presented in U.S. media, this journalist found the local residents that he talked to excited and grateful for the development Petrobras had brought to their region.

The Enchova platform has about 80 workers and engineers on it, three-fourths Brazilians, one-fourth foreigners (principally Americans), and it was leased to Brazil by Penrod, an American corporation based in Brownsville, Texas.

Third World. Now the drop in oil prices has caused an enormous crisis in the oil-producing countries that depend on oil income. The case of Mexico is well known. Nigeria stopped importing for a period. How can we put some order in the international oil market?

Ueki: It is very difficult, given today's realities. In the past there was a certain amount of order due to the massive presence of the integrated oil multinationals, the famous Seven Sisters or Majors, who dominated production, transport, refining, marketing. During the 1960s there began to emerge state companies among the oil-consuming countries, independent refineries, shippers—all leading to the situation in which an industry dominated by a handful of integrated companies became the site of competition in each of its segments of the industry. And today we have large firms that only produce petroleum, others that only transport, and others that distribute. So oil increasingly became a commodity that suffered—still suffers—the influences of all the features, positive and negative, of the world situation by being the most important strategic raw material, since in modern economies it accounts for between 10 to 15 percent of the gross national product of every country.

So, to seek order in the world oil market and return to the 1950s or 1960s would be, in my opinion, a dream. There is today an organization, OPEC, which seeks to limit supply. In the same way there are organizations to support the price of coffee, sugar, cocoa, tin, and so on. In the case of oil, there are much greater chances for success in controlling supply and maintaining production, as we are seeing. Because if we were to let the normal laws of the market operate, the price of oil would not be \$34 per barrel. It would probably be much less. But because of the success in limiting production and supply, the price continues more or less at \$34 a barrel. Only when a country outside of OPEC with no obligation to limit supply increases world supply, or when certain countries in OPEC stop adhering to the official limits imposed by OPEC, will there be the possibility of a drop in price—not to the levels of before, but to a price well below what we now see.

I think that in this decade, the 1980s, above all because of the new discoveries of oil in almost every country in the world, we will have a relatively abundant supply of oil, and that chances for new price increases are small—at least for the next four or five years. It is possible that in real terms the price will fall.

Small: What do you think of the proposal of Mexican President José López Portillo for a world energy plan to put order in the oil markets and as a transition to the energy of the future?

Ueki: I believe that it is a valid proposal. I agree fully with the proposal of President López Portillo. Now, *how* to make such a proposal effective is another question.

Above all, it would be necessary for the principal consuming countries and the main producing countries to sit down at the same table. In other words, if producers responsible for 80 percent of world output and consumers accounting for 80 percent of the demand reached an agreement to establish certain price stability, and then later that there be a natural shift to new energy sources, then there would be the possibility. But for that, we would need a tremendous amount of diplomatic work. And after seeing how some countries behave—because I was a minister for five years—I am a little skeptical about the possibility for an international accord towards such a goal. But I agree that it would be desirable for producing as well as consuming countries.

But interests tend to clash. Just as an example, there are producers who would not like to see oil prices increase to the extent that alternative energy forms substitute for oil too quickly. They have oil for many decades and they would like to have a market for it. Then there are other producers who are heavily populated but have limited reserves; they would like to sell their oil in the shortest period possible at 10 or 20 times the present price in order to have funds sufficient to build a country for the post-oil era. So even among producers the situations differ. Among consumer countries also. There are countries like ours which are borrowers of money on the international financial markets. We pay interest on our loans. We would like to have, if possible, oil at \$10 a barrel, or even cheaper, so that we can continue investing and developing without having to borrow so much on international markets.

These are just some of the differences, so you can see how difficult it will be to realize the proposal of President López Portillo which, from a moral or even economic point of view, is more than justified.

Small: Do you have any final comments for the readers of *Executive Intelligence Review*, prior to the visit of Brazilian President Figueiredo to the United States, in terms of the relations between our two countries?

Ueki: I think that relations between the United States and Brazil have always been good and will tend to constantly improve. To a certain extent, our two peoples, Brazilians and Americans, think similarly on a range of things. We are both, for example, profoundly anti-Communist, anti-socialist, we believe in private enterprise, we believe in the possibilities for constantly improving living standards, have societies with great vertical mobility, without castes.

In sum, we are two peoples who think, act, and have concerns in common. We have similarly-sized countries, and relatively young countries. So I only see our relations becoming even closer. I believe that the visit of President Figueiredo will be very important for these relations.

'Our nation is opposed to all vestiges of colonialism'

On April 19 EIR Latin America Editor Dennis Small talked with the President of the Senate of Brazil, Mr. Jarbas Passarinho, in his offices in Brasília. Excerpts of that interview are printed below.

Small: Senator Passarinho, I would be interested in knowing your views of the current crisis in the South Atlantic and what this means for the future of inter-American relations.

Passarinho: I am very concerned about this. As a Brazilian, as a politician, and as the President of the federal Senate in Brazil. Personally, I disapprove of violent actions, because violence breeds violence, but in this case, as a Brazilian, it is impossible to avoid saying that we are opposed to all vestiges of colonialism in Latin America and South America especially. So, for me, it is very difficult to understand why Great Britain is so interested in keeping a position in the Falklands, as they call it, or the Malvinas, as the Argentines say. I would like to have an agreement, a solution by an arbiter. We are putting our hopes in Secretary Haig's efforts, but as the battleships come closer and closer, we ask ourselves if a diplomatic solution is possible.

Small: There are those who believe that the British position is completely intransigent on the sovereignty condition because they wish to maintain the colonial relationship not only with the Falkland Islands but with Argentina generally, and to maintain Argentina's financial and other dependencies on Great Britain.

Passarinho: Are you speaking about the threats of today, or are you speaking about the history? If you are speaking about the historical matters, since the middle of the last century, for example, you know that Argentina had sovereignty in that part of the world [Malvinas—ed.]. Great Britain, however, maintains that the first one

to arrive there was a British gentleman. For me, this is not important.

Small: Brazil is of course in a very delicate position with regard to the Malvinas question. On the one hand, you have very close commercial and other relations with Argentina; on the other hand, you have a tremendous financial and economic dependence on Great Britain. How is Brazil going to handle this situation? What do you see as the options available to Brazil?

Passarinho: I do not understand well what you consider our tremendous economic dependence on the British.

Small: What I am saying is that the Brazilian economy depends on financial circles with great power in the City of London. The fact that you are the largest debtor in the world, that your Minister of Planning Delfim Netto is over in London right now, should affect the situation.

Passarinho: Yes, I was afraid that I misunderstood, but I see that I did not. I do not consider that Brazil is so dependent on the British financially. As you know, we are facing a terrible problem because we have to pay more than half of our total exports just to pay our oil bill, and this has made Brazil dependent on foreign capital in order to balance our current account. But today Great Britain is not significant to us. The nation first in importance is the United States; the second is West Germany; the third is Japan; the fourth is Canada; and after this we have British industries in Brazil.

The point is that this year we need to have about \$13 billion in order to guarantee our balance, and this makes us in a certain way dependent upon the world financial people. They are not in London formally, but trilaterally in London, Europe, and Japan. On the other hand, we have no special reason to involve ourselves directly in this problem [the Malvinas—ed.].

I call your attention to the question of the British, Dutch, and French Guyanas, for example. British Guyana, after decolonization, is now facing a probable war with Venezuela. Dutch Guyana, today Surinam, after decolonization, is almost a Cuban satellite. So the problem is not only to decolonize, but to provide conditions to new nations to live under democratic rule. This is very difficult, not only in Latin America, but also in other places in the world as well.

To summarize our opinion, I don't look with happiness upon the remnants of colonialism in this part of the world. I am against it. Secondly, we have to try to solve the problem by pacific means, and not by violence.

Small: And if the situation should get to a military confrontation, what do you think will happen in terms of Latin America's approach to Great Britain generally, and, in particular, where will Brazil stand?

Passarinho: It is very difficult to answer that. We are rooting for peace. But in the event of war, we will have to reconsider the case.

Small: Just reconsider?

Passarinho: Yes, reconsider the situation.

Small: In the United States, there is great concern that if it gets to a fighting situation, and the United States backs Great Britain, as the forces around Alexander Haig favor, that this will destroy America's relationship with Latin America. In particular, Sen. Jesse Helms has issued a public statement saying that the Malvinas are Argentine and that the United States should ask the British to withdraw, mentioning the Monroe Doctrine. What is your opinion of Senator Helms' statement, and in particular, of the possible use of the Monroe Doctrine in the current circumstances?

Passarinho: I suppose it is a little early to make judgments about this. First of all, we have to wait for facts. And it is obvious that the United States is openly in favor of the British position against Argentina. Probably you *will* have problems in North American-Latin American relations. Another thing that is especially important and makes us concerned—more than concerned, worried—is the presence of Soviet interests in the South Atlantic. After the colonization of Angola, Cape Verde, and the Azores, the Soviet Union has many bases at her disposal in order to support and help extend its navy in the South Atlantic. This is a completely new threat for us. And now, as some Argentine diplomats have said very clearly, the Soviet Union is in a certain way related to the threats, trying to support Argentina. I am afraid of this new factor, I would call it a perturbing factor.

Small: The Monroe Doctrine would apply, of course, not only to the British, but to the Soviet Union. Don't

you think that would be advantageous all the way around—Central America, South America?

Passarinho: You see, we are very suspicious about the Monroe Doctrine. In Brazil, as in other parts of South America, it is viewed as stating not that America belongs to the Americans, but to the North Americans.

Small: What are your hopes and expectations for the trip to the United States of Brazilian President Figueiredo?

Passarinho: Not much more than the usual. It's a signal of friendship. You see, we have a dependent economy like almost every other nation in the world. Even the United States and the Soviet Union depend in certain ways on raw materials and bilateral contracts and so on. Now we are trying to solve our problems, that tremendous burden that is on our shoulders. We used to pay \$600 million dollars for 800,000 barrels a day of oil before 1973, and we reached the top of our efficiency in the economy. Today we are importing a little less than 800,000 barrels a day. Instead of \$600 million, we are paying \$10 billion. We suffered the first shock and that produced a second shock. We paid our oil bill using 7 percent of the total of our exports. Today we are paying 50 percent of exports.

Who took advantage of this? The nations that produce oil. Secondly, the United States, Europe, and Japan because of the petrodollars. We did not receive petrodollars in Brazilian private banks. But you received them in the United States, in England, and in Japan. And as you know, the business of a bank is to get deposits and to manage the money in order to produce profits. After this, we had inflation.

But the result: a little recession in the industrialized nations; and we paid for that. Because when we bought industrialized items we had to pay for the internal inflation of those nations. When we sold our raw materials, they bought this for less than the normal price. You have to sell many more tons in order to receive the same amount of money.

Small: In addition to the oil, the other big difference is high interest rates. Will there be any protests, or discussions of Mr. Volcker's high interest rates policy?

Passarinho: We pay our accounts. The only solution is to try to develop ourselves, not in order to subject others, but in order to have conditions to talk—not in equal positions, but in better positions that we have today. And some people say that that's the real reason why the Malvinas are in a pre-war dispute, because they say that it is not a question of only having a landing strip in the South Atlantic, but because of the mineral resources and the other riches that many people think exist there.

Small: Thank you, Senator Passarinho.

The Malvinas crisis and NATO's 'Tonkin Gulf'

by Cynthia Rush and Lydia Cherry

The Defense Ministers of the North Atlantic Treaty Organization (NATO) resolved at their meeting in Brussels on May 7 that member nations "may be required to facilitate" military operations "outside of the NATO area" which "threaten the vital interests of members of the Alliance." Confirming *EIR's* warnings that NATO is being restructured as a gendarme for conventional wars against the underdeveloped sector, this "out-of-area" policy—described by *EIR* founder Lyndon H. LaRouche, Jr. as a "Tonkin Gulf resolution," the 1964 Senate decision to let the executive branch throw the United States into the Vietnam War—was a strategic victory for Great Britain in its effort to capture the U.S. "brawn" on behalf of its geopolitical goals. Commented one British military source smugly: "NATO has just adopted the British Empire doctrine."

Article 8 of the NATO ministers' communiqué (see page 36) also contained a reference to the possibility of NATO support for U.S. military bases in Southwest Asia, i.e. Pakistan and possibly Iran. That would be a giant stride toward ringing the Soviet Union's borders with NATO installations and U.S. Rapid Deployment Force capabilities, something the U.S.S.R. has affirmed it will not tolerate. *Faced with that policy, Moscow could conclude that it has little choice but to go to war.*

In the Malvinas conflict, U.S. support for Great Britain has already widened the conflict. Despite the loss of the H.M.S. *Sheffield* and other grave setbacks, London extended its blockade May 7 to everything more than 12 nautical miles off Argentina's coast. In order to enforce that, U.S. refueling capabilities and other heavy

support would be required, support which as of May 8 was rumored to be forthcoming.

Military and political options

That Argentina would sink H.M.S. *Sheffield*—the 3,500-ton British destroyer equipped with sophisticated electronic equipment which allowed it to detect and destroy guided missiles—was clearly not on Britain's agenda. The sinking of the *Sheffield* is said to have left the British blinded electronically, eliminating the option of a British landing on the Malvinas in the face of Argentina's superior airpower. In some sources' estimation, the British will probably opt for a "crazed strike at the Argentine mainland," possibly using American B-52 bombers based at Ascension Island.

On May 6, half the Conservatives in the House of Commons had supported a resolution offered by Winston Churchill III demanding that Britain bomb the mainland. It was defeated; but the next day Defense Secretary Francis Pym stated that his ministry indeed had contingency plans for carrying out such an attack.

World capitals were buzzing May 7 with reports that the British aircraft carrier *Hermes* was crippled. Many in London acknowledge that the British military is in real trouble. "If a carrier is sunk, we've lost the war," Simon May, an adviser to former Tory Prime Minister Ted Heath, said May 7.

Latin American heads of state met the weekend of May 8 in Costa Rica in the first of a series of discussions

on the restructuring of the inter-American system. It is expected that the heads of state will formally demand that President Reagan pull the United States back from its unequivocal support of the Royal Family.

Indicative of the atmosphere in most of Latin America, in Venezuela banner headlines announced the Venezuelan Foreign Minister's call for a revision in the security agreements for the continent. "Venezuela Accuses the U.S. of Violating the Rio Treaty," one headline read. Leading Venezuelan politicians were questioned by the press on whether any common ground for mutual security arrangements between a "developed" country and "poorer countries" can now exist. The Venezuelan press line is that the entirety of postwar agreements in the hemisphere is dead.

In spite of the incessant pro-British propaganda which the U.S. population has been subjected to, world opinion is not as solidly on the British side as were the NATO Defense Ministers in Brussels. As Argentine President Galtieri said in a speech to his nation May 2: "The great majority of the peoples of America have given us a frank and clear response, a response of fraternity and solidarity. This is the attitude of those who always believed . . . that this continent had its project and its destiny, and that its colonial past was dead.

"The responsibility for having endangered international peace," he continued, "falls on the British government and those who support it . . . the responsibility for having broken the peace of the Americas . . . falls on the shoulders of those who attack us."

The Argentine President blasted the United States "not only for denying the principles to which it has formally adhered for more than 33 years, but for supporting by its acts the colonial pretensions in America of a European power, and imposing illegal and unjust economic and material sanctions."

'Who makes U.S. policy?'

In a release that blanketed Capitol Hill May 8, the Advisory Committee Chairman of the National Democratic Policy Committee, Lyndon LaRouche also went after U.S. "capitulation," noting that a large group of Senators had been prepared to enact a resolution reaffirming the Monroe Doctrine, the public law of the United States, but were panicked into passing a resolution which violates this law. (See Editorial, page 64.)

"Who makes the policy of the United States under such conditions?" LaRouche asks. "Is it Sen. Malcolm Wallop, a loyal member of the family of the British Earl of Portsmouth? Is it the British aristocratic family, the Moores? Is it the long-standing agent of British financial interests, the house of Morgan? Is it the faction attached to the husband of Pamela Churchill Harriman? Is it a pack of Rhodes scholars, beneficiaries of a

Rhodes trust established for the explicit purpose of subverting the United States?"

LaRouche, whose NDPC has been attempting to educate public officials on American history, emphasizes that the British assault on the Malvinas was predominantly a war *against the United States*, and to the British oligarchical grouping the sinking of its entire fleet would be a relatively small price to pay for taking over the United States and NATO.

Speaking to representatives from 13 embassies who attended a Bonn *EIR* conference May 6, LaRouche recommended that "Britain be put under Irish receivership for the next 60 years."

Upping the ante

LaRouche noted that Britain's sinking the Argentine cruiser *General Belgrano* on May 2 was also a way to gain free access to Chilean waters and make use of that country's southernmost base at Punto Arenas. Since Chile and Argentina dispute ownership of the Beagle Islands at the tip of South America, Britain would attempt to bring Chile into the war on its side so as to tie up Argentina in a two-front war.

Such a strategy, LaRouche warned, would swiftly lead to Peru and Bolivia entering the war on the side of Argentina, and end up in a replay of the 1879 War of the Pacific, also orchestrated by Great Britain. London would also try to set off other simmering border disputes such as those between Colombia and Venezuela, or Venezuela and Guyana.

Should wars of this nature take place, they would carry out the Global 2000 depopulation plan promulgated by the Carter administration under the influence of British Malthusians. The continent would be wracked by a series of "conventional" wars which would wipe out entire sections of already underpopulated Latin America.

All of these contingencies lower the threshold for eventual thermonuclear confrontation between the United States and the Soviet Union. The Soviet Union, Argentina's most important trading partner, has stated that it considers the United States to be acting as an agent of British foreign policy, and that further military adventures in Latin America will not be tolerated. The U.S. alliance with Great Britain gave that country a "green light" to carry out its military aggression against Argentina, a Tass release charged on May 3. Tass previously warned that any attempt to interfere with Argentine grain shipments in the Atlantic would be viewed as a "hostile" act.

Currently the United States is providing Britain with intelligence received from mobile satellite communications devices, as well as fuel and refueling rights on Ascension Island. According to unnamed Pentagon officials cited in the May 5 *Boston Globe*, the U.S.

surveillance capability has enabled the United States to receive copies of all orders transmitted to the Argentine high command and hand them over to the British.

This "modest" aid for Great Britain's colonialist warfare is already costing the United States \$1 million a day. By itself, Great Britain, which has been bankrupted by its anti-industrial economic policies, cannot finance a war in South America.

From the NATO communiqué

What follows is Paragraph 8 of the May 7 communiqué of the Defense Ministers of the North Atlantic Treaty Organization.

The ministers stressed their common interest in the security, stability and sovereign independence of the countries outside of the NATO area, and at the same time stressed . . . military operations in areas outside of NATO as having the potential to threaten the vital interests of members of the alliance. Members of the alliance are able to contribute either directly or indirectly to the effect of deterring aggression and to respond to requests by nations outside the NATO area to help in resisting threats to their security or independence.

In this respect, they reaffirm that consultations on any out-of-area deployments . . . such as emerging from the U.S. concept of Rapid Deployment Forces are intended to identify common objectives taking full account of the political situation in the areas concerned, and of the effect on alliance security and defense capability as well as the national interests of countries. . . .

The ministers recognize that the policies which nations adopt in this field are a matter of national decision. The ministers confirmed that the effect of such a deployment on alliance security and defense capabilities should be examined collectively in the appropriate NATO bodies.

In this respect, NATO ministers stressed that contingency activities must take account of requirements which may arise from such consultations. They also agreed that in the light of NATO consultations, members of the alliance may be required to facilitate out-of-area deployments in support of the vital interests of all. The military committee is studying the implications for the alliance of the United States' strategic conception for Southwest Asia. Report will be made to Defense Ministers at the December NATO meeting.



Churchill: 'No danger in attacking mainland'

Winston Churchill III, a Conservative Member of Parliament and a leader of the Tory ultra-right, offered a resolution in the House of Commons on May 6, supported by half the Conservative M.P.s, to bomb the Argentine mainland. Below are excerpts from a May 6 EIR interview with Mr. Churchill.

EIR: From your standpoint, where will the next steps lead in this conflict in the Argentine theatre?

Churchill: We are still anxious for a negotiated settlement. We'd be happy to accept a ceasefire once there was evidence that the Argentines were willing to comply with U.N. Resolution 502 and remove their invading forces from the Falklands. We must liberate our countrymen and kick the invaders out of the Falklands, if negotiations fail.

EIR: How does the sinking of the *Sheffield* affect your country's approach to the conflict?

Churchill: The sinking of the *Sheffield* and the *Belgrano* compresses the time-scale in this situation, whether it be for negotiations or for military action.

EIR: Are you thinking that your country must now attack the Argentine mainland directly?

Churchill: There is a strong case for the United States taking positive action to redress the air imbalance. We could do this in two ways. One would be to strike the bases where the aircraft is based that is responsible for damaging the *Sheffield*. Or, we could double our Harrier deployment on the scene.

EIR: We have heard that your country is appealing for the United States to supply B-52s for use in the conflict, whether flown by British pilots or by Americans.

Churchill: The B-52s are not nearly as capable as our Vulcan bombers. We don't need B-52s! What you are

saying is absurd! Can you imagine American crews bombing a Latin American country? Anyway, I prefer our pilots any time. Regularly, when there are organized competitions between our RAF and the American pilots, we win the competition. So why should we want American pilots, when our people are superior?

EIR: But hitting the air bases in Argentina would minimally meet the Argentinians' heavy air defense.

Churchill: What the Argentines can put up is peanuts compared to what the Vulcan has been equipped to do vis-à-vis penetrating the much denser Soviet air defenses. I know for an absolute fact that there is no military problem if the government seeks to hit the bases on the mainland. The Soviets have 12,000 air-to-air missiles for their defense, and the Vulcan is prepared to penetrate these, so, relatively speaking, as I said, what the Argentinians have is peanuts.

EIR: Some of our sources tell us that any attempt to hit the Argentine mainland would be the first shot in World War III.

Churchill: You have access to extremely silly sources! Why would the Soviets come in? They have no defense treaty with Argentina. We are fully entitled to take such defensive measures as are appropriate under the United Nations charter.

EIR: What is your evaluation of how the United States is acting, from the standpoint of what you expect in the future from the United States?

Churchill: The United States has acted according to all Britain's expectations. Mr. Haig did exactly what was necessary in seeking to have a mediated settlement. I just regret that he couldn't bring those fascist thugs to heel in time to prevent further conflict.

Latin Americans protest Washington's policy

Since Alexander Haig and Anglophiles in the U.S. Senate manipulated the United States onto the side of Britain in the Anglo-Argentine conflict, Latin American leaders have condemned the U.S. action as the rupture of inter-American relations and voiced their solidarity with Argentina. Here is a sampling of recent statements by Latin American leaders.

Venezuela

• Foreign Relations Minister José Zambrano Velasco accused the United States of being "an accomplice of colonial violence" in the Americas and warned that

the United States siding with Britain "will affect the future of inter-American relations [because] it contravenes the letter and the spirit of the TIAR [1947 Rio Treaty] resolution."

• President of Congress Godofredo González blamed "Washington for the explosion of armed conflict in the South Atlantic. The battles were precipitated by the United States . . . The world asks itself what effectiveness could TIAR have if the United States has repeatedly violated its precepts."

• Venezuela's chiefs of the navy and army issued a joint declaration stating: "We only await a presidential order to put our professional capabilities at the disposition of our brother republic of Argentina."

• Venezuela's OAS Ambassador, Hilarion Cardozo: "The United States has destroyed its foreign policy in Latin America, which it has built up over many years, by helping England in this crisis. . . . It is a little premature to talk of reorganizing the OAS, but my government is thinking of a purely Latin American organization for the future."

Peru

• Peruvian Minister of War Luis Cisneros pledged that "The Peruvian army is ready to intervene in support of Argentina, if circumstances require it. . . . The position taken by the United States is a very serious problem because it does away with the doctrine promulgated by President Monroe's America for the Americans."

• Foreign Minister Javier Arias Stella: "A country like the United States, which has been propounding the thesis of the Americas for the Americans, now appears to be propounding the thesis of the Americas for Great Britain. Mr. Haig's statement was anti-historical. . . ."

Costa Rica

• President Rodrigo Carazo charged that the behavior of the United States, "constitutes a rupture of continental solidarity . . . a severe blow to the inter-American system which puts in danger the very future of the Organization of American States."

Uruguay

• President Gen. Gregorio Alvarez issued an official declaration stating, "Uruguay condemns Great Britain's armed action in the South Atlantic and views the position taken by the United States in the Anglo-Argentine conflict as damaging Latin American unity."

Mexico

• Pro-British Mexican Foreign Minister Jorge Castañeda was forced by pro-Argentine public opinion to state that the U.S. decision in favor of Britain "has aggravated the situation still further."

Latin American Parliament

• The Secretary-General of the Latin American Parliament, Peruvian Andrés Townsend Ezcarra, declared, "The attitude of the President of the United States of siding totally with Great Britain . . . denies the very essence of hemispheric solidarity. . . . In an unbelievable gesture, Washington sent the Monroe Doctrine, inter-Americanism, and the Inter-American Treaty of Reciprocal Assistance to the trash heap of history."

Colombia

• Colombian Foreign Relations Minister Lemos Simmonds, who had joined the United States, Chile, and Trinidad-Tobago in refusing to support Argentina at the Organization of American States meeting April 27, told reporters upon his return to Bogotá, "Time will prove our vote was right." He then broke down in tears.

From the Argentine U.N. ambassador

In a May 5 meeting of the Coordinating Body of the Non-Aligned Countries, Argentina's Ambassador to the United Nations, Eduardo Roca, gave a thorough chronology of the U.S. betrayal of an ally in its own hemisphere. An excerpt:

"There is another fact, which because of its seriousness, deserves to be exposed. . . . I am referring, Mr. President, to the attitude taken by the government of the United States, which gained time for the punitive fleet to reach its destination. Once this objective was achieved, she [the United States] turned its back on its own promises of impartiality. She did not tell the truth about our proposals. She confused its own public opinion. And now, she is helping the colonial aggressor economically and militarily."

Roca then charged that Great Britain has been coordinating with the United States every aggressive move against Argentina. "The facts indicate clearly that the United Kingdom has not wanted to shoot until it could count on the consent, the support, and the complicity of the United States government. Therefore, the United States is becoming as responsible as [Britain]. That is how the peoples of Latin America understand it.

"The Argentine people neither understand nor will they forget that in one of the most critical hours of their history, in contrast to the solidarity that has reached them from every corner of the continent, the United States has chosen to take the side of a power outside the Hemisphere, cooperating with its aggressive designs."

Britain losing its continental support

by Susan Welsh

West Germany fears escalation

West German Chancellor Helmut Schmidt is reported to be extremely worried that the conflict in the South Atlantic could become a confrontation between the superpowers. Following the sinking of the Argentine cruiser *General Belgrano* and the disabling of the British destroyer H.M.S. *Sheffield*, Schmidt met in Bonn with the Portuguese Prime Minister, declaring to the press that "the latest reports from the South Atlantic have very much dismayed us both." Schmidt telephoned British Prime Minister Margaret Thatcher when hostilities first broke out, urging her to use restraint. And the Chancellor angrily told his cabinet, according to *Der Spiegel* magazine, that Bonn's agreement to the European Community's economic sanctions against Argentina was not intended as a "blank check" of support for the British.

German public opinion is divided between support for the British and fury against them, although concern at the escalation of the conflict has eroded a great deal of Thatcher's former backing. Many German parliamentarians contacted by *EIR* complained that they were not receiving adequate intelligence on developments in the South Atlantic.

Several officials stressed privately that they were hoping that the United States would drop its support for the British. "Tell Washington that the German government would be ready to follow the U.S. administration if it decided to implement the Monroe Doctrine. . . . This is the only thing that will save both NATO and the European Community from disintegrating," said a senior government source. "We need a bigger power, in fact a superpower, to teach the British a lesson," said another official.

Among German industrialists, anger at the British is most intense. The Federal Republic is Argentina's top EC trading partner, and German firms are losing much

more than the British because of the trade ban. Statements opposing the sanctions, which come up for renewal May 17, have been issued by the Hamburg-based Ibero-American Association, the industry and banking association of the state of Baden-Württemberg, and other trade organizations. A high-ranking Argentinian industrial delegation has been touring West Germany, warning that sanctions will backfire severely against European and particularly German interests in Latin America.

One high-ranking industrialist contacted by *EIR* was more blunt: "The British are out of their f----- minds," he said.

France: Where are the Gaullists?

France, whose great postwar President Charles de Gaulle fought a years-long battle to keep "perfidious Albion" out of the European Community, has now emerged under President François Mitterrand as Great Britain's staunchest European backer in its South Atlantic colonial mission. Not only in the Socialist government, but also in the formerly Gaullist RPR opposition party and the "French Empire faction" of elites, pro-British sentiment is widespread.

An official from the Quai d'Orsay told *EIR* that the countries of the North must simply maintain "solidarity" against the "Third World South." Too much money has anyway been given to Argentina by the Western nations, he said. French newspapers are generally backing the British, including the pro-opposition paper *Le Figaro*.

But some are apparently having second thoughts about this policy. Mitterrand himself reportedly expected concessions from Britain to French demands on European Community farm policy—concessions which were not forthcoming. His government has made relations with Latin America one of the focal points of its foreign policy, and Mitterrand is currently meeting with Cuban Vice-President Carlos Rafael Rodríguez in Paris. Such efforts will obviously not be helped by an extreme pro-British position in the Malvinas conflict.

The pro-government daily *Le Monde* abruptly changed its editorial line May 3 with an article warning: "The Malvinas conflict will launch a terrible anti-European wave among Latin American countries . . . what a gift for the Soviet Union!"

The Secretary-General of the European Labor Party of France, Jacques Cheminade, has put himself forward as the spokesman for the opposition to Mitterrand's policy. In a statement to the press May 2, Cheminade—who was raised in Argentina—called for the expulsion of Great Britain from the EC and NATO, saying that the country has proven a liability rather than an asset.

Italy blames 'Perfide Albion'

Italy was the most reluctant of all the EC nations to agree to Britain's demands for economic sanctions against Argentina. Italy is Argentina's second-largest EC trading partner, and there are about 1.5 million Italians living in Argentina, plus many more second-generation Italians, including Argentine President Galtieri.

The two largest political parties, the Christian Democracy (DC) and the Communists (PCI), are both backing Argentina. DC leader Flaminio Piccoli expressed the view of most party members when he said at the DC national congress recently that Argentina, like the rest of Latin America, is "an essential part of the moral unity of the West."

One Italian industrialist from the meat import-export sector—a sector closely intertwined with Argentina's economy—said at a conference sponsored by *EIR* in Milan April 27: "I am becoming more and more convinced that the well-known motto 'Perfide Albion' is quite correct. . . . The Italian government put us in a very bad situation by signing the embargo with no discussion, no parliamentary debate."

Italian industrialists and politicians have formed an ad hoc Committee Against Argentine Sanctions, and sent a telegram to President Sandro Pertini and Prime Minister Giovanni Spadolini, calling for the government to "contribute in a decisive way to mediation efforts and the peaceful solution of the conflict." The telegram was signed by the Secretary-General of the Partito Operaio Europeo (European Labor Party), the heads of several trade and import associations, the chairman of a major financial newspaper, and other businessmen.

Ireland demands end to sanctions

The Republic of Ireland May 4 became the first member of the European Community to withdraw from sanctions imposed against Argentina, following Britain's sinking of the Argentine cruiser *General Belgrano*.

The Irish Government's May 4 statement read: "The Government are appalled by the outbreak of what amounts to open warfare between Argentina and Great Britain in the South Atlantic and at reports that hundreds of lives have already been lost. It sees the present situation as a serious threat to world peace."

The Irish Government will seek an immediate meeting of the Security Council in order to prepare a new resolution calling for: 1) An immediate cessation of hostilities by both British and Argentine forces; and 2) the negotiation of a diplomatic settlement under the auspices of the United Nations.

"The Irish Government regards the application of economic sanctions as no longer appropriate and will therefore be seeking the withdrawal of these sanctions by the Community."

An Irish embassy spokesman in Bonn told *EIR* that his government is confident that the rest of the EC will back Ireland's call for an end to sanctions. The West Germans "will sit on the fence for a while," he said; the French "are beginning to move. . . . Mitterrand is under tremendous pressure." Belgium and Italy are also moving closer to the Irish position, he reported.

Spain blasts Britain's colonialism

The Spanish government denounced Great Britain's bombing of the airfield at Port Stanley May 3—one of the first military operations in the Malvinas conflict—as a "serious escalation of the conflict" which if continued would be "a grave historic error." This was the first open attack on British policy to come from a Western European country.

Spain had been the only Western European nation to abstain in the April 2 United Nations Security Council resolution calling for Argentine withdrawal from the Malvinas. Spain's position is that U.N. resolution 502 fails to take account of the problem of colonialism. Now the British escalation of the conflict has rekindled violent hatred of Britain among wide strata of the Spanish population. The smooth entry of Spain into NATO and the European Community is suddenly placed in jeopardy; informed sources report that King Juan Carlos is having a difficult time restraining members of the armed forces who would like to boot the British out of Gibraltar immediately.

A recent editorial in the newspaper *ABC*, a publication close to government circles, sums up the prevalent view: "For Spain to return to the Western community means a new and sincere understanding with England. This is impossible unless we get Gibraltar back. . . . A European nation cannot be integrated with dignity into the Atlantic group without demanding . . . the end of an ancient colonial situation."

Letters to the editor of Spanish newspapers reflect the popular indignation. Said one reader to the daily *El País*: "English 'democracy' is responsible for the subjugation of entire peoples in the four corners of the globe . . . of brutal repressions, and deserves at least as great a condemnation as the Argentine regime." Another letter declared: "[Is Mrs. Thatcher] not lying, when we recall that it was the English who defended, in letters to the press, the excellence of Francoism? . . . Have a little bit of honesty, Mrs. Thatcher! It is you British who have been the world's teachers in the support of despots and oligarchies of every category whenever it was a question of defending British imperial interests!"

Conference Report

Challenge posed to French opposition

by Dana Sloan from Paris

At an April 28 Paris conference sponsored by *EIR* on "Recreating the Conditions for Economic Growth in France," Jacques Cheminade, President of the National Committee for Nuclear Energy, and Philip Golub, *EIR* bureau chief in Wiesbaden, West Germany established for leaders of the Giscardian and Gaullist parties who participated that any fight for economic development was completely political. Cheminade, who is also Secretary-General of the European Labor Party in France, made it clear to those participants, who had lost France to the Socialists last year, that he does not support nuclear energy because it is a good idea, but because its development is essential if the world is to survive the present crisis.

Cheminade attacked the Socialist government of François Mitterrand, which has brought France to the edge of economic disaster in one year, as "pagan," because, he said, its leaders are incapable of understanding what the great 16th-century builder of the nation-state, Jean Bodin, meant in stating that "there is no wealth but men."

The Socialists were able to come to power in France attempting to convince the population that jobs would be created if nuclear energy were replaced by "soft" energy sources. The Socialists within the state electricity monopoly, Electricité de France, including M. Puiseux, former collaborator of EDF director Marcel Boiteux, had for years carried out an "inside" job to sabotage public support for the nuclear program first elaborated by Prime Minister Pierre Messmer and Industry Minister André Giraud under President Giscard. It was this ambitious nuclear program that made France the world's third-greatest exporting nation and fifth-greatest industrial power.

The National Committee for Nuclear Energy had already won several victories, Cheminade declared. They had forced the government to back down from its original intention of dismantling the nuclear program, but that was not enough. "The fight for nuclear energy cannot exist as a defense of a particular plant. . . . The fight for nuclear energy must be fought on an interna-



Jacques Cheminade

NSIPS

tional level . . . this is why, as a first step, we created the Franco-German Committee for Nuclear Energy. President de Gaulle understood this perspective: he described in his memoirs why he gave Algeria its independence: in order that France might devote itself to the great scientific tasks ahead of it."

Cheminade closed with a declaration that "We must replace the role of usury with the rule of profit and the creation of wealth," for which he said a gold-backed credit-generating system is required, and further, an educational system that will "teach each child the highest scientific conceptions to guarantee our future mastery over the physical processes of the universe."

Yves Galland, a deputy to the European Parliament in Strasbourg from the UDF, the Giscardian coalition of parties, and a specialist on energy, agreed with Cheminade that the solution to the world's energy needs beyond the year 2000 had to be sought now. "Energy consumption in the world will have to triple," he said. The Socialists' anti-nuclear campaign was based on the claim that "renewable" energies would take the place of nuclear. At best, energy sources such as solar could provide only 5 to 7 percent of the energy needs of the future.

There is no European policy on nuclear energy now, Galland told the audience; the European Community is pressuring the new EC energy commissioner, Count Davignon, to come up with proposals. Anti-nuclear resolutions introduced by the Italian Radical Party and the Belgian Socialists, have been roundly defeated, he said, and so should environmentalist demands for Europe-wide security standards for nuclear plants, so long as there is no Europe-wide commitment to nuclear power; the nation of France, Galland declared, "is not going to ask the Belgian environmentalists for their opinion on nuclear security." In West Germany, he deplored the fact that the Free Democratic Party, Chancellor Schmidt's coalition partner, "has become more environmentalist than the environmentalists," because it fears losing that margin of votes.

Henri Bordes-Pages, national secretary of the CGC, the white-collar union confederation, told the conference

that his union supports nuclear development, including development of the fast-breeder reactor, not only because it means jobs, but also because the nation's "economic and human independence" rests on these issues.

Dialogue with Giscardians

The next speaker, Philippe Pontet, Vice-President of the Giscardian think tank Clubs Perspectives et Réalités, invited discussion from the floor on how to renew French industry. The audience, comprised of industrialists, engineers, trade union leaders, and leaders of farmers's organizations, had grasped that it was necessary now to go beyond the limited political and economic policies that lost the Giscardians their majority. France now has to "concentrate its means on its strong points" to develop, because of the Socialist policy which "gives little handouts in all directions."

Statements from the audience at this point had an intensity that struck Pontet and other participants. An electrical engineer stood up to insist on "a non-linear perspective" in industrial policy, geared toward creating entire new industries on the basis of the latest breakthroughs in physics and other branches of science. "We need a grand design, a vision of progress," to give the French people, Pontet responded, "and I must admit that the former majority did not know how to speak to the hearts of the people, to make them dream, to give them a grand design."

In the next session, the Secretary-General of the small town of Belleville-sur-Loire, Mme. Maude Girault, and the town's Gaullist mayor, M. Barat, documented the economic effect of a nuclear power plant on their community. The population has risen from 288 in 1975, when the municipal council gave unanimous support to building the plant, to over 1,000, most of whom are expected to remain after construction is completed, transforming the predominantly agricultural town into a small beehive of industrial activity. Henri Ardouin, founder of the French Society for Nuclear Energy in the Poutou-Charente region, presented a film on the overall economic consequences of nuclear energy, followed by a discussion of applications of nuclear technology in improving agriculture, food processing, and fishing.

EIR bureau chief Philip Golub presented the collapse of the American economy as a paradigm for the effects of monetarist policy on industry, emphasizing that Federal Reserve Chairman Paul Volcker's claim of a victory against inflation had been achieved by bringing every industrial sector to the brink of collapse; for every point that inflation "dropped," production has gone by 2 percent. France must draw on its immediately available resources, pre-eminently the policies of de Gaulle's economic adviser Jacques Rueff, if it is to reverse monetarist policy there.

LaRouche in India

New Delhi Correspondent Paul Zykofsky describes the EIR founder's April visit to one of the United States' greatest potential allies.

At a time when relations between India and the U.S. have hit one of their lowest points, the visit by National Democratic Policy Committee Advisory Board Chairman and *EIR* founder Lyndon H. LaRouche, Jr. to New Delhi during the last two weeks in April serves to emphasize the enormous potential which exists for improved ties between the two largest democracies in the world. LaRouche, who spent a year and a half in India from 1945-46 when he served in the China-Burma-India theater during the Second World War, reminded Indian policy makers of the friendship which existed between the two countries when Americans supported India's effort to free itself from British colonialism. As one senior journalist noted at the conclusion of the visit, "LaRouche has shown us that there are still republican nationalist forces in the U.S. which embody the type of outlook which inspired India in its struggle for independence from the British Raj earlier in this century."

LaRouche was accompanied by his wife, Helga Zepp-LaRouche, Chairman of the European Labor Party, and by Uwe Parpart, Research Director of the Fusion Energy Foundation and an *EIR* Contributing Editor. The first week of the visit was spent in the capital city of New Delhi, where Mr. and Mrs. LaRouche met with Prime Minister Indira Gandhi, and with several members of parliament, leading scientists, industrialists, academics, journalists, and economists. LaRouche also lectured at the Indian Council of World Affairs and the Jawaharlal Nehru University's School of International Studies, and led discussions at the National Institute for Science, Technology and Development Studies and the Indian Institute of Technology's Physics Department. A reception held in the honor of Mr. and Mrs. LaRouche by *EIR* and *Fusion* magazine was attended by 70 people, including several members of parliament, senior diplomats, journalists, and leading scientists.

The second week of the visit was spent in Bombay, the commercial and financial center of the country, where LaRouche met with industrialists, scientists and economists, and visited the nearby Bhabha Atomic Research Center (BARC). The last stop was the city of Pune, the center of classical Sanskrit studies.

Major policy address

How relations between India and the United States can be improved and the current strategic deterioration reversed was outlined in a major policy address delivered by Mr. LaRouche on April 23—"A New Approach to North-South Relations"—before the Indian Council of World Affairs in New Delhi. In his address he called for a "grand design" for a new world economic order based on a three-way agreement combining "East-West" and "North-South" in a "general comprehensive agreement on broad lines of planning and policy" for concrete objectives in economic development.

Combining U.S.-Japanese-Western European assistance to the Soviet Union for the development of the Ural and Siberian regions, such cooperation would in turn create new productive capacities which could be exported in the form of capital goods to developing countries for "joint projects in three-way trade."

In several meetings with scientists and economists, LaRouche elaborated his proposals for "grand design" high-technology projects in the developing sector. For India, he highlighted the importance of three areas: harnessing the country's enormous water resources through the construction of link canals and groundwater recharge facilities; a massive nuclear-energy program; and the development of India's large manpower resources through high-level classical education. He also emphasized the need to plant huge numbers of trees to improve the subcontinent's ecological balance and correct the deterioration in weather patterns.

As outlined in a 1980 study on India's development potential, commissioned by LaRouche during his campaign for the Democratic Party's 1980 presidential nomination, by the year 2020, such development projects could raise the standard of living of India's population to levels comparable to those in Europe today.

The Nehru approach

To achieve this, he noted, it is necessary for India to return to the approach pursued in the first 15 years after independence under Prime Minister Jawaharlal Nehru, an approach which emphasized the development of a

high-technology capital-goods industry. India "must get back to the kind of thinking which achieved levels of growth of up to 10 percent," LaRouche told a gathering of eminent economic journalists. "The key thing which most people overlook" in analyzing the Indian economy is that "you have the postwar period of 1947 to 1962-64, the Nehru Period, in which you have the first two Five-Year Plans that centrally laid the foundations for a great nation." The subsequent wars with China in 1962 and Pakistan in 1965, and the 1966 devaluation of the rupee, destroyed that momentum, LaRouche added. "But these are not solely an Indian problem. This is a reflection into India of conditions which have developed in the international monetary system. India can develop, but India requires low-interest, long-term credits to develop," Larouche said.

Alongside the necessary international arrangements, LaRouche emphasized the need for India to select two or three areas of science and technology in which it can become "the best in the world"—just as under Nehru, Dr. Homi Bhabha initiated the nuclear energy program

which has given India the most advanced atomic-energy program in the developing sector.

From Bombay, Mr. and Mrs. LaRouche visited the country's premier scientific establishment, the Bhabha Atomic Research Center (BARC) in nearby Trombay. On their arrival, they were met by its Director, Dr. Raja Ramanna, an eminent nuclear physicist, who gave them a briefing on the evolution of the center into a scientific facility employing over 12,000 people, including more than 3,500 scientists and 5,000 technicians—a facility unique in the world. The LaRouches and their party toured the 40-megawatt CIRUS, the experimental reactor built in 1960 with Canadian assistance; the agricultural applications laboratory, where radiation is being used for the preservation of food and for developing new, improved plant strains; and the laser experiment section, which is working on a high-power neodymium glass laser for research in plasma physics.

Throughout his discussions with scientists and economists LaRouche emphasized the need to forge ahead in other frontier areas of science and technology. Speak-

'Passion for development must be revived in India'

At the conclusion of his visit, Lyndon LaRouche summed up some of his impressions of India—since he was last there in 1946—in an interview with the newsweekly New Wave. Excerpts follow.

It is very obvious that the passion and the attention span in general are less than they were in 1946, that the fire and creative passion associated with the independence struggle are not as great today. The first desire I have in this is to say, "How can that passion, or that *quality* of passion be reactivated?"—because that's the only force that can build the country in the face of its present problems.

The cultural pessimism which has hit Western Europe and the U.S. is hitting here, and I would think that it is fair to say that India—at least in terms of the university campuses I visited—is approximately at the point of danger that we faced in the United States and Western Europe in 1966-68. That is what must be reversed. I see an appetite in the country for great projects that will inspire the people and give them a sense of cohesion—some purpose, some self-mobilization—and that's the key, just thinking back to 1946 and comparing it to now. That's the most immediate emotional, personal reaction I have.

For example, I recall how back in 1946 on the

Calcutta Maidan, coolies who were making between four and eight annas a day [approximately 5 to 10 U.S. cents] under the British Raj came up to me as an American soldier to find out if the United States was going to send textile machinery to India at the end of the war. I wish the passion of 1946 were active now to be focused on the tasks we have before us at this moment.

The problem here today is largely subjective, not objective. If you look at the situation not from India—as if it were an isolated country in which everything was determined by what happened within the country—but look at India in the world as a whole, compare this with developing countries, and compare the country politically with industrialized nations—India is better governed than the United States in terms of normal standards of government. It is a rich country with a lot of poor people. But the context and determining features of the distinction between the pre-1963-66 period and the post-1966 period—which is defined here by the devaluation of the rupee—the distinction is not domestic; the distinction is international. For the past 16 years the world has been sliding through monetary crises towards what has now become a depression. It is this international climate which largely determines the possibilities in India. The problem domestically in each of the countries affected by this international situation is how does the nation and particularly its leading political forces respond to the international situation?

ing to 35 young plasma physics students at the Indian Institute of Technology in Delhi, LaRouche called for India to “develop a better high-temperature gas-cooled reactor than any present design.” If it does so, “India could become the world’s leader in the thorium-cycle-based HTGR—not only for domestic use but also for export,” LaRouche said. India has the world’s largest reserves of thorium.

To develop the scientists who will achieve these future breakthroughs, LaRouche emphasized, educational curricula along the lines of the Humboldt classical education system in Germany—based on geometry and philology—must be established. To pursue this interest in philology, LaRouche visited Pune to meet several leading Sanskrit scholars to discuss the high-level development of this most ancient Indo-European language and how to expand its philological study.

Malvinas crisis

Given the escalating crisis in the South Atlantic, it was LaRouche’s analysis of the current international strategic situation which received the most prominent coverage in the Indian press. A front-page article in the New Delhi daily, *The Patriot*, titled “U.S. Faces Foreign Policy Crisis on Falklands,” quoted from an exclusive interview with Mr. LaRouche on the Malvinas crisis in which he warned that “the entire international strategic situation would deteriorate” if the United States did not oblige the British fleet to turn back (see *EIR*, May 11).

LaRouche’s explanation of how Americans are being manipulated by the British and by anglophile groupings in the United States around the Malvinas crisis was quickly understood by people in India, who often complain that American foreign policy is too strongly influenced by British views and geopolitical methods. As LaRouche pointed out during his visit, this influence has been reflected over the past few years in U.S. policy toward this region. Among the examples he cited were: Henry Kissinger’s support for Pakistani genocide in Bangladesh in 1971; the refusal to fulfill a contract to supply enriched uranium for the U.S.-built Tarapur Atomic Power Station; and the current support for the regime of Pakistani military dictator Zia ul-Haq.

There should be no illusions in India, LaRouche warned, about the efforts by Anglo-American zero-growthers to provoke war with Pakistan, break up India into several smaller nations, and reduce the population through famine, war and pestilence.

That India is committed to improving relations with the United States despite current tensions was reflected not only in the warm reception given to Mr. LaRouche but in the announcement that Prime Minister Indira Gandhi will visit Washington later this year—an announcement which caught most observers by surprise.

Anti-drug victory in French libel suit

Reprinted below are excerpts from a precedent-setting decision rendered by the 17th Correctional Court in Paris on Jan. 11 against Dr. Claude Olievenstein, director of the largest treatment center in France for drug abusers and addicts, the Centre Marmottan.

In February 1981, Olievenstein went on French radio to charge that the French Anti-Drug Coalition was a front for a “Nazi grouplet,” the European Labor Party (POE). Both organizations are associated with EIR founder and U.S. Democratic Party leader Lyndon H. LaRouche, Jr. The POE promptly took Olievenstein to court for libel; the decision in the POE’s favor included an award of monetary damages.

During the trial it came out that Olievenstein was peddling a line based on what he knew were lies spread by the Anti-Defamation League of B’nai B’rith (ADL) against the Anti-Drug Coalition in several countries.

This was the doctor’s attempt to counter the effect of the French Anti-Drug Coalition, which had exposed him for advocating unrestricted “recreational” drug use. A more intensive Chicago-based campaign to stop the National Anti-Drug Coalition (NADC), the U.S. sister organization of the French coalition, is now the subject of a \$70 million suit in Federal District Court. Named as defendants in the NADC suit are the Illinois Attorney General, the Illinois heads of the ADL and NORML (the National Organization for the Reform of Marijuana Laws), respectively, and the Chicago Sun Times.

The translation which follows was done by EIR’s Dana Sloan. Olievenstein was misspelled in the original.

The European Labor Party, certified association, represented by its President, Mrs. Claude Albert and its Secretary Mr. Jacques Cheminade . . . plaintiffs represented by J. M. Varaut, attorney-at-law;

versus:

Olievensztein, Claude, born June 11, 1933 in Berlin [Germany], . . . doctor of French nationality;

versus:

The Société Nationale Radiodiffusion Radio-France . . . represented by its President, Mrs. Jacqueline Baudrier. . . .

By writ dated May 16, 1981, the European Labor Party cited Mr. Olievensztein [sic] and the Société Na-

tionale de Radiodiffusion Radio-France in front of this court of justice for the offense of libel . . . and requested payment of the sum of 50,000 francs in damages, the broadcasting of the court's decision on the next possible radio broadcast of Radio-France, and the publication of the decision in three dailies and weeklies at the expense of the defendant. . . .

By writ dated May 25, 1981, Mr. Olievensztein offered to prove the veracity of the alleged facts and by writ dated May 29, 1981, the European Labor Party offered to prove the contrary The affair was heard on December 14, 1981. . . .

After hearing the parties directly concerned, the court heard Mrs. Kanter, without her being sworn in, by virtue of her position as a journalist for the European Labor Party and Mr. Golub, under oath. . . .

The European Labor Party reproached the defendants with the fact of Mr. Olievensztein's having pronounced the words "Nazi grouplet" in reference to the above-mentioned party on the airwaves of Radio-France during the course of the "Parlons Clair" broadcast of February 17, 1981.

On the libelous character:

It is evident that the term "Nazi," which is the contraction of the name of the political party created by Adolf Hitler, now having become an adjective, applied to a physical or moral person, is to charge that person with implementing all the theories called for by the Nazi party, not only anti-semitism, but also racism, totalitarianism or religious hatred.

This charge therefore undermines the honor and the consideration of the European Labor Party by making it the heir of the Hitlerian party.

On the charge:

While Mr. Olievensztein has admitted to having made these libelous statements, on the other hand Radio-France has concluded and pleaded that this action was not admissible against a moral person, on the penal level, and that it was not the accessory of Mr. Olievensztein.

The European Labor Party did not contest this line of argument. . . .

On the offer of proof:

In an attempt to establish the veracity of his libelous allegations, Mr. Olievensztein submitted several documents.

These were first reviews or brochures not written by the European Labor Party. Their authors reproach either the European Labor Party, or the U.S. Labor Party or the National Caucus of Labor Committees for their anti-Semitism and their anti-Zionism without this being sufficient to establish this accusation, which does

not anyway include the "Nazi" charge. In addition, some of them accuse these parties of close relations with Iraq and the U.S.S.R. specifying that they are a "branch of the political extreme left with a Marxist ideology," which is in contradiction with the charge of Nazism.

The writings emanating from the European Labor Party or from parties with which the plaintiff recognizes having close ideological relations, contain severe criticisms of Zionism or the policy followed by governments of the State of Israel. But this is different from anti-Semitism and can even less be proof of ideological affiliation with Nazism.

As for the decision of the Supreme Court of New York, not only does it concern the U.S. Labor Party, but also and especially it does not establish proof of the libelous charges alleged against the European Labor Party.

The defendant did not bring proof of the libelous facts. There was therefore no cause to examine the offer of contrary proof.

On good faith:

Mr. Olievensztein pleaded that a dispute opposed him to the European Labor Party, which reproaches him for his approach to the drug problem and his favorable attitude to so-called soft drugs. Indeed, he was severely criticized in issue No. 2-3 of *Guerre à la Drogue* [published in November 1980—ed.], the review edited by the Anti-Drug Coalition. Not only is this a different legal entity than the European Labor Party, but this attack, which had not given rise to any action on Mr. Olievensztein's part until February 17, 1981, was no longer near enough [in time—ed.] to permit the defendant to plead that his response of February 17, 1981 should be seen in the framework of a polemic. In addition, the question posed by the [Radio-France—ed.] journalist Mr. Paletou was based on a statement made by a leader of the Communist Party who was putting Mr. Olievensztein into question by name, and it is to another party that Mr. Olievensztein directed his libelous statements, to wit, the European Labor Party. None of the conditions of time, place or means relative to polemic between the parties existed.

Mr. Olievensztein did not establish that he acted in good faith.

On damages:

The European Labor Party suffered certain damages which shall be repaired by the allocation of a sum of 5,000 francs and by the publication of this decision in two newspapers or reviews, the cost of each advertisement not to surpass 4,000 francs.

"Radio-France" not being involved, there is no cause to order the broadcast of the present decision on its airwaves. . . .

Israel's Begin lays claim to Jordan

by Nancy Coker

Citing the old British mandate for "Palestine," which encompassed Israel, the Israeli-occupied West Bank and Gaza, and the Kingdom of Jordan, on May 3 Menachem Begin announced his intention to annex not only the West Bank and Gaza, but eventually the country of Jordan as well.

The West Bank, Gaza, and Israel, raved the Prime Minister to the Knesset, comprise "Western Eretz Israel," or the Western Land of Israel. "The autonomy agreements are a guarantee that under no condition will a Palestinian state be established in Western Eretz Israel," Begin said.

Begin's use of this long-dormant term was a deliberate revival on his part of the old land-grabbing notion of the terrorist Irgun underground—to which he belonged in the pre-1948 period—that the eastern bank of the Jordan River, that is, the country of Jordan, is "Eastern Eretz Israel."

Begin went on to pledge to "expand, strengthen, and consolidate" illegal settlements in the occupied West Bank, Gaza, and Golan Heights.

Begin's declarations were by far the strongest and clearest indication to date of the policies his government intends to pursue in the post-withdrawal period. On Israeli independence day, April 28, at the inaugural ceremony of a new, government-backed West Bank settlement, Begin's supporters sang "Two Banks Has the Jordan," the anthem of the Irgun.

The reconstitution of the fascist spirit and policies of the Irgun cult as government policy in Israel was explained as follows by one Israeli source: "Begin wants to go down in history as the man who made peace with Egypt and at the same time restored the Land of Israel to its historic Biblical borders. This has been his life-long obsession."

Setbacks for Begin

Despite support for his policies from the majority of the Israeli population, Begin has been hit with a series of domestic political setbacks.

Following Israel's withdrawal from the Sinai, Begin announced that he intended to submit to parliament a law that would prevent the dismantling of all Israeli settlements in the occupied territories in the event of a

nonaggression treaty with an Arab state. That law would have barred any remaining possibility of peace with the rest of the Arab world. After a meeting between Begin and Labour Party leader Shimon Peres, the Labour opposition flatly refused to back Begin's proposal in the Knesset.

A few days later, the Israeli cabinet itself declined to back Begin on this issue, with only Defense Minister Ariel Sharon and Education Minister Zevulun Hammer supporting Begin, who then announced that he would not submit the bill to the Knesset as he had originally planned.

Begin's political grip has also been weakened somewhat by the resignation of cabinet minister Aharon Abuhatzera after conviction on a bribery scandal.

Begin faces dissension among the religious parties in the ruling Likud-led coalition, and is moving to regain their support. Capitulating to the demands of the fundamentalist Agudat Yisrael Party, Begin banned El Al Airline flights on Saturday, the Jewish Sabbath, ignoring charges by the Labour Party and secular Jews that the action could bankrupt El Al and destroy Israel's commerce.

According to Israeli intelligence sources, Begin had been thinking of buying the cooperation of Agudat Yisrael to the tune of \$30 to \$40 million, the same amount that El Al is expected to lose if Saturday operations are cut. "Begin decided to take the loss—in either case he's out the same amount—and maybe reap the support of religious American Jews who side with Agudat Yisrael on the El Al issue," said one Israeli source.

Sharon under fire

Defense Minister Ariel Sharon meanwhile continues to work with British intelligence to set the stage for British recolonization of the Persian Gulf. Sharon is known to favor going beyond Begin's Jordan scenario by hitting Saudi Arabian oil fields and seizing the Gulf. The Labour Party has been leading the attack on Sharon, demanding from Begin that Sharon be fired as the price for Labour's joining a national unity government, a proposal that Begin has reportedly been entertaining.

Inside Begin's and Sharon's own Herut Party, and in the cabinet, opposition is building to Sharon, reportedly sanctioned by Begin himself. A coalition of anti-Sharon Herut leaders have banded together in a "Stop Sharon" movement, with "Begin's okay," the *Jerusalem Post* writes.

Many Israelis consider Sharon far more dangerous than Begin. In a recent interview, Arye Naor, a former spokesman for the Israeli cabinet, said: "If ever, God forbid, he [Sharon] reaches the supreme position, I wonder what the fate of Israeli democracy would be."

Knesset member: 'We should talk to PLO'

Yosi Sarid, a member of the Israeli Knesset (parliament) from the opposition Labour Party, was the guest speaker at a meeting in Paris at the end of April organized by the Israeli-Palestinian Friendship Committee. Sarid, a founder of the pro-peace Ometz grouping in Israel, created an uproar in Israel and within the Labour Party some months ago when he announced his willingness to meet with Isam Sartawi, a close collaborator of Yasser Arafat. At the Paris meeting, Sarid restated his determination to meet with "Palestinians whenever I will have the occasion, if such a meeting contributes to the process of peace in the Middle East."

Calling for a global peace settlement, Sarid declared himself, at the meeting and in an interview with *EIR*, in favor of negotiations with any Palestinians, "so long as such negotiations are preceded by mutual and simultaneous recognition by both Israelis and Palestinians of the rights of each other's state to exist." Although personally favorable to the creation of a Jordanian-Palestinian federation, Sarid acknowledged that in the last analysis, it is up to the Palestinians to choose the kind of state they want to live in, and Israel will have to accept that decision.

Addressing the present political problems in the Israeli leadership during the question-and-answer period, Sarid declared himself categorically opposed to the idea of a national unity government composed of the ruling Likud Party and the Labour Party, which in his view would be "catastrophic." Sarid warned that Labour's agreement to join in a national unity government would lead to a split by the Mapam wing of the Labour alignment and his own faction in the Labour Party to create a new left party.

Sarid, who has been actively organizing the European Jewish community in recent months, severely condemned Menachem Begin's attempts to muzzle the Diaspora by equating any attack on his policies with "attacks against the Jewish state." "There is no reason whatsoever to be in total agreement with either Begin or Sharon," said Sarid, who called on Diaspora Jews to intervene forcefully in Israeli politics whenever it was necessary.

Sarid was interviewed by *EIR* in Paris.

EIR: Mr. Sarid, in your opinion are there any chances

left for peace in the Middle East? We find ourselves in a paradoxical situation: On the one hand Israel just returned the Sinai to Egypt, but on the other hand the possibilities of war against Lebanon have never been greater.

Sarid: I don't think that a war will be launched in the very near future, but of course there is a danger of war. I believe that most Israelis do understand now that the bilateral peace treaty with Egypt cannot be isolated for a long period of time. A separate peace treaty would remain insecure. In order to maintain peace with Egypt, we have to solve the Palestinian problem; otherwise, there will be no long-lasting and comprehensive peace in the Middle East. Now, what are the principles upon which negotiations should rest? First of all, negotiations in the Middle East must be based on the principle of mutual and simultaneous recognition between both peoples—the people of Israel should recognize the right to self-determination of the Palestinians, and the Palestinians should recognize the right to self-determination of the Israeli people as well. The second principle is that Israel should declare its readiness for negotiation with any Palestinian who will accept this basis for negotiation, who will accept the very existence of Israel as a sovereign Jewish state in the region. And the third principle is that the decision over the fate and future of the Palestinians is up to them. They will decide their future, and if one day they will decide to establish an independent and sovereign state between Jordan and Israel, we—the Israelis—will have to accept their decision.

EIR: What are the chances that your ideas will be accepted in Israel? Maybe you can tell us about the activities and impact of the political group you founded, Ometz.

Sarid: Unfortunately I cannot pretend to represent the majority in Israel, but we do represent a very significant minority—and with regard to the Israeli Labour Party I would say that presently they cannot take a decision without taking into account our influence and our views. It is not a very easy battle. It is on the contrary very difficult, especially because the Palestinians are not making the fight in Israel much easier. Up to the present time, to be sincere, we don't have a very clear sign that the Palestinians have changed their mind about the existence of Israel. But we do believe that if Israel will declare its willingness to negotiate with any Palestinian who accepts the existence of Israel, Israel will have nothing to lose. Either the Palestinians answer and react positively to the challenge and they will come to the negotiating table—which will then be a very good day for Israel—or, God forbid, they will not answer the Israeli challenge and they will not be determined enough to come to the negotiating table. In that case the burden of responsibility will lay on the Palestinian shoulders.

Interim gains for Deng

The scope of the newly ratified reorganization, and the sources of potential opposition to its consolidation.

Deng Xiaoping's move to purge political opponents and consolidate his faction's power entered a new stage in late April at the 23rd Session of the Standing Committee of China's National People's Congress (NPC). The Deng faction finally succeeded in getting the Standing Committee's imprimatur on a host of measures to "streamline" and restructure the government, and a long-sought draft of a new constitution, which will be presented to the rubberstamp National People's Congress expected to meet later this year.

The restructuring approved by the Standing Committee included a shake-up of the State Council and a sweeping reorganization of the administrative institutions under its jurisdiction. Deng allies Wan Li and Yao Yilin were the only two of 13 vice-premiers to retain their posts. Nine of the 11 former vice-premiers, including several opponents of Deng's policies of slashing heavy industry, were relegated to a newly created "advisory council" whose function is ambiguous.

Two vice-premiers, Zhang Aiping and Yang Jingren, were dropped altogether. The 52 commissions and ministries of the State Council were reduced to 41 while approval was given to the sacking of approximately one-third of the 200,000-member central bureaucracy. Expected to be hit hardest are those in institutions dealing with capital construction, machine

building, agriculture, and energy, sectors that have suffered most under Deng's policies.

Wan and Yao, who along with Premier Zhao Ziyang and Chen Yun were architects of the current economic policies, had been purged during the Cultural Revolution but Deng brought them back when he officially returned to power at the fall 1978 Plenum.

The controversial new constitution, the PRC's fourth in 32 years, will enhance the power of the government vis-à-vis the Chinese Communist Party. It calls for the restoration of the State Chairmanship, a post abolished by Mao at the beginning of the Cultural Revolution because rival Liu Shaoqi was perceived by Mao as using the position to usurp his authority. Dengists Chen Yun, Xi Zhongxun, and Song Renqiong are reportedly possibilities for the State Chairman.

Perhaps even more controversial is the provision which for the first time takes authority over the armed forces out of the hands of the Communist Party and places it under government control.

The retirement of NPC Chairman and titular head of state Ye Jianying, hinted at during Deng's speech at the Standing Committee meeting, will clear the way for the new State Chairman to assume ceremonial leadership of the country. But the opposition from pro-heavy-industry bureaucrats, military leaders, and moderate Maoists—for

which the aging Ye provided a rallying point, along with CCP vice-chairmen Li Xiannian and Hua Guofeng—will not dissipate with the bowing out of Ye. Moreover, Ye's retirement no doubt exacted certain compromises from Deng which will ensure that he will no longer warm the hearts of China Card advocates in the United States, especially on foreign policy questions.

The respect the Dengists have for the opposition was demonstrated on April 30 when the Chinese news media went to great lengths to prepare the population for Hua Guofeng's absence at the next day's May Day celebration. Hua, who was in the hospital for a minor ailment, was given television time in order to squelch the potentially explosive rumors of his ouster that would have arisen among the protocol-conscious Chinese from his absence at the May Day lineup of Communist Party officials.

Deng's successes thus far were expected. Deng has been careful to carry out the debates in limited forums such as the NPC Standing Committee, where his faction faces less opposition than in the CCP Politburo.

The real test will come in the months ahead. It is doubtful that the entire party leadership will sit by as Deng disarms the party of its authority and ability to resist the purge. Moreover, it is one thing to approve something in the Standing Committee and another to carry it out throughout the ranks. Deng may be riding high for now, but the prospects of a worsening economic situation and resistance to the escalating purge portend much difficulty for Deng and his faction and instability for China.

Megaprojects for what?

Trudeau plans to turn the country into a strategic reserve and make the U.S. dependent on Canadian energy supplies.

Shaping the future for Canada's energy and manufacturing sectors is Prime Minister Pierre Trudeau's strategy of resource control and raw-materials warfare, as opposed to industrial growth. That strategy underlies the Inventory of Major Projects assembled last year by the federal Department of Industry, Trade, and Commerce (ITC), whose trade sector is now part of the Ministry of External Affairs under Maoist depopulation advocate Mark MacGuigan. The Inventory totals about \$440 billion of investments in four energy-related sectors up to the year 2000.

According to the June 1981 taskforce report, in the next 20 years Canada will become one of the world's leading exporters of raw materials. Although the ITC shows the capital projects to total about \$440 billion, a 1979 Royal Bank of Canada study shows that the projected energy investments in Canada will exceed \$1.4 trillion in current Canadian dollars.

This strategy was developed by Maurice Strong, the former chairman of the national oil company, Petrocan, who is currently on the board of the Canadian Development Corporation (a 51 percent Crown entity), and has taken over the Arizona-based AZL Resources company, a ranching, oil, and gas venture, with participation from Swiss financiers and Arab dirty-money investors.

The inventory includes: 1) a to-

tal of \$181 billion for exploration and development of traditional hydrocarbon projects, pipeline construction, heavy oil supplies, petrochemical and hydrocarbon processing, and tar sands projects (now dead); 2) strategic mineral projects for a total of \$34 billion; 3) electric power and transmission projects (including nuclear) with total expenditures of about \$200 billion; and 4) transport and defense projects for a total of about \$25 billion.

While Canada will support itself as a "Third World" net exporter of raw materials, politically Trudeau will pose as a defender of the underdeveloped sector against the selfish United States, and press for "global North-South negotiations" at the Versailles economic summit in June, along lines drafted by Henry Kissinger, Willy Brandt, and the World Bank.

It is clear that projects of the magnitude projected by the Trudeau government are not intended to attain "self-sufficiency" by 1990, as Trudeau claims. The total inventory figure represents more than 23 times the 1980 energy-sector fixed investment, evaluated at about \$18 billion. One question therefore becomes to what extent the United States will become dependent on Canadian energy supplies.

Contracts are expected to be signed between New Brunswick and Maine and Massachusetts, which will preclude any development of nuclear energy in that area

of the United States until the year 2000. On April 27, a day after the National Energy Board in Ottawa authorized the sale of 630,000 kilowatt-hours from the New Brunswick nuclear facility, it also gave the green light to supply nuclear-generated electricity from Ontario to the General Public Utilities Corporation through cables under Lake Erie, mainly to compensate for the loss of energy caused by the shut down of the Three Mile Island nuclear plant in Pennsylvania! According to an official of the Federal Energy Department, Brian Emmet, there is also an export plan under discussion now for the construction of 12 nuclear plants in Quebec. Already, on March 19, Quebec signed a \$5.2 billion hydropower deal with the Power Authority of New York for delivery of 111 billion kilowatt-hours for a period of 13 years. The *Wall Street Journal* reported on April 27 that Canadian utilities "are expected to increase their electric deliveries to the U.S. by 75 percent in the next five years."

Although the authorized deliveries are not of great magnitude at this time, the precedent is now being set where the United States may not be able to resist a "good deal" while American nuclear facilities are being shut down.

On May 1, two of the remaining partners pulled out of the \$14 billion Alberta Alsands consortium. The tar sands development project is "dead," according to Shell president William Daniel. Although it is not clear if the decision was more political than financial, there is growing factionalization in the industry over the socialist policy of centralized control over resources as opposed to a policy of high return on investment.

The immigration issue—again

“Operation Jobs” had its predictable negative effect on U.S.-Mexico relations. But there’s more to the story.

The week-long “Operation Jobs” launched by the U.S. Immigration and Naturalization Service (INS) on April 26 netted an estimated 5,500 “illegals” working in nine U.S. cities with large Hispanic minorities, some 2,000 deportations to Mexico, and a new shock to U.S.-Mexico relations.

On April 28, the Mexican Foreign Ministry issued a statement that “this operation seriously worries the government of Mexico,” because of reports of human-rights violations and targeting of Mexican-American populations.

Two days later the new Mexican ambassador in Washington, Bernardo Sepulveda, lodged an official protest with the State Department. In carrying out the raids, he charged, the U.S. government “has apparently resorted to unusual procedures which constitute a virtual negation of access to legal resources which U.S. laws guarantee.”

Sepulveda was referring to widespread reports that undocumented workers had been forced into “voluntary” deportation agreements without right of counsel, and that many of those detained—both legal and illegal workers—had been mistreated.

The Mexican press was saturated with stories on the round-ups. Labor leader Fidel Velásquez indicated concern not only for the rights of Mexican workers, but also for the additional strain on the Mexican economy that a large

number of deportees would create.

Unmentioned in any public statements, but very much in the minds of many here and of law-enforcement officials in the United States, is the potential that the crackdown will trigger violence in Hispanic areas.

What most worries knowledgeable Mexicans is not so much the raids per se, as their function to clear the way for unprecedentedly restrictive immigration legislation now before the U.S. Congress.

Roger Conner, head of the hard-core “shut-the-borders” lobby in Washington, named the Federation for American Immigration Reform (FAIR), explained that “the main thing the INS did that was new in the operation was that they brought the media’s attention to something that the INS does every day. The reason they have done this is to make people more aware of the fact that illegal immigrants are taking valuable jobs from Americans; that the way to stop it is to make it illegal for employers to hire illegal aliens; and that the best way to do that would be to pass the Simpson-Mazzoli bill.”

The Simpson-Mazzoli bill was drafted by the Father Theodore Hesburgh’s Select Commission on Immigration and Refugee Policy and sponsored by a crew of fanatical Malthusian blue bloods headed by Cyrus Vance and Robert McNamara, operating under the innocent-sounding “Citizens’ Commit-

tee for Immigration Reform.” It would cut the number of legal immigrants allowed into the country by half, from the current 800,000 to 425,000; levy stiff penalties on employers of illegals; and set in place a “1984” nightmare of obligatory worker ID cards and centralized computer tracking of workers.

The bill brings into reality the nightmare Mexico has been living with since the beginning of the Carter era of a shut-off of job opportunities in the United States. Immigration-watchers in Washington tell my *EIR* associates that the bill’s passage is “virtually assured” this session, after Attorney General William French Smith’s April 20 press conference at which he announced that administration opposition to the bill was reduced to a few minor points.

Such scapegoating of minority and immigrant workers for the effects of Paul Volcker’s depression could have not come at a worse time, given the critical economic pressures on Mexico—themselves for the most part the product of the Volcker madness.

The move also jeopardizes some of Mexico’s friends in the United States such as Texas governor William P. Clements. Not only are Clements’s efforts to advance a sound guest-worker program virtually dead, but his own re-election effort this year could be hurt by Hispanic voter backlash. In an Austin press conference April 28, Clements indicated alarm about the effects of Operation Jobs on U.S.-Mexico relations and the Texas economy. “Mass deportation is not the solution for the unemployment crisis,” he declared. “Texas has a lot of investment which requires a growing labor force.”

Iraq challenges U.S. role

Washington's support for Iran in the Gulf war—and its intermediary—have been publicly named.

Iraq has broken its silence on U.S. support of Iran in the 20-month old Iran-Iraq war, support which includes direct and Israeli-mediated shipments of arms to the Khomeini dictatorship. A Baghdad government spokesman has not only chastised the hypocrisy of the State Department's profession that the United States is neutral in the war, but for the first time has revealed the name of a top Iranian arms dealer in the United States who is under the protection of the same State Department which brokers U.S.-Iran arms transactions.

In a public statement delivered April 30, Iraq's United Nations Press Counselor, Saleh Mukhtar, identified Iranian arms merchant Cyrus Hashemi: "Hashemi established a phony bank as a cover for illegal shipments of heavy weapons being smuggled to Iran . . . and we suspect that he has ties to certain American intelligence agencies."

Mukhtar also issued the strongest statement to date from Iraq condemning the flagrant bias of the U.S. media in favor of Iran. "We have witnessed the news media in the U.S. taking upon itself the task of publishing Iranian stories on the course of the Iran-Iraq war without any scrutinizing of the wild exaggeration and fallacies which have distinguished them." Persistent tales of Iranian victories permeating the U.S. press, Mukhtar charged, are "victories made by the American media." He singled out

the reportage of *New York Times* military reporter Drew Middleton as "calling into question the credibility of his writing as well as the credibility of the *Times*."

On the day Mukhtar issued these statements, Iraqi Deputy Prime Minister Tariq Aziz met in Baghdad with representatives of the Kuwaiti press. He repeated the accusation regarding U.S. sales of American-made arms and spare parts to Iran through Israel.

Aziz went on to announce an improvement in Iraqi-Soviet relations, which had cooled during the war as Moscow opportunistically courted the Khomeini regime. Iraq had hoped that traditionally chilly ties between Iraq and the United States would improve, but the flagrant U.S.-Iran alliance has reduced such hopes.

Aziz outlined the terms of an Iraqi peace plan which his government is prepared to offer to Iran in order to reach a truce in the fighting and negotiate a solution to the conflict. Baghdad says it is willing to accept an Islamic peacekeeping force, make a complete withdrawal from occupied Iranian territories once peace talks begin, and set up an "Islamic committee" to determine the cause of the war.

But the mysterious downing of a jetliner carrying Algerian Foreign Minister Mohammed Ben Yahia on the Iranian-Turkish border May 4 suggests that Iran remains uninterested in peacefully ending the war.

Yahia was carrying a new set of Iraqi proposals for peace talks including details of the plan Aziz had announced. Since Algeria negotiated a solution to the Iran-Iraq conflict over the Shatt al Arab waterway in 1975 and later helped mediate the hostage crisis, it has maintained substantial influence in Iran. Lebanese sources say that the downing of Yahia's jet, which claimed his life and the lives of 12 other top Algerian officials, "could only have been the work of hardliners around Khomeini who want the war to go on." Baghdad dismissed Iran's accusation that Iraq shot down Ben Yahia's plane as "too stupid to respond to," and affirmed the Algerian mediation would continue.

Iraq's peaceful gestures over the last month have been matched by a strong military posture. On April 11, Iraqi President Saddam Hussein announced that the People's Militia on which Iraq has depended would be replaced by regular troops from the Iraqi army and air force.

The April 30-May 2 decisive Iraqi defeat of the second major Iranian offensive in a month reflects Iraq's strengthened military position. Khomeini is reported to be throwing thousands of ill-trained young fighters into a drive to cross the Karun River, a natural barrier protecting Iraqi forces in the oil-producing region of Khuzistan, and eventually to penetrate Iraqi territory.

And the *Wall Street Journal* reported May 5 that Iran is hiring Libyan terrorists to destroy Iraq's last pipeline through Turkey. *Middle East Reports* says that the United States is preparing another purchase of oil from Iran, a move in fact arranged by Secretary Haig.

International Intelligence

'A slap in the face to all American countries'

Enrique Loncan, an Argentine lawyer and businessman, spoke at Georgetown University's Center for Strategic and International Studies on May 4, affirming that while Argentina enjoys freedom of the press and the judiciary, the Falkland Islanders are "second-class citizens" who do not even elect their own governor and are under the thumb of the Falkland Islands Company.

The U.S. position in the conflict, he said, "causes a tremendous sadness. . . . I am one of the majority of Argentinians who have always looked to the United States for leadership in the fight for freedom. . . . Your country suddenly gives military support to a country that has as an object the establishment of a colony in America . . . a criminal action under the U.N. rules. This was a slap in the face to all American countries that will have lasting consequences. . . ."

Loncan added that if there is a change of government in Buenos Aires, "the result will not be a government closer to the United States."

Mexico featured at Hannover trade fair

Mexico's largest foreign-trade exhibition to date opened on April 20 as the centerpiece of the annual industrial fair held in Hannover, West Germany. Over two hundred Mexican enterprises were represented, including the state oil company, Pemex; the Federal Electric Power Commission; the Somex industrial and banking conglomerate, in which the government owns a majority share; and the HYLSA steel giant.

The Mexican exhibit put special emphasis on the role of maritime ports in Mexico's industrial-development strategy. Fernando Rosenweit, head of Industrial Ports for the Special Projects section

of the President's Office, gave a seminar at the fair on Mexico's plans to concentrate population in new coastal port cities now under construction at Altamira, Lazaro Cardenas, Coatzacoalcos, and Salina Cruz. This had a particular impact on German businessmen, for whom the North German port city of Hamburg is an industrial hub of the entire country.

Mexico has suffered from intense economic warfare in recent months, designed to force the government to abandon its heavy-industry-based development strategy. Despite the forced February devaluation of the peso and a continuing propaganda barrage from London, the Swiss, and some Americans, *EIR* correspondents at the fair found the representatives of West Germany's largest enterprises eager to consider Mexico's potential; in numerous conversations they recognized Mexico as one of the few national economies that could still sustain a high growth rate, and one of the best developing-sector customers for export-dependent West German business.

Israel defies Britain with Argentina aid

Despite what the Israeli Foreign Ministry called an "astonishing" rebuke from the British Foreign Office, Israel has rejected British demands that Israel renege on agreements for shipment of Israeli goods, including weapons, to Argentina.

"Israel has more than enough reason, from its history, to be anti-British," a government official close to Prime Minister Begin told the National Democratic Policy Committee on May 2. Three days later Israeli Energy Minister Yitzhak Berman, speaking in London, attacked Britain for its "double standard," saying that if Britain cannot solve its problems in Northern Ireland, it cannot expect to solve its problems on the other side of the world.

Intelligence sources report that one of the items at issue are 16 Israeli-made Dagger jets. One military analyst noted

that because the Dagger does not contain any American parts, the United States cannot prevent Israel from selling the plane to Argentina. "That is where the whole flap is coming from," he said.

The Israeli position is that the deliveries fulfill previous obligations. Israel will not sign any new contracts during the duration of the war, Foreign Minister Shamir said in an interview with the Likud weekly in Israel, in the interest of not getting drawn directly into the conflict.

The majority of American Jewish organizations are reported to be very unhappy with the Israeli stand.

'Operation Nightmare' reactivated in Italy

The Mafia murder of the Sicilian head of the Italian Communist Party (PCI) on April 30 signals that "Operation Nightmare," the British intelligence plot to destabilize Italy, has again been moved onto the front burner.

The assassination of PCI leader Pio La Torre came only three days after a prominent Christian Democrat (DC) of Naples, Raffaele Delcogliano, regional labor councilman, was gunned down a few blocks from church while riding to Mass in an armored car. His killers used military automatic weapons and diamond-tipped bullets to fire through the armor plating.

Immediately after the assassination of La Torre, Italy's Prime Minister Giovanni Spadolini declared that there exists "a plan for the destabilization of the Mezzogiorno," the southern region of Italy and the home ground of the Mafia. Spadolini announced a series of security measures, including the appointment as special prefect of Palermo of the Carabinieri's Gen. Carlo Alberto Dalla Chiesa, who has led the anti-Mafia crackdown in Italy.

Both La Torre and Delcogliano were among those in both the Communist and Christian Democratic parties fighting to extirpate the Mafia and terrorism from

Italian political life. A government of national unity enjoying the full support of both the DC and the PCI, Italy's two largest parties, could win the war on the Mafia once and for all, as Pope John Paul II, among others, has urged.

The killings, just prior to the convening of the party congress of the Christian Democrats, appear timed to stop the momentum of the "national unity" forces in the DC.

No Japanese sanctions against Argentina

Reports appearing in the *New York Times* and elsewhere the week of April 28, claiming that Japan had joined the European Community nations in imposing trade sanctions against Argentina, have turned out to be lies in the best British "black propaganda" tradition.

Japan, contrary to reports carried by the British press agency Reuters, will not put restrictions on Japanese imports from Argentina, the Japanese Foreign Ministry said in a statement issued May 2. Japan "considers it necessary to observe its responsibilities to GATT and the treaty of commerce and navigation with Argentina," the statement said, adding that Japan will not "take advantage" of U.S. or European sanctions to reap windfall increases in trade.

This was elaborated by Foreign Ministry officials in Tokyo in discussion with *EIR*. These officials stressed that, far from joining economic warfare against Argentina, Japan wants to avoid any actions that would hurt North-South relations. The implications of the Malvinas crisis for relations between the industrialized and the developing nations were described as "enormous."

At the June heads-of-state economic summit in France, Japanese Prime Minister Zenko Suzuki is expected to emphasize the necessity for cooperation between the advanced industrial countries on high-technology research and development, the proceeds of which would be

made available to the less-developed countries.

Andreotti allies win at Italian party congress

The national congress of Italy's Christian Democratic party (DC) concluded May 5 with the election of Ciriaco de Mita as the new party head. Insiders at the congress confirmed that the political line emerging from the event and the choice of Party Secretary were the work of Giulio Andreotti, the former prime minister known as an advocate of an alliance with the Italian Communist Party.

This does not mean, according to these sources, that the DC will immediately break its alliance with the Socialist Party (PSI)—although de Mita is considered anti-PSI—because this would bring down the government of Giovanni Spadolini, the Republican Party Prime Minister who is in a coalition with both the DC and the Socialists. Andreotti has made it clear that he wants to keep Spadolini in power for at least a year. In the meantime, Andreotti reportedly intends to consolidate support for his policies, to develop a strategy against terrorism and its drug-trafficking funders, and an economic recovery program.

In his own speech to the congress, Andreotti discussed the crisis in the South Atlantic and held out an opening to the Communist Party. The Malvinas developments, he said, risk generating hostility to the West among numerous non-aligned countries. "If the world avoids being engulfed by these military events," he said, "it truly means that the destructive potential of the great [superpower] arsenals constitutes a paradoxical defense against the threat of a third world war."

The loser in the DC party fight was Arnaldo Forlani, who stood for a close alliance with the Socialists and their would-be Mussolini, Bettino Craxi. Craxi is regarded as Alexander Haig's candidate for Prime Minister.

Briefly

● **JAPAN'S** Ministry of Trade and Industry announced April 28 the doubling of the highest temperature previously achieved with the Reversed Field Pinch (RFP) thermonuclear fusion device. Plasma with a particle density of 50 trillion per cubic centimeter was heated to 6 million degrees Celsius for about one-thousandth of a second with the RFP, which is expected to clear the way for a low-cost nuclear fusion reactor.

● **IZVESTIA**, the Soviet daily, told its readers in an April 24 article by New York correspondent V. Soldatov that the Abscam operation against Sen. Harrison Williams was a "provocation" by the FBI, which "in the crudest fashion broke the spirit, if not the letter, of the law." Soldatov's piece represented an advance in sophistication over previous treatment of Abscam in the Soviet press as evidence of "corrupt capitalist politicians."

● **ONE HUNDRED** and fifty thugs organized by Iran's embassy in Bonn attacked anti-Khomeini students at the University of Mainz in their dormitory April 24. Many of the attackers had arrived in West Germany just two days before with letters of introduction from the Iranian Foreign Ministry requesting that their "needs be taken care of." Police arrested 86 of the thugs before they could expand their rampage into the city of Mainz. Anti-Khomeini Iranian sources in West Germany say that German police may not prosecute those being held for fear of retaliatory action by the terrorists.

● **TWO ISRAELI** soldiers received unusually harsh sentences on May 5 for refusing to serve in the occupied West Bank, where Israeli soldiers have shot and killed Arabs demonstrators, many of them youths, in recent weeks. The sentences were seen by analysts in Israel as an attempt to prevent large-scale military mutinies.

Why Al Haig should be tried for treason

by Richard Cohen, Washington Bureau Chief

Two days prior to Secretary of State Alexander Haig's April 30 treacherous and miscalculating announcement committing the United States to military and political support for the United Kingdom's war effort in the Malvinas Islands dispute, the manic Secretary, speaking to a meeting of the U.S. Chamber of Commerce here, revealed the long-term global strategic plan which he and his collaborators inside and outside the Reagan administration have been trying to ram into the head of the President for many months. Although senior Presidential aides still loyal to the President were conceding that Haig's "made-in-Britain" Malvinas tactics had by the morning of May 5 resulted in a disaster, a disaster which sent many of them scurrying to control its damage, sources close to the White House warn that only a powerful national movement in this country and vocal European opposition could now stop President Reagan from public endorsement of Haig's long-term strategic folly prior to the June North Atlantic Treaty Organization (NATO) summit.

In his speech, Haig based his entire approach on the outworn and dangerous Kissingerian postulate that the "Soviet Empire" is collapsing. Haig emphasized that "Soviet prospects have dimmed" at home and abroad with "Moscow's allies in deep economic trouble, the Soviet growth rates declining, and agricultural shortfalls persisting." Haig went on to identify these "Soviet vulnerabilities" as the basis for suggesting that we now have a "historic opportunity in dealing with the Soviet Union." He also points out, referring to the Soviet

succession that, "As a new generation of Soviet leaders emerges, we can signal the benefits of greater restraint."

The START approach

Haig, whose approach of bluff, bluster, and the threat of force failed in intimidating Argentina into relinquishing claims of sovereignty, now suggests that we exploit so-called Soviet internal and external vulnerabilities in order to force them into similar concessions. In order to effect this insane game, Haig urged that START ("Strategic Arms Reduction Talks") begin immediately. Sources in the State Department have told me that Haig considers it essential that the START framework and timetable be clearly announced by the President prior to the June NATO summit. While his longer-term goal is to secure both NATO and Warsaw Pact commitments to outlaw breakthrough technological developments bearing weapons applications, Haig's immediate moves are primarily directed at Western Europe.

On May 3, speaking before the Center for Strategic and International Studies at Georgetown University, Undersecretary of Defense for Policy Fred Iklé, a longtime friend of Haig's and an immediate covert ally in promoting Haig's strategic policies at the White House, revealed the broader aim of the Secretary's appeals for greater centralization of authority in NATO. Iklé reported, "We, i.e., the administration, had emphasized the desirability of planning for the possibility . . . that in areas such as Southeast Asia, particularly these



Soviet Maj.-Gen. Alexander Knyrkov (r) and U.S. Army Col. Jack Callaway inspecting a West German army unit on maneuvers in Kassel five years ago. The choice for the U.S.: in-depth strength and cooperation with Moscow, or the "arms-control" ploy.

areas outside the North Atlantic Alliance . . . [we would have] to continue the conventional defense effort for a long period of time." Both Iklé and Haig propose to sizably increase NATO conventional capabilities for deployment outside the traditional NATO zone, while decreasing Western strategic defenses. This policy was ratified at the May 7 NATO Defense Ministers' meeting (see International).

This policy formulation was vehemently endorsed two days after Haig's Chamber speech by former Secretary of Defense James R. Schlesinger and Carter Defense Secretary Harold Brown in testimony before the Senate Foreign Relations Committee. Arguing for immediate arms talks, Schlesinger said that the United States "is losing more . . . both strategically and politically . . . by failure to negotiate than it would be going to the negotiating table with a somewhat weaker hand." The "limited nuclear war" author said the United States should not develop its high-technology military programs, particularly space-based lasers, adding, "If the allies don't build up conventional capabilities, we may be forced to turn to a technological breakout." Brown, also arguing for immediate arms talks, alleged, "The Soviets do not have, in my judgment, anything like strategic superiority in the sense of a militarily or politically usable advantage in strategic nuclear forces."

Both Schlesinger and Brown argued that emphasis should be put on the buildup of conventional forces. The day before, outgoing Chairman of the Joint Chiefs of Staff David Jones argued for the same fundamental

points. Joining the chorus, Secretary of Defense Caspar Weinberger told the same committee on April 30 that a new generation of space-based "beam weapons" capable of drastically changing the strategic balance would not be deployable until at least the year 2000. Weinberger went on to add that this forecast was optimistic according to the estimates of Defense Department "experts." Weinberger's defense budget also emphasizes the downplaying of longer-term strategic requirements, whereas the Soviet Union is vastly outspending the U.S. in those areas.

In addition to Senate efforts to force the President's hand on arms control, various members of the House of Representatives have been adding their voices to the clamor. Recently, Rep. Albert Gore (D-Tenn.) revealed that the Director of the Institute for U.S.A. and Canadian Studies in the Soviet Union, Georgi Arbatov, found his proposal an "interesting basis for negotiations," after being presented with it by former Rep. Donald Fraser, now Mayor of Minneapolis, and representatives of the leftist Institute for Policy Studies on a recent visit to the Soviet Union.

The Gore proposal

The crucial element of the "Gore proposal" is to eliminate future new developments in strategic counterforce weapons and anti-ballistic missile systems.

This proposal calls for an immediate freeze on the MIRVing (adding multiple warheads) of existing counterforce missiles and a negotiated elimination of all



U.S. troops on NATO maneuvers: will they be sent into depopulation warfare?

MIRVing of missiles—i.e., one missile, one warhead—an equation which eliminates the possibility of a counterforce first strike. This proposal, with its emphasis on the total subversion of technological developments and breakthroughs that may have weapons applications and the elimination of first strike capability, represents the essential elements of the Haig approach.

The overall expansion in NATO conventional expenditures under stricter centralized deployment is, under the Haig plan, to be used for direct or indirect policing operations in the developing sector—operations which are considered to be more necessary as world trade and debt repayments decline and general depression sets in.

Washington think tanks and State and Defense Department analysts are said to be working overtime on a number of scenarios for the projection of this increasing conventional force into the developing sector. Even National Security Council staff have admitted to me that the Malvinas incident, especially the commitment of U.S. materiel and logistical support to the United Kingdom solely on the basis of the United States' NATO relationship to Britain, represents a paradigm for future actions. Yet the general consensus among Washington think tankers and Capitol Hill sources is that the extension of NATO forces into the developing world will have to occur through more subtle mechanisms than the Malvinas model. Competing alternatives include the suggestion of direct respon-

sibilities on the part of NATO member countries for developing sector areas; others suggest that those responsibilities be more logistical, and that regional forces be organized to play the visible role.

Ironically, White House sources report that the strategic plan encompassed in Haig's Chamber speech fundamentally represents what the Reagan campaign and Mr. Reagan personally fought against; indeed, the manic Haig plan seeks to roll back the sovereignty not only of the Soviet Union, Western Europe, and the developing world, but also of the United States itself.

Already, responsible members of the U.S. military and business are screaming as they count the losses from Haig's most recent assault on sovereignty in the Malvinas. Intelligence sources have told me that 10 years of intensive work in Latin America has been lost as a result of Haig's Malvinas tactic. They say that included among the losses was a long-term Latin America-wide anti-terror operation, as well as negotiations with Argentina for secure routes should the Panama Canal ever be jeopardized.

Leading U.S. trade associations, since the morning of May 3, have been sending warnings throughout Washington that they are on the verge of tremendous losses in Latin America.

Presidential capitulation?

Ironically, hemispheric relations and security were an original cornerstone of the President's own foreign-policy approach. Under pressure from the traitor Haig and the wide range of collaborators inside his own administration, the President capitulated on the Malvinas question. There are now serious indications—above all, the May 7 NATO ministers' decision to expand into "out-of-area" deployments—that the President has also capitulated on the broader strategic policy, again under the influence of this poor man's version of Henry Kissinger. The implications of such an overall capitulation are very grave indeed.

On May 5, at an *EIR* conference in Bonn, West Germany, *EIR* Board Chairman Lyndon H. LaRouche, Jr. demanded that Secretary of State Haig be tried for his treason. At the same time, LaRouchè, warning that the current world strategic situation is the most dangerous in the 20th century, stated that the only real solution to this crisis must describe a new "great enterprise" for humanity including the development of the Third World and the colonization of outer space. He further emphasized that this task can only be accomplished in the context of U.S.-U.S.S.R. cooperation (see Editorial).

On April 27, rumors spread through the capital that Reagan himself would make a major speech this month on East-West relations, and announce a proposed date for the initiation of START.

FBI predisposed to crime

Barbara Boyd presents legal testimony that in the Abscam case of Rep. John Murphy, informants and FBI agents threw out the "safeguards."

On April 22nd, Michael Tigar and Sam Buffone, the attorneys for former Congressman John Murphy of New York, testified in the House Judiciary Committee's ongoing probe of FBI misconduct in the Abscam investigations. Congressman Murphy, a principal target of Abscam, was convicted by a jury in New York of receiving gratuities and of conflict of interest.

The testimony provided by his attorneys demonstrates that John Murphy was entrapped by the FBI in Abscam, and that any American court acting in accordance with the Constitution would have thrown out the charges against him prior to trial. The FBI had no evidence of Murphy being predisposed to bribery or criminal conduct prior to his political targeting in Abscam, and the Congressman was seduced into the Abscam meeting by two con men, Mel Weinberg and Howard Criden. No records were kept of what Weinberg and Criden told Murphy about the purpose of the meeting, and in the meeting itself it remained wholly ambiguous as to whether Murphy was engaging or being asked to engage in criminal conduct.

Yet a jury and a federal judge, George Pratt, allowed Murphy to be convicted, based upon sensational media coverage of the stings and manipulated videotape evidence designed to elicit the jury's opinion that Murphy was subjectively involved in crime through the Abscam meeting.

Subjective definition of crime is a legal standard which enjoyed historic prominence in the Nazi criminal justice system. It is alien to the United States, where formerly the definition of crime rested on objective acts—the criminal had to demonstrate he knew he was committing a crime or engage in conduct clearly showing predisposition, and to consummate the criminal act.

The Buffone-Tigar testimony demonstrates that FBI Director Webster and Assistant Attorney General Philip Heymann were lying to Congress when they testified that rigorous safeguards were in place to prevent just the type of entrapment which occurred in the Murphy case. The safeguards were allegedly designed to ensure that only Congressmen who had demonstrably shown a predisposition for criminal conduct would be brought to the

sheiks, that evidence of this predisposition would be recorded by the con men prior to authorization of a sting, and the ultimate videotape would show the Congressman clearly engaging in criminal conduct. Therefore, they argued to congress, no entrapment could take place.

In reality, con men Weinberg and Criden kept no records of their lying inducements to the videotaped meetings, and the videotapes themselves were cynically manipulated by the prosecution to produce maximum subjective impact on the jury. Webster, in subsequent newspaper interviews after his congressional testimony, backtracked about the alleged objective safeguards provided by the FBI. He stated that protection against entrapment was provided by the fact that the Abscam proposals for meetings with Congressmen from constituents, constituents who were in reality FBI agents, were "sleazy" proposals. Therefore, any Congressman who would appear at such a "sleazy" meeting, according to Webster, had inherently shown "criminality." Tigar and Buffone rightly characterize this subjective judgment by the FBI Director as an attack on representative government itself.

Excerpts from the testimony follow.

We thank the Subcommittee for the opportunity to appear and present testimony on the important constitutional implications of the investigative techniques used in the Abscam operation. Our testimony today will be directed principally at an analysis of testimony presented by FBI Director William Webster and then-Assistant Attorney General Philip B. Heymann at oversight hearings before this committee on March 4, 1980.

Following the unprecedented press leaks in early February, 1980, of the Abscam investigation, members of the Subcommittee expressed concern about possible constitutional implications of the investigative tactics reported in the press. Mr. Webster and Mr. Heymann presented extensive testimony and assured the Subcommittee that a series of precautionary steps, enforced by an elaborate review procedure, had been utilized throughout Abscam to ensure that the potential for

constitutional violations was minimized.

Our law firm has represented former Congressman John M. Murphy from the time of the press leaks through his currently pending appeal. . . .

In Abscam virtually unlimited prosecutorial resources and state of the art technical innovations were concentrated on the single task of creating a piece of video-tape evidence that would demonstrate the receipt of a bribe by the congressional targets. Despite these elaborate efforts and the continued affirmation by the Department of Justice and the FBI of the inherent reliability and accuracy of this videotaped evidence, a jury acquitted Congressman Murphy of bribery. Although he was convicted of the lesser substantive offenses of receipt of a gratuity and conflict of interest, we believe and have so argued in his appeal that the intentionally or recklessly created ambiguities in the videotaped evidence of the bribe offer to Congressman Murphy resulted in his unjust and unfair conviction of these crimes.

In their March 4, 1980 testimony, both Mr. Heymann and Mr. Webster recognized the inherent dangers and constitutional implications of an undercover operation directed at political officials. . . .

A series of safeguards was designed to ensure that an unwitting, innocent person would not be brought before the video cameras and placed in a compromising situation. One safeguard was said to be the careful evaluation of any information provided by middlemen regarding the predisposition or willingness of a third party to engage in a crime. . . .

A further restraint on the middlemen was believed to be their desire to please their supposed criminal confederates who were really FBI agents. Under this reasoning, the middlemen would only bring in those prepared to commit crime since they had been instructed to only produce such individuals and would have lost face by producing unwitting third parties. . . .

Director Webster and Mr. Heymann testified that the principal protection against unscrupulous middlemen was the management of the transaction by the undercover FBI agents before the secret videotape cameras. The primary safeguard was thought to be a clear and unambiguous offer of criminality. . . .

Director Webster further testified that the targets would be required to make statements and give assurances on camera of their desire to engage in the criminal conduct and "to take the money personally, so that there could be no opportunity for the middlemen, or at least minimize opportunity for the middlemen to mislead the public official as to the purpose of that visit."

A review procedure was designed to ensure that these safeguards were implemented and the risk of innocent involvement held to a minimum. . . .

On October 20, 1979, undercover FBI Agent Anthony Amoroso, informant Melvin Weinberg and middle-



Rep. John Murphy

man Howard Criden met with Congressman Murphy at the Hilton Inn at JFK Airport. The events leading up to his meeting and its conduct offer compelling evidence of the failure of the safeguards, guidelines and review system testified to by Mr. Webster and Mr. Heymann.

Prior to the Murphy meeting, warning signs were repeatedly generated that informant Melvin Weinberg and middleman Howard Criden were out of control and were systematically subverting the safeguards and guidelines. . . .

The inherent untrustworthiness of the government's star informant Melvin Weinberg need not be brought to this Committee's attention. Mr. Weinberg was by admission a convicted felon and an individual who had devoted his entire life to crime. He considered himself a consummate con man and showed no remorse for his past activities.

Middleman Howard Criden came to Abscam with a far less tarnished reputation. He had been a former prosecutor in the Philadelphia area and was a respected member of the bar there. Mr. Criden became fully corrupted during the course of the Abscam investigation and signs of his progressive unreliability should have been evident to all involved.

A graphic illustration occurred in September of 1979 when Ellis Cook, Criden's law partner, attempted to scam the undercover agents by impersonating an Immigration and Naturalization Service official, Mario Noto, in an attempt to obtain a \$50,000 bribe. This crude impersonation attempt was reported to FBI officials and to the Department of Justice. In addition, Criden and other middlemen had been responsible for the presentation before the video cameras of numerous officials,

including Senator Pressler, Congressman Patton, State Legislator Musto and Chairman John White of the Democratic National Committee, who were unwitting props for the middlemen. A review of the tapes of these meetings indicates that each of these gentlemen had obviously been told little about what was going to happen at the meeting and had no understanding that any criminal conduct would transpire.

. . . In sum, by October of 1979, the investigation had degenerated to the point where key FBI and Department of Justice officials testified in the New York due process hearings that their only concern was whether congressmen would be brought to meetings. . . .

In the Washington office, supervisory agent Wilson of the FBI testified that in the final analysis if a middleman was able to bring a congressman to a meeting with the undercover agents, it was not considered an issue whether the middlemen had lied or misrepresented the facts in arranging the meeting. . . .

It is apparent that as of October 16 Weinberg knew that Criden had done no more than attempt to arrange a meeting with Murphy, had demonstrated almost complete ignorance of Murphy's background, and certainly did not know Murphy well, if at all. Despite this total lack of information, Good and Puccio were able to transmit a telegram to FBI headquarters in Washington indicating that Murphy had agreed to meet with the sheik's representatives and accept a bribe. On October 17, following the transmittal of the memo to Washington, Criden again spoke to Weinberg to make final arrangements for the meeting. In a candid statement of how he intended to deal with Murphy, Criden said, "I need a day or two, you know. I've got to coach these guys. I've got to make them feel at ease. I've got to, you know, give them the bullshit. . . ."

The protections posed by Director Webster and Mr. Heymann were stripped away from the Murphy transaction one at a time. He was produced based on information of an unreliable middleman. There was no effort to verify the information provided by the middleman and the FBI review process proceeded on the basis of no information. No attorneys were present to monitor the transaction and Agent Amoroso was permitted to proceed with total discretion. Amoroso, contrary to Webster's testimony, had not been instructed on the law of entrapment or the elements of the offenses involved. No clear and unambiguous offer of criminality was made and no other indication was given to Congressman Murphy of the illegal nature of the meeting. The final and perhaps most rudimentary protection was stripped away when the concealed briefcase which contained the \$50,000 was passed to Howard Criden rather than Mr. Murphy. At a minimum, a party who was passed money or was aware that money was being passed would suspect some criminal conduct.

Prior to the Murphy meeting, memoranda documenting high-level Justice Department and FBI meetings indicated concerns by both Director Webster and Mr. Heymann that just such a transaction could occur. On several authorization requests and approval memos, FBI officials, including Director Webster, had indicated that a bribe should be paid only if the money were passed directly or personally to the congressional target.

Director Webster and Mr. Heymann conducted a high level meeting of Abscam officials on October 17, 1979, three days before the Murphy meeting. In a memorandum describing the meeting, four concerns of Webster and Heymann were reported: (1) the issue of entrapment, (2) the need for a new scenario, (3) the need for some type of overt act by the legislators that are bribed, and (4) the necessity of knowing whether or not these legislators have committed previous similar violations.

Despite these clear expressions of concern, Agents Good and Amoroso indicated that this information had never been transmitted to them.

The constitutional problems raised by the absence of these safeguards and guidelines or an effective review process are compounded by an additional element of the testimony provided by Director Webster and Mr. Heymann. Both testified that a principal benefit of sting operations was its deterrent effect on similar future conduct. During the conduct of the Murphy trial, the prosecution repeatedly emphasized the supposed impropriety of any congressman meeting with individuals such as a sheik's representatives in a location like a hotel room at the Kennedy Airport. Director Webster himself has commented on the sleazy nature of the meeting and the indication of criminality that he perceives in anyone who would even attend such a meeting. These positions indicate a fundamental insensitivity to the basic nature of our representative form of government. I am sure that each member of this Committee has on many occasions met with constituents and others interested in the affairs of government in diverse locations, including school rooms, airports and hotel rooms. Indeed, a substantial question would be raised about the unwillingness of a congressman to meet with individuals billed as wealthy investors interested in encouraging economic development in his district.

The lesson of Abscam is clear. A congressman who makes himself accessible to all those who may seek his aid or advice, no matter how unknown or how unimportant or how unorthodox the site of the meeting, will expose himself to potential ridicule and embarrassment.

This problem was further compounded by the government's reliance in the Murphy prosecution on circumstantial evidence of his contact with other congressmen as an indication of guilt. The prosecutor in his summation emphasized routine contacts between Murphy and Thompson, as evidence of a criminal conspiracy.

Senate clears away some nuclear plant roadblocks

The April 29 Senate passage of a nuclear waste bill, following an earlier action on the Nuclear Regulatory Commission Authorization, marked the first substantive congressional action in many years toward removing some of the roadblocks which have plagued nuclear energy development. However, House and conference committee hurdles still remain.

The National Nuclear Waste Policy Act of 1982 (S.1662), which passed the Senate by a vote of 69 to 9, establishes a Federal program for the interim storage and permanent disposal of high level nuclear waste from civilian power plants. Floor managers of the bill, principally Senate Energy Committee Chairman James McClure (R-Idaho) and Senator Bennett Johnston (D-La.) were able to defeat a number of potentially crippling amendments. Chief among those were amendments which would have given states a veto over a federal decision to site a nuclear waste facility in their state. The legislation also solved the politically sensitive issue of establishing permanent storage facilities, and hence provoking insurmountable opposition from the region so designated, by instead establishing interim storage facilities and continuing the process of developing ultimately acceptable permanent storage capability. The legislation also establishes "away-from-reactor" storage so that utilities which have nuclear plants do not have to store the wastes on site.

A month earlier, the Senate passed amendments affecting the

Nuclear Regulatory Commission, which clear away some of the regulatory entanglements established by environmentalists over the years to hamper the development of nuclear power.

Hong Kong singled out at drug hearings

Senator S. I. Hayakawa (R-Calif.) forced acting drug enforcement administrator Francis Mullen to concede that the governments of Hong Kong and Great Britain are not giving the United States the cooperation necessary to end Hong Kong's role as the financier of Golden Triangle drug traffic. The exchange took place at hearings of the Senate Foreign Relations Committee's East Asia and Pacific Affairs subcommittee, chaired by Hayakawa, and convened on May 6 to examine the problem of Southeast Asia drug trafficking. Testifying for the administration were Mullen, and Dominick L. DiCarlo, the Assistant Secretary of International Narcotics Affairs of the U.S. State Department.

In his opening statement, Senator Hayakawa outlined his twofold purpose in calling the hearings: "We must re-double our efforts to control or disrupt the flow of illegal narcotics and seek new ways to do so; and we must alert the American people to the increased danger coming from the Golden Triangle."

Both DiCarlo and Mullen put forward the oft-repeated administration line that throwing more money at the international narcotics problem was not necessarily the solution, and that the key to U.S.

strategy was "convincing" drug-producing and transshipping countries to be more aggressive in their own local efforts. Mullen then went on to try to whitewash the continuing active, high-level complicity of Hong Kong in the Golden Triangle traffic, stating "The Hong Kong government has emerged as a substantial force among Southeast Asian governments in the effort to reach traffickers through financial investigations." Mullen repeated the contention first aired by a Senate Permanent Investigations Subcommittee report that Thailand, not Hong Kong, was the real regional problem in breaking the financial support chain.

Hayakawa then responded, "In August, I traveled to Hong Kong and was told that the managerial skill and financial support for drug trafficking emanates on that island. To what degree are we getting the support of the British, Hong Kong, or possible the People's Republic of China governments in this matter?" Mullen at first evaded a direct answer with, "It is true that Hong Kong is the financial center of this traffic and there is a huge financial flow through there. There are laws on the books which allow for seizure of assets, but they are not enforced to the degree we would like. Hong Kong fears that too much emphasis on this would impact private sector finance, but this goes beyond the control of the DEA." Hayakawa interjected, "You are not answering my question," and Mullen responded that we have no cooperation from the People's Republic of China, "and Britain and Hong Kong are cooperating, but

it is not as great as it could be. We do need more cooperation."

Webster admits complicity in loss of control of Abscam

FBI Director William Webster was grilled on the methods and safeguards of the FBI undercover operations known as Abscam before the House Judiciary Civil and Constitutional Rights Subcommittee April 29, and admitted his own personal involvement in approving a bribe to Sen. Larry Pressler (R-S.D.) in what committee members charged was an operation that Webster had lost control of "right from the beginning." Webster said that when he was informed that Joseph Silvestri, the middleman working to set up targets for the FBI, was bringing Pressler before the cameras to be offered a bribe that he had "never heard the Pressler name before and I had an hour and a half to decide whether [Pressler] should be brought to a meeting. . . . I made the decision to go ahead with the bribe offer and I accept responsibility for it."

Subcommittee Chairman Don Edwards (D-Calif.) read from trial testimony of FBI agent Anthony Amoroso who said that he was not trained in entrapment law, had not been given any guidelines for his role in the undercover operations, and had not filed any reports to FBI superiors. "Over 50 percent of the time Weinberg, [another professional conman used by the FBI] was not supervised at all," Edwards charged. Rep. Bill Hughes (D-N.J.), a former prosecutor, told Webster that if anyone working for him had fished a target out on the basis that the FBI

used, "I would have fired him for a basic lack of understanding of our system of constitutional safeguards." Webster claimed that supervising a "free agent," as he described the middlemen, for 50 percent of the time was a "substantial amount of monitoring," and told Hughes that if he fired people on that basis "I guess you would fire a lot of people in the Department of Justice." Hughes told Webster, "Yes, I guess I would."

"What differentiates us from a police state?" Hughes, himself an FBI target of Abscam, asked. "Can you tell me what at any time . . . I did or said to make me a target of reasonable suspicion?" Webster replied that "everyone who looked at Silvestri thought it was appropriate" to bring his targets into meetings, but later he was forced to admit that "it was nothing you [Hughes] did or said to a government agent, but what was said by an individual currently under indictment" that led to the targeting of Hughes.

Both Henry Hyde (R-Ill.) and Pat Schroeder (D-Colo.) expressed grave concern for the careers of innocent citizens and businessmen that the FBI was complicit in destroying.

House struggles with farm sector crisis

Twenty-six Republicans led by Rep. Steve Gunderson (R-Wisc.) and Pat Roberts (R-Kansas) on May 3rd, and twenty-six Democrats led by Rep. Bill Alexander (D-Ark.) on May 4th, took the floor of the House of Representatives to outline the severe crisis conditions in the American agri-

cultural sector and to discuss potential remedies. Numerous legislators said the farm crisis was the "worst since the Great Depression" and described how estimated 1982 farm income "represents the lowest real net income ever recorded for agriculture."

"It is the link of high farm debt and high interest rates which promises to wreck agriculture," charged Alexander, who was joined in his attack on high interest rates by over half of the participants. "The question now is whether the current generation can hang on and survive this crop year," Roberts said.

The debate on the floor came as the House Agriculture Committee this week passed H.R.5831, this year's farm authorization bill. A significant provision sponsored by Rep. Tom Daschle (D-S.D.) included in the bill is for deferral of repayment on a Farm Home Administration loan if the farmer is unable to pay because of factors beyond his control.

Rep. Jack Hightower (D-Tex.) introduced the "Farm Crisis Act of 1982" on May 5th providing for "a nationwide vote for farmers to make the decision if there should be a reduction in crop-acreage of 15 percent, . . ." which also "underlines the belief of Congress that export credit needs are not being met and it is hurting our national economy and our balance of payments."

Rep. Kike de la Garza (D-Tex.) and William Wampler (R-Va.) stressed in their remarks that the "systems of science and technological investments" that made American agriculture great must be supported.

National News

British admit their colonial delusions

Christopher D. Crabbie, the First Political Secretary of the British embassy in Washington, claimed at a conference on the Malvinas crisis sponsored by the Georgetown University Center for Strategic and International Studies May 6 that the "British determination to recover the Falkland Islands is not a display brought about by our delusions of colonial grandeur. . . ."

But in response to a question from *EIR* correspondent Stanley Ezrol on the political status of the British subjects on the Falklands, Crabbie stated, "They are under a semi-colonial status. . . . The nature of our rule over Argentina [sic], uh, over the Falkland Islands . . . has been one repeatedly affirmed by the islanders themselves. . . . I really don't think you should take that as a Freudian slip. . . ."

Solarz garners support for work-card bill

Nina Solarz, the wife of liberal Rep. Steven Solarz, is heading up a group whose purpose is to push through a bill that would both restrict immigration and regiment the U.S. citizen workforce with a Nazi-style work-card system. "I think it is an absolute scream that we have the AFL-CIO supporting this bill," Mrs. Solarz told a reporter recently.

The bill Solarz's group is supporting, the Simpson-Mazzolli immigration restriction bill, would cut the number of immigrants legally entering the United States from the current 800,000 to 425,000 a year, and fine employers up to \$1,000 per worker for hiring illegal aliens. Under the guise of preventing the hiring of illegals, the bill would mandate the issuing of I.D. cards to all U.S. workers within three years.

The system would provide the Attorney General's office with exact information on the current location of every em-

ployed citizen of the United States.

Also on the board of Solarz's Citizens Committee for Immigration Reform are former Secretary of State Cyrus Vance; former Defense Secretary Robert S. McNamara; Pamela Churchill Harriman, mother of Winston Churchill III; AFL-CIO President Lane Kirkland; and UAW President Douglas Fraser.

Hinckley trial assumes 'lone assassin'

After the trial of John W. Hinckley, Jr. for the attempted assassination of President Reagan began in Washington, D.C. May 3, the initial proceedings have been conducted on the assumption that Hinckley acted as a "lone assassin." The central issue is being portrayed as Hinckley's sanity.

No reference has been made to the fact that the Secret Service was investigating 14 suspects it had identified as threatening the life of the President during the period of the Hinckley attempt. Seven of those suspects fit the physical description of Hinckley. Over half of them had recently been under psychiatric care, as had Hinckley, and had written love letters to movie actress Jodie Foster.

Strange bedfellows threaten LaRouche

The growing influence of *EIR* founder and National Democratic Policy Committee Advisory Committee Chairman Lyndon LaRouche in U.S. politics prompted an array of attacks, including assassination threats, on May 1.

The anglophile Council on Foreign Relations was founded in 1919 as the U.S. counterpart of the British Royal Institute of International Affairs. When two NDPC organizers distributed copies of LaRouche's call for the United States to invoke the Monroe Doctrine against the British invasion of the Malvinas Islands at a CFR conference featuring spe-

cial arms-control negotiator Paul Nitze, one attendee burst out: threat, "We know LaRouche. We will execute him."

At a press conference held by the East Side Conservative Club on the occasion of their annual memorial service for Sen. Joseph McCarthy, Club chairman and Roy Cohn law partner Tom Bolan attempted to expel two reporters, one from the *Washington Post*, charging them with "working for LaRouche"! Cohn then denounced LaRouche as a "fanatic" in the formal press conference statement.

The Yippies, who featured a banner threatening the assassination of President Reagan at a conference last year, held their annual Pot Parade and Rock Against Racism event May 1. While they were passing out marijuana to anyone who would take it, the Yippies distributed leaflets attacking LaRouche, and Yippie leaders railed against LaRouche in their speeches.

Prescott Bush runs hard in Connecticut

Prescott Bush, younger brother of Vice-President George Bush, is running a campaign in the Republican senatorial primary against incumbent Lowell Weicker which is part of a move by the Bush faction of liberal Republicans to bolster its influence.

An investment banker with no previous political experience, Prescott Bush is getting full backing from the banking families who dominate the state Republican Party, and who delivered Connecticut to George Bush in the 1980 presidential primary.

Prescott Bush is also getting indirect support from some prominent conservatives. The National Political Action Committee (NCPAC) has been funding a radio and press ad campaign denouncing Weicker's liberalism. And the notorious lawyer Roy M. Cohn, who maintains a house in Greenwich, Connecticut, told a recent memorial meeting for his former patron Joe McCarthy that Weicker must be defeated.

However, several prominent conser-

vative members of Congress, including President Reagan's close friend Paul Laxalt (R-Nev.) and Barry Goldwater (R-Ariz.), have come to Connecticut to campaign for Weicker, who is considered one of the most liberal members of the Senate. Laxalt is no friend of the Vice-President; he stormed out of the Republican 1980 convention when Reagan announced his running mate.

Weicker aides claim that there is no way Bush could win the nomination, but it is believed that the incumbent's re-election chances might have been damaged by a *New York Post* exposé alleging that one of his aides was a Soviet spy. According to the *Chicago Tribune*, the story was leaked by hardline conservatives. tives with intelligence ties.

A handful in the House vote to support Britain

A strange thing happened May 4 in the House of Representatives with H.R. 441, a resolution sponsored by Rep. Steven Solarz (D-N.Y.) demanding "full diplomatic support to Great Britain in its South Atlantic war. Following widespread revulsion at the Royal Navy's sinking of the Argentine cruiser *General Belgrano*, and high-profile nationwide organizing by the National Democratic Policy Committee, the Solarz resolution was brought to the floor on a day when the House was in informal session, with rules suspended, and with roll-call votes forbidden.

Less than a dozen congressmen were on the floor. After a discussion in which several speakers voiced reservation or opposition, the resolution was adopted by a voice vote. Seeking a speedy burial of the affair, news media blacked out the vote on May 5.

Later in the day, Rep. John Conyers (D-Mich.), a black liberal, emphasized that the Foreign Affairs Committee had held no hearings on the question, and the paucity of members voting, demanded immediate repudiation. "This resolution, in effect, places the House on record as affirming whatever armed action the

British nation chooses to pursue, irrespective of the merits and the repercussions for the U.S. and world community." Eldon Rudd (R-Ariz.) attacked Britain's assertion of "might makes right," just as it did "when the British imperial fleet established itself at the Falklands in 1833." Now, he said, "they simply call on the U.S. to pick their chestnuts out of the fire" because the British Navy no longer has "a large colonial empire to pay its bills." Rudd charged that Britain knew at least a month before Argentina retrieved the Falklands that it would do so, and then declared that a war-like effort had been mounted against its possession, to obtain world sympathy.

FEC commissioners called to testify in LaRouche suit

Each commissioner of the Federal Elections Commission (FEC) was served April 30 in Washington, D.C. with a subpoena to appear for deposition in a lawsuit brought by Citizens for LaRouche, the 1980 campaign committee for Democrat Lyndon LaRouche's bid for the presidency. The lawsuit charges that the FEC, at the behest of the Carter White House and the Democratic National Committee, undertook an extraordinary, retaliatory, and illegal investigation of LaRouche and his campaign the moment the candidate qualified for federal matching funds.

Issuing subpoenas to an entire federal agency is an extraordinary legal step. The subpoenas state that the commissioners must be prepared to testify to the charges on May 10 and 11.

In March, Federal Judge Charles L. Brieant heard the LaRouche lawsuit in New York's Southern District Federal Court, and handed down a preliminary injunction against the FEC's investigation against LaRouche. His decision stated, in part, "It would be hard to imagine a more abusive visitation of bureaucratic power than has already been imposed on this . . . political group."

Briefly

● **WILLIAM DROZA**, an incumbent Indiana state representative, lost the May 5 Democratic primary race he had been heavily favored to win. The local National Democratic Policy Committee had circulated a leaflet opposing Droza's renomination prior to the primary, because Droza is sponsoring a bill to decriminalize marijuana and is a lawyer for the anti-nuclear Bailey Alliance.

● **SEN. JENNINGS RANDOLPH** (D-W. Va.) told the Senate April 27 during a colloquy on the steel industry that while over 404,000 people are currently employed by, the fast-food chain MacDonald's, the steel sector now employs fewer than 340,000 wage and salaried workers. As of April 17, 88,000 steel workers were laid off, and 28,000 were working short weeks.

● **DREW MIDDLETON**, military correspondent of the *New York Times* wrote from London May 3 that "British naval sources say the Argentines have shown a significant lack of understanding of the power and accuracy of air launched missiles." The next day, of course, a single Argentine plane used an air-launched missile to sink the *Sheffield*, the British destroyer equipped with the most sophisticated anti-aircraft surveillance equipment in the fleet.

● **ALEXANDER HAIG's** servile anglomania was accurately captured in a May 4 *New York Times* headline worded: "Haig Abruptly Summoned to Meet With British Envoy." Haig "rushed" to respond to the summons.

● **LT. GENERAL Fazle Haq**, Governor of Pakistan's North West Frontier Province where the world's largest opium crop is grown, is not involved in the dope traffic, according to the U.S. State Department. State acknowledged to a reporter on May 5 that the question had come up at a press briefing prior to Haq's U.S. visit in early April.

The costs of U.S. lawlessness

What are the consequences when we permit so fundamental a law as the Monroe Doctrine to be violated, as has been permitted in the case of Britain's aggression against Argentina? One of the most serious was pinpointed by *EIR*'s founder Lyndon LaRouche in a May 6 statement: the extension and consolidation of Soviet strategic power in the Middle East.

LaRouche notes that prior to the clash between Britons and Argentines on South Georgia of March 28, which led into the South Atlantic war, a large group of Senators, organized around Senator Symms, were preparing to submit and enact a resolution upholding the Monroe Doctrine. Most among these same Senators were since stampeded into passing a resolution which violates the Monroe Doctrine and commits the United States to support Britain's interests and actions, no matter what.

The Monroe Doctrine has been the public law of the United States, freshly ratified as law by a series of treaties that culminated in the 1947 Treaty of Rio de Janeiro. Under this law, the British committed an act of war against the United States by military aggression against a sovereign state of the Western Hemisphere, and all officials, elected or appointed, who give aid or comfort to Britain in this matter are formally guilty of acts of treason against the United States.

Not only were the Malvinas islands *de jure* and *de facto* territory of the government in Buenos Aires at the time of the Monroe Doctrine's enactment, but the U.S. frigates *Essex* and *Constitution* had swept British naval forces out of the South Atlantic in the course of securing Buenos Aires' claims to the islands.

"Is it not consistent with our toleration of such treason that we now witness the dissolution of the principle of law before our very eyes?" LaRouche asks.

Throughout the past 36 years and longer, relations among the state of the world have been determined by the respective "superpower" status of the United States and Soviet Union. States might agree or disagree with specific policies of one or both, but both superpowers represented a well-defined standpoint of policy and avowed self-interests of those respective

powers. Their predictability and relative consistency has represented the indispensable standpoint of reference for strategic perceptions and foreign policy of all nations of this planet, LaRouche stresses.

Now, unless U.S. toleration of British aggression is reversed quickly, no treaty with the United States is worth the paper it is written on. The cowardly capitulation of most of Washington to British blackmail has created a foreign policy and strategic vacuum. Except to the extent the Soviet Union fills the vacuum created by Secretary of State Haig's policies, the world has been transformed into a jungle.

The Middle East case is exemplary.

If the Gulf petroleum-exporting region is destabilized by spillover of the Khomeini revolution, Western Europe and Japan will collapse economically, strategically, and politically. The crushing of Iraq would create the preconditions for collapse of Kuwait and Saudi Arabia, as well as Defense Minister Sharon's plan for early destruction of Jordan. As LaRouche warns: "The consequences of such developments are beyond calculability."

As the result of its capitulation to Britain in the Malvinas affair, the United States is left with no credible capability but its so-called strategic nuclear deterrent and a growing sense of strategic desperation. Soviet influence not only tends to be sucked into the vacuum Haig has created in Latin America; only the Soviet Union is currently a credible force for stability operations in the Middle East, as Israel's Foreign Minister Shamir recognizes in his own terms. "We, to the extent we have tolerated Henry Kissinger and Al Haig, may have done this to ourselves, but the fact of emerging Soviet influence is unacceptable nonetheless," LaRouche concludes.

"The power and capability of the United States must be immediately restored. We must act now to kick British military forces out of the South Atlantic. Those who oppose such action against Britain are traitors not only by formal standard of public law; they are traitors in substance, acting to throw the defense capabilities of the United States into the ashcan, leaving us no foreign policy means but our thermo-nuclear arsenal."

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