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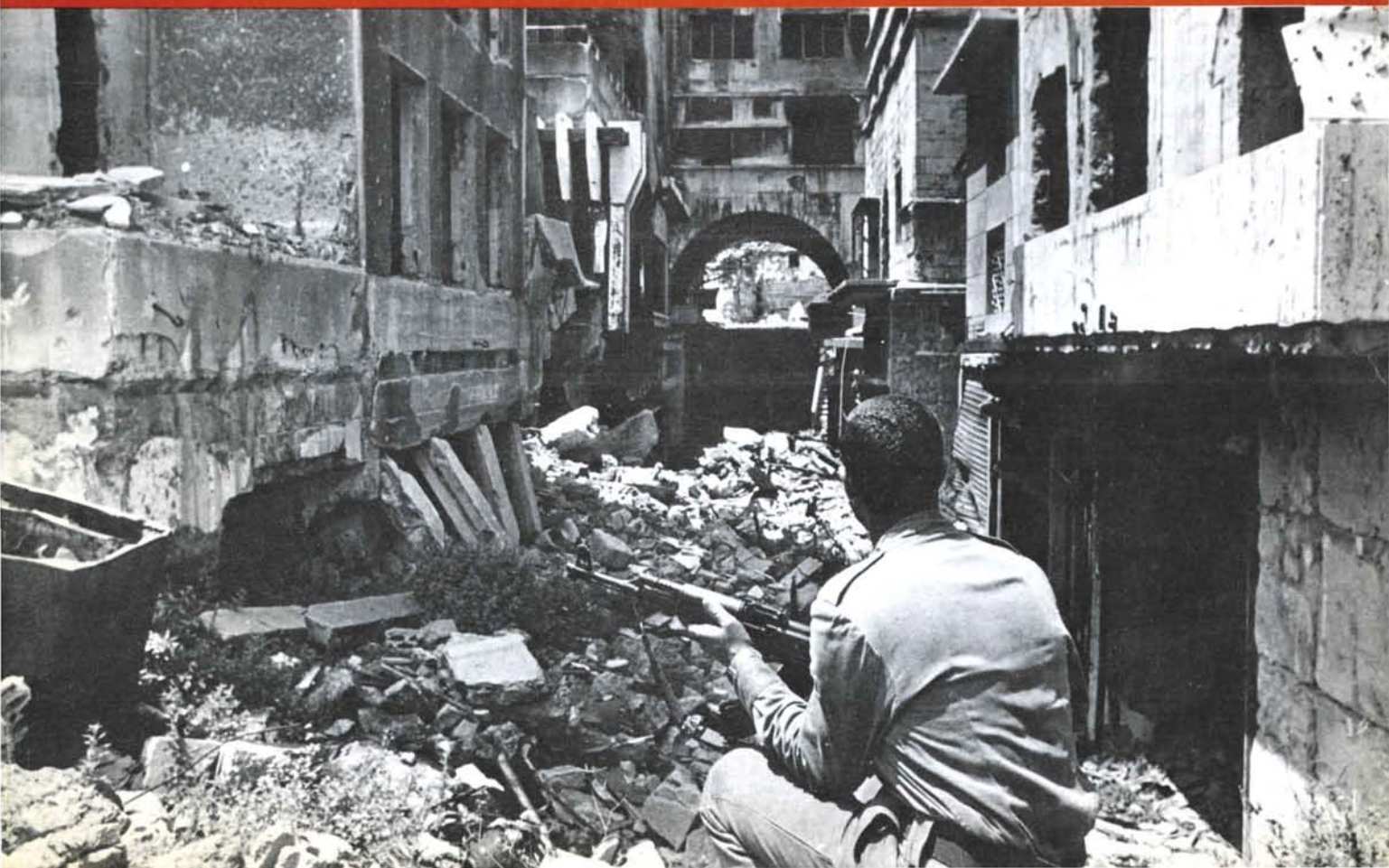
Executive Intelligence Review

June 29, 1982

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Executive Intelligence Review
(ISSN 0273-6314)
is published weekly (50 issues) except for the second
week of July and first week of January by
New Solidarity International Press Service
304 W. 58th Street, New York, N. Y. 10019.

In Europe: Executive Intelligence Review,
Nachrichten Agentur GmbH,
Postfach 2308, D. 6200 Wiesbaden Tel: 30-70-35
Executive Directors: Anno Hellenbroich,
Michael Liebig

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

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

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Second-class postage paid at New York,
New York and at additional mailing offices.
Subscription by mail for the U.S.:
3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10
Academic library rate: \$245 per year

EIR

From the Managing Editor

Our Special Report this week on the Middle East, prepared under the supervision of Features Editor Christina Nelson Huth, offers an evaluation of the consequences of Israel's blitzkrieg in Lebanon, and also provides an overview of who the protagonists are, starting with the manipulated U.S. administration, the foxy, opportunistic Soviets, the British-influenced Israelis, and the British themselves, who may have been too clever for their own good in trying to redraw the map of the region in line with their policy of enforced backwardness.

Lately some of our readers have raised the question: why does *EIR* excoriate the "racialist Anglo-Saxon elite," when it was that elite which launched America's national greatness?

In a nutshell: the Founding Fathers, and their heirs in the Lincoln tradition, did not consider themselves an "Anglo-Saxon" blueblooded ruling stratum, but the bearers of the republican humanist tradition (from the Greeks through St. Augustine, an African, and the Italian Renaissance). This city-building faction was explicitly committed to developing the moral and material powers of all men: that is why they took up arms against the British Empire. The United States was conceived as the beacon of freedom to peoples everywhere—not least in Spanish America, where the Founding Fathers looked toward helping to establish educated citizenries and industrial expansion in the image of the new northern republic.

The British—shorthand for the Old World oligarchs who uphold the right of blood and soil and recognize no higher principle than preservation of their own prerogatives—continue to hate and fear that republican spirit.

The British and U.S. Anglophile response to the wars in the South Atlantic and the Middle East is instructive. In the former case, the Argentines are excoriated as aggressors, despots, and enemies of international law, for seeking to retrieve illegally held territory. In the latter case, Israeli aggression and open extermination of "*Untermenschen*" in Lebanon is lauded. Such is the lack of principle—or principled savagery—of the British colonialist outlook.

Susan Johnson

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No recovery is in sight for the U.S. economy

by David Goldman, Economics Editor

May's U.S. industrial production decline of 0.2 percent confirmed a trend noted previously in *EIR*, i.e., a modest improvement in consumer durables overbalanced by a rapid decline of capital-goods output. Since a "recovery" of consumer-goods production, for example the 10 percent improvement in auto output during May, has been under way since January, but has been insufficient to compensate for the collapse of business equipment production, the question is: Why should anyone try to look for a consumer-led recovery?

The outlook

It may well be the case that we have already been through the consumer recovery's peak, and face a new series of declines; but even if consumer spending manages to stabilize the Federal Reserve's industrial production index during, say, the July-September period, it is evident that the breakdown of the capital-goods sector will leave the economy in a sharply negative direction by the fourth quarter. Year on year, *EIR*'s estimate of a 7 percent production decline over 1981-82 still holds.

Through the year, capital goods output has fallen (including raw materials such as steel) at a 20 percent annual rate, while consumer durables have risen at more than a 9 percent annual rate; the overall rate of production decline has been 6 percent since last December. In May, business equipment fell 1.6 percent and consumer durables rose 2.3 percent (although consumer non-durables continued to fall), and the overall index fell 0.2 percent. The relatively small drop in the index has aroused the predictable cry of "recovery." But the fact

that the bulk of the consumer durables rise was due to a month-to-month 10 percent increase in auto production, linked to non-recurring (and immensely costly) auto rebates, does not augur well for June or July.

What is evident from the available data on financial position of non-financial corporations, however, is that the *rapid decline of capital investment has only begun*. Under prevailing circumstances capital investment stands to decline by over \$35 billion, or about 15 percent, from 1981 levels. That assumes no destabilization of the lending markets, no inroads against the current investment tax incentives, no financial panic—all of which are to be expected within the next year. Therefore, while it is theoretically possible that the rising curve of consumer spending could temporarily cross the falling curve of capital spending for two or three months during the third quarter, showing a temporary rise in the industrial production index, no recovery whatsoever is in the works.

As *EIR* will demonstrate through the case history of steel in next week's issue, the collapse of the capital-goods sector represents not so much a continuation of the falling phase of a business cycle, but a change in America's industrial base, in which major industries will face reduction to roughly half their former output levels. Let us examine the financial mechanism through which this is brought about.

According to the Federal Reserve's numbers for sources and uses of funds during the first quarter, American corporations' internal cash generation (in annualized values) fell from \$208 billion in last year's fourth quarter to only \$169 billion in the first quarter.

\$16 billion was due to a rise in tax payments (lagged versus accruals one quarter), but most was due to a fall in profits from \$166 billion to \$127 billion.

In all, their cash needs rose by some \$60 billion, as capital spending rose to \$254 from \$247 billion (all annual rates). Corporations met these needs by increasing their rate of borrowing from all sources by \$34 billion (from \$92 billion to \$126 billion), and by liquidating \$35 billion worth of inventories.

The rapid runoff of inventories, which apparently stopped in April's 0.2 percent rise in inventories, has been viewed as a factor promoting recovery; more importantly, it has been a means by which corporations raised needed cash flow during the first quarter. It is no coincidence that the big bankruptcy wave started in April after the inventory cycle had run its course.

To achieve the same sales rates corporations would have to sharply increase expenditures and therefore their rate of borrowing. Although the rate of borrowing has remained high from corporate users, there is no indication of such a burst; as *EIR* reported, Chase Manhattan recently publicly characterized the present 23 percent annual rate of rise of bank lending and commercial paper writing as "distress borrowing."

Capital-investment plans are relatively slow to respond (reaction time of more than one quarter) to a collapse in corporate income, and the collapse of first-quarter profits will only begin to show up fully in the third and fourth quarters of this year—and perhaps through the beginning of 1983, according to some investment bank analysts. The rate of capital-goods production has already dropped, but the order cancellations that became apparent in the Commerce Department estimate that factory orders fell by 2.3 percent in April, and the National Association of Purchasing Managers' report that capital goods orders were the lowest since 1955, indicate much worse to come.

Judging from the first-quarter balance-sheet numbers, non-financial corporations will have to fill a \$35 to \$40 billion hole in their balance sheets by other means than access to the credit markets. Certainly with the Treasury in the market for \$90 billion in the next six months and long-term interest rates on the rise again, the drying up of the corporate bond market can be taken for granted. This hole will have to be filled somehow, and the only area untouched by corporate managers in the first quarter was capital expenditure.

If Sen. Robert Dole's Senate Finance Committee responds to the budget crisis by eliminating, as seems likely, tax-related leasing arrangements which cost the Treasury upwards of \$12 billion a year, matters could become much worse. Currently corporations may lease capital equipment from a profitable corporation that buys capital equipment for them, and as nominal owner, takes the value of the tax credit in return for a partial

cash payment of the tax credit's value. This reintroduction of tax farming, outrageous as it is, nonetheless enabled troubled industries like the airlines and auto companies to maintain certain capital purchases. Now United Airlines has officially threatened to cancel all its \$1.8 billion of orders for new Boeing 767 jets should the lease-back provision be cancelled. All in all, Morgan Guaranty Trust estimated this year, some \$50 to \$60 billion of capital investment, or about a quarter of the total, will involve some form of lease-back tax arrangements. A significant portion would be endangered by a move against this prominent "loophole."

An additional factor is the rise in interest rates, already evident in the rise in the federal funds rate from less than 14 percent to 15 and one-half percent between June 9 and June 16. The Bank for International Settlements' staff warned the press June 16 that it expected a general rise in interest rates through the second half of the year. Bank of America Chief Economist John Wilson expects a 16 percent certificate of deposit rate (which implies an 18 percent prime) by September. Wilson may exaggerate slightly, but only because any upward move in the prime rate would undermine the small improvement already registered in the consumer-durables sector.

'Exogenous variables'

As bad as all this may sound, it is really a numbers game, useful to the extent that it demonstrates that the current trend cannot possibly make both ends meet, but wholly inadequate for picturing the next several months. The three great crises in the financial system, the United States federal budget, the American corporate problem, and the LDC debt situation, will not sit and wait. In the high councils of the Reagan administration, such as they are, this has become the general expectation. One close advisor to the President, who was a cabinet member in the Ford administration, comments, "I hate to say it, but I can detect no sign of progress on the budgetary front. The Versailles conference [which recommended budgetary austerity—D.G.] is all well and good, but I've sat in on these meetings; they're a bunch of international economists, and what they say won't do you much good in the House Ways and Means Committee. Congress needs a shock, on the order of the Ford Motor Company going bankrupt—of course I am not saying that Ford will go bankrupt tomorrow, but something of this nature."

No such direction as may now be discerned from the corporate liquidity figures ever follows itself out to logical conclusions. A political crisis intervenes en route, and decides matters, appearing as an "exogenous variable." The basic truth of the present situation is that as long as the Volcker monetary policy remains in force, America will continue to descend into depression.

Brock: 'Japan must hike interest rates'

by Richard Katz

U.S. Trade Representative William Brock told *EIR* June 9 that he was launching a campaign to pressure Japan to raise its interest rates. Speaking to this correspondent after his speech to the Electronics Industries Association of Japan (EIAJ), Brock said that fair trade requires an "equalization" of the American and Japanese rates.

EIR asked Brock why the rates couldn't be equalized at 5 percent rather than at 15 percent—in other words, why America couldn't lower its rates instead of pressuring the Japanese to raise theirs. "There is nothing we can do to lower our rates," Brock replied, "until we cut the budget deficit."

Japanese government officials labeled Brock's demand "irresponsible," telling *EIR* that, "The U.S. should lower its rates. High interest rates threaten not just world recession, but world depression."

Brock had made the first public salvo in his campaign on June 8 in a speech to the National Association of Manufacturers (NAM). He charged that "actions of the Japanese government to allocate credit and to control access to the credit process have in effect maintained a lower rate of interest than would otherwise be the case . . . and, frankly, a lower valuation of the yen." As he later told *EIR*: if Japan allowed "free movement of capital," its rates would rise; therefore, low interest rates are direct evidence of illicit government "management" of credit.

Speculative money flows seeking higher American interest rates have already lowered the value of the yen to 251 to the dollar, the lowest rate since mid-1980. The cheap yen makes Japan exports more competitive, but it also damages the domestic economy by forcing importers to pay inflated prices for oil and other raw materials. Brock objects to Japan's attempt to limit hot-money flows by means of "administrative guidance," which hinders speculation and directs money into productive investment. He wants Japan instead to raise rates to the industry-killing levels seen in the United States.

Beyond the currency-market effects of low rates, Brock objects to the entire system by which Japanese government and business leadership use directed credit, research, and tax incentives to promote productivity-enhancing frontier industries. One of Brock's aides told

EIR that the ability of Japanese firms to borrow at 7-8 percent, rather than 16-18 percent as in the United States, constituted an "unfair" advantage, since the rates were "artificially" low.

Brock himself declared at the EIAJ speech, "We need to keep in check the anti-competitive byproducts of other government policies, notably those that we would label industrial policy. . . . The apparent miracle that brought Japan from the ashes . . . was a sustained *national policy of allocating scarce resources to strategically important industries*, and coordinating the implementation of that policy in concert with private industry. . . . The Japanese government has long sponsored and subsidized . . . a wide range of cooperative research and development projects. . . . The explicit reason for their existence is to permit Japan to 'catch up' with the U.S. and Western Europe [emphasis added]."

A chief way to "allocate scarce resources" is through the credit system. One of the first persons to publicly accuse Japan of "artificially" low rates, Penelope Hartlund-Thunberg of the Center for Strategic International Studies (CSIS) at Georgetown University, complained to *EIR*, "In the United States and Western Europe, credit is allocated by the price of money, i.e., the interest rate. Whoever can pay the rate can borrow. But in Japan, informal controls by the monetary authorities direct funds at prevailing low rates to whatever are considered the growth industries, for example, computers and electronics, these days."

In Japan, the Finance Ministry, the Ministry of International Trade and Industry (MITI), bankers, and industrialists cooperate to nurture industries and technologies that augment the productivity and skill levels of the overall economy. America's high rates and integration into the speculative Eurocurrency market have a great deal to do with the fact that U.S. steelmakers these days invest in real estate or corporate takeovers rather than in plant and equipment.

Brock and Hartlund-Thunberg demand that Japan end its insulation from the international speculative flows. If Japanese firms sent their money out of the country to seek higher interest, or foreigners could borrow without restrictions in Japan's domestic low-interest yen market, then Tokyo would be forced to raise interest rates to defend the yen, they argue. They are well aware that, as another advocate of high Japanese rates, Boston Consulting Group analyst James Abegglen, told the *New York Times* June 1, if Japan complied, then "Japan would inherit our problems." *EIR* asked Brock why America couldn't preserve its leadership and at the same time restore world economic growth by applying Japanese-style credit, tax, and research policies to promote our own industry. He answered, "I don't think our political processes with their emphasis on free enterprise would allow it."

Creditors plan the Chile treatment after Mexico's presidential elections

by Timothy Rush

Mexico's economic cabinet on June 9 met and decided to cancel the current bidding for 2400 MWe of nuclear power, a contract worth several billion dollars. The next evening, representatives of the seven bidding companies were called to the offices of the Mexican Electricity Commission (CFE) and their sealed financial bids returned to them, unopened. The cancellation was due to the "economic situation the country faces," a short explanation stated. One of the world's most avidly sought deals, which had begun when bidding opened on Oct. 4, 1981, and was due to conclude with the awarding of contracts in August 1982, had evaporated.

The cancellation marks a transition point from trimming administrative expenses to axing vital capital investment projects, as Mexico's austerity programs unfold. The name given to this process by Manuel Espinoza Yglesias, one of Mexico's most powerful bankers, is the Chile model. And he heartily approves of it.

In a featured address to the Mexican Bankers Association annual meeting in Acapulco June 1, Espinoza Yglesias, the president of Bancomer, extolled the Chilean regime of Augusto Pinochet as the paradigm for countering inflation by slashing government expenditures.

In Mexico "Chile" has a very specific meaning: implement "free-market" policies which wipe out large sections of industry in an orgy of finished-goods imports; shoot unemployment through the ceiling, and approximately halve the living standards of the country—all in an atmosphere of severe repression.

Clearly this is not the model looked to by a majority in the government, nor indeed in private enterprise. However, unemployment following on four months of soaring inflation, new pressure on the peso, and weekly threat of a credit cut-off from international lenders, had "softened up" many sectors in the country for Espinoza Yglesias's shocking demand.

Many in the government want to believe the deep concessions already made to the Chile model are a necessary but temporary ploy to get through the period before the July 4 national elections without another blow-out of the peso. Indeed, Espinoza Yglesias announced a truce in the peso warfare against the Mexican

economy, stating that the peso was undervalued.

But there should be no illusions inside or outside Mexico about the severity of collapse the controllers of international banking are planning for the post-election period. "They're going to have to take some drastic steps on July 5," stated one gloating West Coast banker. "It will be an interesting three or four months, watching the misery unfold."

Mexico's crushing month-to-month refinancing needs on its \$70 billion public and private debt represent one of the bankers' weapons. To roll over principal and meet interest payments, Mexico must go into the credit markets for \$1.7 to \$2.0 billion each month. In June, it sought a single \$2.5 billion "jumbo" credit, which was successfully picked up by 27 lead underwriting banks, but has run into trouble in the sell-down to smaller banks. The strategists organizing the credit cut-off of Mexico have made it their business to spread news of the delays to ensure that no repeat of a syndication of that nature will be possible in the July-August period. Mexico will "have to go to the IMF" at that point, the West Coast banker said.

President López Portillo, in a press conference June 9, bitterly criticized the "Big Seven" for not taking the necessary measures to reactivate the world economy at the Versailles summit. "The decisions by the Big Seven nations not to lower interest rates" will continue to hurt Mexico, he said. Unlike some of these countries, "Mexico will not fight inflation at the expense of brutal unemployment." Contradicting Finance Minister Silva Herzog, who had said May 18 that Mexican growth in 1982 would not surpass 2.0-2.5 percent, the President asserted that Mexico's goal was 4 percent—"higher than population growth but not as high as we would like."

As *EIR* founder Lyndon LaRouche emphasized in Mexico at the end of May, the biggest problem Mexico faces in maintaining some forward momentum in its economy despite the outside conditions of economic collapse is a *subjective problem*, not an objective one. But the fact that as vital a program as the nuclear contract was interred with hardly a murmur is a sign of the low level of economic morale in the country.

Bankers' demands on Mexico are intolerable: the import question

by David Goldman, Economics Editor

Pemex's announcement June 15 that it would lay off 1,000 permanent oil workers and 3,000 temporary workers due to decreased drilling and construction activity could mark the crack in the dam of Mexican employment. That the Mexican national oil company itself—the core of the four-year Mexican economic boom—has cut back its labor force points to the potential for *mass unemployment* on the scale of Chile in 1974, were Mexico's creditors to succeed in imposing their terms on the beleaguered country. These terms, which include a 40 percent reduction in imports, are a means to make the Wharton School prophecy of "Iranization" self-fulfilling.

A detailed analysis of Mexico's import position demonstrates that the massive import reduction demanded (supposedly in order to bring down the 1982 borrowing requirement from the range of \$20 billion to about \$14 billion), would devastate the Mexican economy.

First, Mexico faces revenue losses of at least \$3 billion and additional debt service of at least \$5 billion due to the external conditions imposed by the Federal Reserve's monetary policy, including collapsing raw-materials prices and enduring high interest rates. Secondly, the underlying structural flaws in Mexico's economic growth of the past four years, especially what Mexican political leader Marivilia Carrasco has called "the failure to transform the import-substitution economy," now represent a gigantic bomb, to be triggered by falling imports of so-called intermediate goods.

Import structure

So-called intermediate-goods imports constitute a full 57 percent of the total import bill as of 1981, and a full *three-fifths* of these imports, according to the breakdown provided by Mexico's central bank, are consumer-directed. Mexico's tariff structure, designed to protect national industries, contains one fatal loophole: it per-

mits local industrialists to import foreign, mainly American, consumer goods in the form of parts, and assemble them with low technology and skill levels for sale as Mexican goods on the domestic market. Thus the "import-substitution economy" has generated a deep-going import dependence.

To a staggering extent, Mexico's oil revenues have purchased a flood of such "intermediate goods" rather than purchasing the capital equipment required to create the same industries locally.

In presenting a computer-based analysis of the Mexican economy projecting a possible 12 percent growth rate for the rest of the century, the Mexican Association for Fusion Energy (AMEF) and the Fusion Energy Foundation (FEF), which have worked with *EIR* on

Figure 1
Mexico's overall import dependence

	Import categories as percentage of total imports		
	1979	1980	1981
Consumer	9%	13%	12%
Intermediate	62%	61%	57%
Capital	29%	27%	31%

Import categories in dollars (billions)			
Consumer	\$1.102	\$2.246	\$2.773
Intermediate	\$7.406	\$11.206	\$13.141
Capital	\$3.577	\$5.032	\$7.190

The extraordinary dominance of "intermediate goods" in Mexico's foreign imports disguises a persistent dependence on consumer goods, since three-fifths of the intermediate goods categories are transformed into repackaged or assembled consumer goods, mainly for the domestic market.

analyses of the Mexican economy, warned in July 1981:

“These growth rates are not arbitrary, representing targets that would be ‘nice’ to achieve. They are variables that depend on detailed time-phase investment decision, estimates of when plant, equipment, and elements of infrastructure representing such investments will come on line, and how these will effect production and growth rates. They conform, on the other hand, to an absolutely essential structural requirement for the Mexican economy, without which large-scale social dislocations and the dreaded ‘Iranization’ of the country may in fact become consequences of insufficient development.”

It is evident that the import boom of the last three years has run precisely contrary to the infrastructure- and capacity-building recommendations of the AMEF-FEF’s proposed program. As Figure 1 makes clear, the Mexican economy, which began the 1970s as a semicolonial import-substitution economy, maintained precisely the same import structure through the oil-funded import boom of 1978-81.

Figure 1 shows that the proportion of capital-goods imports in the total bill did not rise, despite the doubling of the total import volume (from about \$11 billion to \$23 billion); it remained at about 30 percent of total. Since the largest portion of capital-goods imports went into petroleum investment, the fact that capital-goods imports doubled in absolute terms had even less effect on the internal Mexican economy than the figures might otherwise show.

Meanwhile, the proportion of consumer goods in total imports rose slightly, from 9 percent to 12 percent. But most important is the “intermediate-goods” category, which represented 62 percent of total imports in 1979 and still represented 57 percent in 1981 (the majority of the decline arising from higher consumer-goods imports rather than capital-goods imports).

The fact that three-fifths of the total import bill is listed as “intermediate goods” betrays an economy that functions as an assembly arm of other economies. Much of the “intermediate goods” imports are, in fact, improperly listed consumer goods. Food products repackaged in Mexico represent \$1.9 billion of the total “intermediate” imports of \$13 billion. Packaging materials represent nearly \$1 billion, including half a billion dollars’ worth of paper packaging materials.

An enormous amount of other intermediate-goods imports represent parts for assembly. Auto parts alone represent \$1.1 billion of imports. Half of the \$2 billion in steel imports in 1981 were made up of sheet and other steel products for stamping into consumer products. At least \$800 million of the \$1.4 billion in “chemical intermediate-goods” imports represent inputs for detergents, pharmaceuticals, soap, and other consumer products. Textile raw materials absorb about \$200 million.

Figure 2

Mexico’s industrial import dependence

(large establishments only)

Industry	Number of employed workers
Food processing	74,172
Soft drinks and beer	67,172
Cigarettes	5,525
Textiles	58,555
Woodworking	5,742
Paper	30,663
Tires	10,947
Chemicals	38,923
Pharmaceuticals	23,817
Consumer electronics	19,039
Industrial electronics	21,138
Auto assembly	51,992
Total	587,149
Subtotal of	
import-dependent industries	407,685
As percentage of total	70 percent

Altogether, the “intermediate goods” imported for repackaging or assembly, under the peculiarities of the Mexican tariff laws, comprise about three-fifths of the total goods listed as intermediate imports. That is to say that *fully half of all Mexican imports are consumer-goods imports* directly and indirectly. This does not count capital equipment imported for consumer goods industries, or authentic feedstock for consumer goods industries that do more than assemble or repackage imported materials.

Bottlenecks and inflation

By this breakdown, no more than 10 percent of the total Mexican import bill pays for contributions to basic industrial or infrastructural improvements. What was an import-substitution economy to begin with has been inflated into a gigantic import-substitution economy, and the immense development potential targeted by the López Portillo government during the past six years has been limited to a few, albeit important, showcase projects.

However, no fundamental progress has been made towards cracking the underlying development bottlenecks of the Mexican economy, namely energy, water, and transportation. In the latter case—the case of the disastrous Mexican road and railway system—neglect is especially apparent. Imports of railway equipment fell from \$159 million in 1979 to \$154 million in 1980 and only \$85 million in 1981.

The irony in the “import-substitution” process is, as

might be expected, that consumer-goods availability has been insufficient to meet the requirements generated by the capital-investment programs in oil and infrastructure. As I wrote last June 30, "Output as a whole has grown by about 8 percent per year during the past three years, while output of non-durable consumer goods has only grown by 5 percent on average. Meanwhile, agricultural output has risen by less than 3 percent a year over the same period. This contrasts with an increment of output during those three years of 47 percent in petroleum, 45 percent in chemicals, and 53 percent in capital goods (the latter from a very low starting point)."

Mexico's home-bred inflation in 1979-81 represented perhaps half of the total inflation rate (which was roughly 30 percent over the 1980-81 period). It is not due to high import prices, but to structural inefficiencies in the internal economy. As I reported a year ago, the "shortage of basic goods in real terms translates, in financial terms, into a net negative savings position of the banking system," and interest rates considerably higher than American rates. The inflation and interest-rate imbalance made Mexico vulnerable to pressure from abroad. As Mexican businesses built up more than \$20 billion in outstanding debt to American banks, borrowing less expensive dollars rather than Mexican pesos, the effects of the Volcker policy in the United States were translated into monetary inflation in Mexico. With the two devaluations so far this year, the Mexican inflation rate is now at 60 percent and may well reach 100 percent. "Under a worst-case scenario," i.e., the events of the past year, "Mexican inflation could double by the end of 1982," I wrote on June 30, 1981.

The nasty underside of this import and inflation picture is the makeup of the Mexican private sector, now pulled into the spotlight by the bankruptcy of Mexico's largest private industrial group, the Alfa company. Mexican "entrepreneurs" typically expect an after-inflation rate of return of over 20 percent, higher than anywhere in the advanced sector. They obtain this through a de facto subsidy, that is, a tariff policy which prevents imports of some foreign consumer goods, but permits Mexican companies to assemble the same foreign consumer goods with cheap labor and inefficient methods. Although the protection policy itself is well-directed, its implementation has left a problem just as bad as direct import dependency.

Employment endangered

What happens now that the bankers propose to pull the plug? Figure 2 lists the employment (from a government survey of the 1,200 largest enterprises) of industries heavily dependent on "intermediate goods" imports which, as noted, constitute 70 percent of the labor

force surveyed. Since these figures only take into account the largest enterprises, and smaller enterprises are more heavily weighted to assembly operations, the percentage figure is probably somewhat higher. In short, about 70 percent of the labor force works in industries which stand to lose the most output if imports are shut down.

If imports are cut by 40 percent, as the bankers demand (the government has pledged to cut them by 25 percent already), what will happen?

Assume that both consumer and capital-goods imports are cut in half, i.e., that the development effort comes to a grinding halt. That would account for no more than a 20 percent reduction in total imports. The rest would have to come from the intermediate-goods category.

But, as we have shown, the intermediate-goods imports translate into labor-intensive industrial employment in the home economy. To cut a further 20 percent of total imports, at least one-third of the total "intermediate" category would have to be shut down. Although it is impossible to forecast the effect with precision, the result of the reduction in availability of inputs for assembly and repackaging industries, combined with the spinoff effects of lost incomes, would be a *reduction of total Mexican industrial employment on the order of 30 to 40 percent*. Alfa announced June 14 layoffs of 10,500 workers, a quarter of its labor force; and Alfa is still not out of the woods.

Politically, such a reduction could occur through denial of import licenses by the Mexican government, or through forced bankruptcy of private firms, the cost of whose dollar debt service (of over \$4 billion per year) has doubled, in peso terms, since the last devaluations, or a combination of both. The banks' (and the Federal Reserve's) crucial demand upon the Mexicans is to eliminate tariff protection, in other words, permit foreign goods to wipe out the local assembly industries at one blow. This is precisely the treatment that Chile received after the overthrow of the Allende government in 1973, with reductions of employment and incomes in that country in the order of 50 percent.

Mexico cannot survive such brutal economic treatment. The creditors' program is intolerable. No choice is open except to conduct a major transformation of economic policy under the most intense political fire, the same transformation which the Mexicans failed to make during the relatively calm days of 1979-81. As *EIR's* founder Lyndon H. LaRouche, Jr. has suggested, Mexico could obtain the political leverage to do so by joining with Argentina and other Ibero-American nations in a common front for the renegotiation of their foreign debts. Although the Mexicans have shown no sign yet of adopting it, such a strategy would work. The alternative borders on national dissolution.

The Group of Five devalues the franc

by George Gregory, Bonn Bureau Chief

European Community finance ministers, meeting on the heels of the Versailles summit meeting, took rapid action and carried out a sweeping realignment of currency parities in the European Monetary System.

The overall devaluation of the French franc by 10 percent to the deutschemark was the major move, flanked by a 7 percent devaluation of the Italian lira. For the deutschemark/franc parity, the effective rates broke down to a 5.8 percent deutschemark appreciation to all other EMS currencies, and a franc devaluation of 6.9 percent.

A 'disinflation' policy?

There is far more implied by the European action that meets the eye, and certainly far more than a mere internal European "monetary stability" operation. At least, this is how the designs are seen from here. The EC Commission, through a spokesman, pointed out to *EIR* that "the overall implication, included in the intent of the resolutions of Versailles, is a reinforcement of the policy of disinflation, as the BIS [Bank for International Settlements] calls it, in an exacerbated form."

Part of the "disinflation" applies to France. Runaway inflation of up to 14 percent, and balance of trade deficits to West Germany alone in the first quarter amounting to 80 percent of total deficits last year, were factors threatening to rip up the EMS arrangement. Now, as the Commission spokesman stated, the "EMS is a deutschemark zone, and we are now in position to negotiate with and manage in the Group of Five [industrialized nations] context with the other two major zones," the dollar and yen.

The message is supposed to be that "we have done our part, and now the United States has to keep its end of the bargain" sealed at Versailles. And what was that bargain?

"If the dollar starts to drop, we have a situation in

Europe where the funds flowing out of the dollar will not merely flow into deutschemarks, which would have caused problems. Now we can manage that situation." The dollar is expected to drop, timing indeterminate, if the Federal Reserve lowers interest rates and there is a budget compromise; or if the Fed stays tight and interest rates high, and the bankruptcies start rolling. In either case, "we can manage it."

Does the Commission believe that the U.S. budget can be brought under control? "Hardly, but we can manage it." Do they believe that the U.S. economy will come out of depression under such management? "Hardly, but we can manage it."

German central-bank outlook

The German Bundesbank is quite pleased that it has been able to move France to an "anti-inflation policy," but as one analyst put it, "the franc devaluation means the Europe is not going to do anything at all." The Bundesbank has issued a semi-confidential memorandum addressed to the EC Commission rejecting any firmer establishment of the European Currency Unit (ECU), and rejecting any attempt to establish the "European Monetary Fund," or any EMS coordination of dollar policy—all that is in the hands of the deutschemark authorities, which makes the Bundesbank happy, and the Commission, as an adjunct of the Group of Five, is also not unhappy about it.

No one is too confident, of course, that the French economy is going to sit up and behave under four months of wage and price controls, budget cuts of 20 billion francs, and public social expenditure cuts of another 30 billion. But, having lost currency reserves in such volumes, down from 40 billion to 16 billion francs in one year of Mitterrand's presidency, in France no one wants to talk about the IMF or Group of Five; they merely feel a little better tucked away into the deutschemark zone.

Mitterrand had proclaimed at the Versailles summit that "France is not a country that submits, rather one that proposes." France has proposed to submit, because politically the functioning of the Versailles Group of Five arrangement is aimed to get effective "multilateral surveillance" over the U.S. at some appropriate time in the near future. "The Group of Five are the real candidates for management of monetary affairs to avoid a disaster, with the IMF attached, and the central banks playing a coordinated role of lender of last resort," says a top planner in Bonn. "To say that the ultimate purpose is to put the U.S. into IMF receivership would be a bit strong, but the Group of Five will definitely represent a certain external interference in U.S. affairs." Does anyone think this is going to stop a U.S. depression, or is it a managed world deflation, like the 1930s? "More the latter," is the answer.

The problem with the French opposition

by Dana Sloan

Within hours after the government of Socialist President François Mitterrand announced a 10 percent devaluation of the franc in relation to the Deutschmark and a three-month wage/price freeze, leading members of the opposition to the Socialists fell over each other in denouncing the measures for not going far enough. For Michel Poniatowski, Interior Minister under President Giscard d'Estaing, the devaluation should have been 15 percent. For Jacques Chirac, Mayor of Paris and leader of the neo-Gaullist Rassemblement pour la République (RPR), "only the implementation of an austerity policy will permit us to reabsorb the deficit in the state's finances."

There was total silence on the fact that what had really happened is that the first phase of the International Monetary Fund's dictatorship over the French economy had begun. In France, where supranational institutions such as NATO and the International Monetary Fund have been considered with great suspicion for decades, not a single voice was raised after the Versailles summit which consecrated France's full alignment with those institutions. With the exception of the courageous but powerless Michel Debré, onetime Prime Minister under Charles de Gaulle, no one in the parties making up what is termed the opposition even saw that what France has lost in the last two weeks was not just several billion francs in foreign-exchange reserves, but an essential element of its national sovereignty.

Legislative impotence

So busy are France's opposition leaders fencing with this or that aspect of the Socialist government's policy that they have failed to take notice of the tidal wave that is about to engulf them. Jacques de Larosière, head of the IMF, will "end up running the French economy," the *Wall Street Journal* predicted editorially June 9, in what amounts to a statement of intent.

An example of the degeneration of the level of political thinking in France since May 10, 1981 is provided by the atmosphere reigning in the National Assembly. Since the Socialists won their legislative majority, the parliament has been in continuous regular or extraordinary session. Members of parliament are being submitted to a barrage of reform proposals which the opposition has decided to fight on a one-by-one basis. A case in point is the bill presented by Labor Minister Jean Auroux, which would give trade unions more management rights, greater "co-participation," and so on. The tactic adopted by the opposition has been to introduce several *thousand* amendments, leading to complete paralysis of the legislative process. While they fight it out on these issues, it has become the policy of the opposition not to be "distracted" by other problems, including the international and strategic questions that will determine whether France survives.

Winning next year's nationwide municipal elections has become another obsessive focus of the opposition. Strategists for Jacques Chirac now define the "fundamental mission" of political parties as "winning elections," and no more.

The Cartesian problem

Recently, in one of the few public interventions he has made since losing the presidency, Giscard d'Estaing declared that France needed "a grand design" to get back on its feet. Yet, when he spoke at the June 13 national congress of his Republican Party, Giscard also stated that "I am not here to give political leadership, I am not here to give definite answers to the problems of our time." With statements like that, it is not entirely surprising that the Friedmanite-influenced Chirac, with a much more aggressive, if opportunistic, approach, is cited in the polls as the opposition leader in whom the French population has the greatest confidence.

One of the more disastrous results of too much Cartesian schooling in France is the dichotomy it has created between so-called "men of ideas" and "men of action." The powerful conceptions of which "grand designs" are made are turned into abstract notions having little relationship to daily reality. It is in this context that the small but increasingly influential party of *EIR* founder Lyndon LaRouche's collaborator in France, Jacques Cheminade, has since the debacle of May 10 been appealing to "the best of the Gaullist spirit." In a statement issued after the devaluation, Cheminade called for "a real policy of national unity, above political labels."

"France and the rest of the world are becoming tugboats for the IMF, a supranational institution devoted to looting the productive capacities of the developing sector," Cheminade declared. "Let us wake up while there is still time."



Interview: Alain Juppé, Paris financial chief

Deputy director of Jacques Chirac's presidential campaign during 1981, Alain Juppé is currently the Paris Mayor's Director of Financial and Economic Affairs. M. Juppé is the founder and General Secretary of the "Club 89," one of the many groups created in the wake of the Socialists' electoral victory to gather the forces of the opposition.

The following are excerpts from an interview conducted in Paris on May 6 by Dana Sloan of the EIR French desk.

Sloan: What is your judgment of the results after one year of Socialist rule?

Juppé: One year is not long enough a period of time to permit us to make a judgment, but it is sufficient to have a certain idea of the impact of the government's first measures. This Socialist experiment got off to a bad start in several areas, psychological, political and economic.

Let's begin with the economic situation. The French economy has deteriorated in one year, but also a process has been started which I think is even greater cause of concern for the future. Let me give you three examples. First, unemployment: between April 1981 and now, the number of unemployed has risen by three to four hundred thousand, and the apparent stabilization since the beginning of the year must not give us any illusions. This time of year, there is always a seasonal decrease. Secondly, inflation. The President of the Republic declared a few days ago in a speech in Limousin that France is one of the few Western countries where the inflation rate has dropped—I must admit I was rather stupefied to hear this, because exactly the opposite is the case. France is one of the few Western countries which has *not* succeeded in reducing its inflation rate. According to the figures for March, we are going at an annual rate of 13 to 14 percent. Now, the difference between France and its other partners has practically doubled from three points to six.

The third element of our diagnosis of the economy is of course the currency. We had a first devaluation last October, and at the present time the franc is in a particularly unstable situation. In France we have a tendency to

put all the responsibility on the dollar, saying that the problem is that the dollar is too high because of the high interest rates. In reality what is happening is that when the dollar goes up, the franc goes down, but when the dollar drops, the franc does, too.

I don't think that this is the result of international speculation, but that it is the reflection of judgment on the prospects for the French economy. It reflects, for example, our trade situation. Foreign Trade Minister Michel Jobert himself estimates that the deficit will be on the order of 100 billion francs for 1982, which is a hair-raising figure.

What seems even more serious are the prospects ahead, since the deterioration of the economic situation has not yet really been felt in daily life. But people will become more and more conscious of the deterioration as time goes by. I think the most serious aspect is the French economy's loss of competitiveness, starting with the increase in social and tax costs to business. . . .

Secondly, you have the reduction of weekly working hours without a corresponding compensation [reduction] in wages. This is already a serious problem for a reduction to 39 hours, but if the same tendency were to continue for 38, 37 or 36 hours, it will become absolutely catastrophic.

Thirdly, you have Labor Minister Auroux's project with respect to trade-union power in firms, which is now under consideration. The Auroux project would generalize trade-union meetings in the plants and set up obstacles in business. Some have estimated the cost as 2 or 3 percent of total wages, which is quite extraordinary. I think all these decisions will aggravate our situation with respect to productivity and competitiveness, and this is what seems most dangerous for our economy.

Sloan: Jacques Chirac seems to be leaning further toward economic liberalism. Is that to differentiate himself from the government's Socialist policy?

Juppé: One of Jacques Chirac's economic ideas is that in France, today, the weight of the state in the economy,

through taxes, social costs, regulations of all kinds, and nationalization, has become excessive. And he is convinced that the dynamism of the economy, growth, and the creation of new wealth must not come from the state but from the productive sector.

But you are wrong if you think that is to differentiate himself from the Socialist experiment. Of course, it is the counterpoint to the Socialist experiment, but Chirac said this before 1982, before 1981, and since I actively prepared his campaign, I could cite speeches from the 1977-78 legislative elections where he was already speaking along these lines.

What you have to see is that what has been happening in France since the Socialists came into power is an acceleration of a phenomenon which already existed before; and since approximately 1970 to the present, the weight of taxes and other expenses has constantly increased. So this sort of "stabilization" of the economy, or creeping socialism, began a good 10 years ago. . . .

Sloan: In the United States, the policy of the Federal Reserve under Paul Volcker has been to maintain interest rates at usuriously high levels. The same policy was followed in Great Britain, under Thatcher. This has led to a reduction of inflation, but at the expense of production, which has dropped 2 percent for every 1 percent drop in inflation. So isn't the remedy being proposed even more serious than the illness?

Juppé: Absolutely. I was in the United States about a month ago, where I was in contact with a number of economic officials and experts in Washington. What struck me is that there are two sides to the economic debate in the United States, what are called the supply-siders and the monetarists. Each side more or less throws the ball into the other camp. Some people I met said that if the tax cuts didn't work it was because they were only 1 percent the first year, so it was really symbolic, and because at the same time the Fed is carrying out a strict monetarist policy. I don't think that our present monetary difficulties mean that the [supply-side] is erroneous.

As for monetarism, I have some reservations. To try to control the quantity of money put into circulation—in France this is done through control of the actual quantity by telling the banks that they cannot increase their lending by more than x percent above the previous year. This presents many inconveniences because it completely freezes things, while use of interest rates leads to what we have seen in the United States, and I think that since monetarism is based on long periods, the conjunctural cycle becomes extremely difficult. I have to admit that on this problem there is a kind of vacuum in economic thinking; no one has any real answers as to what to substitute.

I was very struck during this trip to the United States

when someone told me "Jacques Rueff was right," that we cannot regulate economic activity through the quantity of money but through the price of money, and so must come back to a standard which would permit us to determine in a stable fashion the price of money. That being said, I think these are ideas which are still somewhat marginal, so there is a kind of disarray in economic thinking.

Sloan: The political climate in France appears very violent. Where are we headed?

Juppé: This is quite true. I think there are risks of confrontation, which for the time being have remained verbal, but with an escalation. We have to wonder how far it will go. The Socialist regime bears the burden of responsibility primarily for the deterioration of the political climate since, so to speak, it was the Socialists who fired first with their party congress in Valence last year, and the absolutely extraordinary statements that were made about the necessity for heads to roll in the police and the administration [which are state-controlled—ed.].

I willingly admit that the opposition also has a tendency sometimes to respond to sectarianism with sectarianism. I recognize that there have been a certain number of excessive declarations from the opposition as well, people who gave in to a verbal "upping the ante."



Interview: Jean-Marie Rausch, Mayor of Metz

The following interview with Jean-Marie Rausch, Senator and Mayor from the city of Metz in the industrial Lorraine region and president of the regional council of the Moselle department was conducted in early June by EIR Wiesbaden Bureau chief Philip Golub. A member of the Centre des Démocrates Sociaux (CDS), Senator Rausch played an important role in the fight last year to prevent the Socialist government from stopping construction of the Cattenom nuclear reactor, considered to be the necessary component

of any program to preserve Lorraine as an industrial center. Senator Rausch is emerging as an increasingly outspoken leader of the opposition in France.

Golub: You recently noted, after a visit to Paris, that under the present Socialist government, the “French State” no longer exists. What exactly motivated these remarks?

Rausch: I didn’t say under the Socialists, but I did say that there is no longer a state, which means that there is no real authority. This is logical to a certain extent because among the key “mythical” words the Socialists use today, “decentralization” has a leading position. They recently drew up a bill very quickly and railroaded it through Parliament which transferred local executive authority from the prefects to the presidents of the general councils for the departments, or the regional councils for the regions. Many people, beginning with myself, have pointed out its shortcomings, both because of what is not provided for and because the rest can be interpreted so imprecisely that it in fact goes against the spirit of the law itself. This results in having people do more or less as they please, and under the pretext of enforcing the law on decentralization, the state withdraws and stops playing its real role. Because of this, elected officials, now much more than in the preceding system, refuse to follow central orders and begin building their own baronies or fortresses in the provinces. [Gaullist leader] Michel Debre goes even further than I do, as a real “Jacobin,” a real centralizer, and says that national unity itself is endangered. I don’t go that far, but I do say that a central authority and the state have been considerably weakened. Endless discussions among all “social partners” are entered into, with people saying anything and everything, but with an absence of any sense of authority.

Golub: In the beginning of François Mitterrand’s seven-year term, the Socialists held a congress at Valence where very violent proposals were made regarding the opposition. They spoke of a “radicalization of power,” of “heads falling.” This sparked off an equally violent reaction, especially from the RPR. Do you think Charles Pasqua is right to speak of a “latent civil war” in France?

Rausch: The political situation certainly could become brutal. The Citroen strikes are one example of it. We are told today that the problem is being solved, but nevertheless it pointed out the risk of a stupid conflict of ideas between freedom to work and freedom for the trade unions, as if it were possible to oppose two freedoms to one another. Behind this, however, could be detected the iron will of the [Communism Party-controlled] CGT to take over one of the largest remaining French industries, even at the cost of dismantling and suffocating it, provoking tens of thousands of layoffs. This may signify

that for the Communist Party and for part of the Socialist Party, those in the spirit of the Congress of Valence, the socialization process is not going quickly enough and should be accelerated by sacrificing part of the economy and industrial jobs.

Golub: Another domestic problem very much up front these days is terrorism, the laxity of the government and especially of Justice Minister Robert Badinter in the conflict opposing him to Interior Minister Gaston Defferre, as concerns national as well as international terrorism. Badinter recently freed some terrorists from Action Directe who had been involved in distributing leaflets in Paris which called for the assassination of President Reagan.

Rausch: In Metz, a Red Brigader called Stella was arrested at the border and jailed at the Metz prison. He was freed the following day under special direct orders from the Justice Minister, without passing through the normal court.

Golub: As for economic questions in France, I believe the results of one year of socialist rule are damning. Do you think first of all that there is a possibility of the government’s changing its economic policy? Secondly, the Socialists have just introduced very openly the idea of austerity for France. They even spoke of lowering salaries, though in veiled terms, and Edmond Maire [head of the Socialist-environmentalist trade union, the CFDT] took it up as well. It appears certain that a serious economic crisis is on the horizon.

Rausch: Yes, I think it is looming on the horizon. What makes it all the more serious is that François Mitterrand and his advisors were betting, at least partially, on an upswing in the U.S.A. and in Germany in 1982, which, at least for the moment, is not taking place. Where is the French problem in this? France’s Gross Domestic Product amounts to 360 trillion francs and the state’s budget is between 750 and 800 billion francs. The social budget is close to 100 trillion, which means that at the beginning of the year, in precise terms, a levy of 44 percent of the GDP was needed to finance the totality of the state and its social charges. The President himself moreover personally approved a budget deficit of 100 billion francs, which he said must not be exceeded, which corresponds roughly to another 3 points of the gross domestic product. This means that 44 percent is paid for by taxes and the other 3 percent no one yet knows how. It could be done in three different ways: First of all if the growth rate goes up more than expected. The second solution would be to borrow the 3 percent. France has already done this before. The third solution would be to print money.

As economic recovery is not taking place in advanced-sector countries, we are condemned to the last two solutions. But it will be even worse as the 100 billion

[deficit] will actually add up to 150 billion. This inevitably lowers France's credibility, because she either borrows or because she prints money. This explains why there is such monetary erosion in France, which we can't slow down, and why there is such a rise in prices, over 1 percent per month. And in the 150 billion franc deficit, there is practically no investment. Most jobs created are non-productive and in government services. It will therefore be catastrophic in my opinion. This slide downhill cannot be caught up with, and Mr. Mitterrand and his clique act as though they can bring about a recovery through incantations, along with the Americans and the Germans; since that isn't happening, they have no remedy.

The result is that France will certainly be forced to devalue. . . . Other countries' prices are rising less quickly and because of the mechanisms of European solidarity, especially agricultural, this distortion is unbearable. Either France must leave [the European Community], which is unthinkable or it must at least leave the monetary snake, which is possible, but unthinkable, or it must devalue the Franc. I think the devaluation will be large, and will in turn bring about a serious crisis. [Finance Minister Jacques] Delors knows it and claims the only solution to be one of tightening the belt. The trade unions don't seem to want to play along, and even if Maire says he agrees, the others, such as the *CGT*, don't seem to be about to. If this type of proposal for lowering Frenchmen's income had been made a little over a year ago, they would have screamed that it was in order to make the big bosses richer!

I think this is what will bring a very serious crisis to France next year, first an economic crisis and then a political one.

Golub: Other than from rare individuals such as Raymond Barre, one never hears what you are now saying. It would appear that the opposition has not articulated a clear policy which could be presented to the population as a remedy to the present economic breakdown. You have spoken of the problem of the non-productive investment and so on. Why hasn't this been developed into an economic program for the opposition?

Rausch: What I have put forth is a diagnosis, not a program, which would of course be much more complicated, but feasible. The success of an economic program depends greatly on the confidence of the population. In my opinion, by next year or at the latest in a year and a half, the President will realize that because of his economic program, he no longer has the confidence of the rest of the world, and may even be confronted with the same phenomenon as General de Gaulle in June 1968, that of dissolving the National Assembly. At that point, the present opposition would undoubtedly take the majority. . . .

GREAT BRITAIN

The Falkland Islands Company: who runs it

by Renée Sigerson

The Falkland Islands Company is the front through which the British Royal Household maintains its claims of sovereignty over the Malvinas Islands in the South Atlantic. Had it not been for the Falkland Islands Company (FIC), which subsidizes the islands' meager economic existence, there would have been no British population on the islands on which the Crown could have based its claims.

For weeks now, in the midst of worldwide attention directed at the islands as a result of war, not a single newspaper in any part of the world has been able to report who runs the Falkland Islands Company. Its board of directors has never been revealed, and the real story of how it came under its present ownership was kept under wraps.

Not a business enterprise

We summarize here the results of an investigation conducted in London on the ownership and history of the FIC. The investigations indicate that Britain has shrouded the FIC's workings in secrecy for two reasons: 1) to exclude any possibility of Argentine cooperation in economic development of the islands; and 2) to conceal from public opinion that the FIC is a modern version of the 18th- and 19th-century trading companies which in those days were open instruments of the Crown in behalf of its imperial designs. British claims that the FIC is a privately held corporation in the wool business are a fraud perpetrated to avert international recognition of Britain's imperial control-points.

The only founding document accounting for the existence of the FIC is a Royal Charter granted by Queen Victoria. Normally, British companies have a

constitution and charter based on civil law. For the FIC, no such civilian legal status exists.

This unique status of the FIC permitted the British Foreign Office in 1977 to reorganize the FIC without ever having to engage in civilian legal procedures. Investigation proves that prior to 1977, the FIC was a publicly held firm with dispersed shares; since 1977, it has been transformed into a privately held firm with consolidated shares. The change was performed to prevent Argentine financial interests from buying holdings in the company, as they attempted to do during the 1970s.

The current board of directors of the FIC has seven members. They are:

C. Edwin Needham, Chairman: Needham is also the chairman of the Coalite energy group, which bought up the FIC in 1977 on behalf of the British Foreign Office.

René Victor Wood: Also a member of the Coalite board, Wood recently retired as the chief executive of Hill Samuel Insurance and Shipping Holdings, Ltd., a wholly-owned subsidiary of the South Africa-based Hill Samuel merchant-banking group. Hill Samuel is run by British intelligence, through the legacy of its founders, Sir Kenneth Strong and Sir Kenneth Keith, the head and deputy head, respectively, of Foreign Office Political Intelligence during World War II. Strong and Keith were high-level personnel in the British-Canadian wartime intelligence apparatus of Sir William Stephenson ("Intrepid") whose operations laid the foundation for, among other things, Britain's massive offshore Caribbean banking operations in the post-war period.

Alan W. Beasley: Also a member of the Coalite board.

Don Clarke: An executive of the FIC for over a decade, who came in contact with the company after being assigned to the British World War II garrison on the islands.

Frank Mitchel: General Manager of the FIC since the 1960s, he is preparing to retire.

David Briton: Mitchel's replacement, taken from the FIC's ranks.

The Shackletons and the Tories

More important, however, than the formal corporate ownership of FIC is the informal chain of command weaving through the Foreign Office and the ranks of the Tory party which administers the islands on behalf of the Royal Household.

British control of the Falklands has for at least 50 years been in the hands of unregenerate imperialists committed to maintaining "Anglo-Saxon supremacy" in the Western world.

Those specifically involved in the Falklands have included the family of British explorer Ernest Shackle-

ton, the Quaker families centered around Barclays Bank, the circles of former Prime Minister Alec Douglas-Home, and the consortium of banks which forms the Eagle Star Insurance Group of Britain and Canada.

Sir Ernest Shackleton and his descendants, working with the British Admiralty, have overseen British exploratory expeditions into the South Atlantic and Antarctica for nearly 100 years. The family is committed to the doctrine of "Anglo-Saxon supremacy." In the 1920s, Sir Ernest Shackleton was an honorary trustee of the American Museum of Natural History, at the time the core of an "elite" Anglo-American conspiracy committed to proving the biological superiority of white- over darker-skinned peoples.

It was Shackleton's son, Lord Edward Arthur Alexander Shackleton, who in 1976 made recommendations to the British Foreign Office which led to the reorganization of the FIC under the ownership of the Coalite energy group. The entirety of Lord Shackleton's life has been devoted to preservation and publicizing of his father's career as an explorer.

Barclays Bank, run by the British Quakers, had more day-to-day influence over the FIC during the 1960s, during which time the largest single shareholder in FIC was Lord John Denman Barlow, a Barclays regional chairman from Manchester.

Barlow is part of the Alec Douglas-Home circuit in the Conservative Party. His family maintains substantial financial resources through control of 50,000 acres of rubber plantation in Malaysia. Some time in the late 1950s, Barlow was asked by a member of the British Parliament to do a service to the Queen by investing in the FIC. He purchased a majority share, worth roughly \$12 million, and was eventually admitted to the FIC board.

In a recent private discussion, Barlow explained his commitment to British possession of the islands in terms of British strategic influence worldwide. "The British Foreign Office has been very lenient with the Argentines for the last 10 years," stated Barlow, who currently chairs the political section of the Falkland Islands Committee in London.

Citing the Argentine invasion this spring, he continued:

"It is unprovoked possession, and if we stood for this, there are 50 other small places in the world where stronger neighbors would immediately march in. . . . This is not a question alone for the Falkland Islands. It is representative of 50 other small countries . . . like Gibraltar, Hong Kong, and many other places in the Caribbean. . . ."

Barlow's commitment to British strategic needs in the early 1970s did not include, however, a willingness to continue sustaining the losses which ownership of the FIC brings upon its loyal shareholders.

In 1971, Barlow left the board of directors of FIC, allowing a venture-capital consortium called Dundee, Perth and London to purchase his shares. A series of embarrassing developments for the British Foreign Office ensued.

Financial maneuvers

Dundee fell into serious financial difficulties, and was soon purchased by Slater Walker, the stock brokerage firm whose mad speculative activity in Singapore and Malaysia was the source of a year-long scandal in the City of London through 1974.

The bankruptcy this month of the 150-year-old Sebag-Carr investment bank in London—which handled Slater Walker's accounts—provides evidence that diverse intelligence networks, ranging from Israel to South America, were linked to Slater Walker's notorious dealings. Not surprisingly then, when Slater Walker started tumbling, a group of private Argentine financiers offered to take the FIC off its hands for a bid. Alarm bells went off at the British Foreign Office.

The Foreign Office activated British intelligence, which pulled together a team of City of London bankers to finance a more suitable change of ownership for FIC. At the same time, Whitehall issued a decree stating that no Argentine citizen, nor any agency representing the Argentine government, would be allowed to gain title to island land.

The banking syndicate found an industrial holding group called Charrington to buy FIC, and financed the takeover. In 1978, Charrington was taken over by Coalite. Coalite today also owns the remnant shipping company of Dundee, Perth and London—the group which bailed the Barlows out in 1970—indicating an unbroken line of control over the company despite these upsets.

It is not known which London banks financed this reorganization. However, a core of British banks has been identified with the islands over time. These are Barclays, through Barlow; Lloyds, which during the early 1970s acted as banker for FIC; and Hill Samuel, which today is represented on the FIC board. Morgan Grenfell, whose chairman is the son of Alex Douglas-Home, is represented on the Coalite board.

Barclays, Lloyds, and Hill Samuel, together with N. M. Rothschild, are the chief members of the Eagle Star Insurance Group syndicate, the bastion of Britain's Canadian-Caribbean financial operations. The Eagle Star Insurance syndicate is the highest-level coordinating body for British strategic operations in the Western Hemisphere. N. M. Rothschild, in turn, is the leading financial interest behind the London Economist Intelligence Unit, which sponsored and wrote Lord Shackleton's 1976 report which resulted in Coalite's takeover of FIC.

Agricultural Strategy

The fight to realize Nigeria's potential

by Cynthia Parsons

Since the time of Britain's Royal Niger Company, and the discovery of palm oil in Nigeria, the rich resources there have been the target of international looters. The two rivers crossing the country, the Niger and the Benue, were used to ship the oil out; consequently, roads, railroads and other infrastructure were not built. Britain divided the north into 13 Muslim factions competing with the Christians and pagans in the south, laying the basis for years of unrest.

The legacy of these colonial days is a heavy one for the new republic. The government of President Shagari, up against some of the largest obstacles ever thrown against a developing nation, is pushing ahead with an extensive industrial development program.

To steer a country as large as Nigeria into the 20th century—it is the eighth largest in the world, with 100 million people—the government decided that industrial centers, cities, and infrastructure were to be the focus of their efforts.

Focusing on heavy industry, Nigeria went ahead and built the first blast furnace at Ajaejuta, and established the Nigerian Steel Development Authority with the help of the Soviets in 1971. In 1975, a decision was made to build some direct reduction electric arc furnace steel plants, and by 1977, the Delta Steel project was begun.

In January 1982, the government launched an expansion of the steel sector so that by 1985 Nigeria can be producing flat steel. A 10-year battle to upgrade the rail system has been won, and at last a unified rail system will be built.

Efforts are being made to increase food production and create centers for disseminating advanced agricultural techniques.

Nigeria has tried to increase the number of state-controlled and large farms, mostly modeled on those of the highly mechanized family farms of the United States. U.S.-Nigerian exchange programs are now under negotiation.

The problem of the peasant farmer has been identified but not adequately tackled yet. The benefits India and

Mexico both attained from the "Green Revolution" clearly need to be replicated in Nigeria. But this cannot occur without infrastructure, as David Walsh of the U.S. Agency for International Development, a Malthusian outpost of the State Department, smugly notes below.

Food production has stagnated, as has commercial crop output. Their prices on the commodity markets have fallen so low that farmers have stopped growing cocoa or palm oils.

Government policy had been to use oil income to import food during this interim period, until they could produce enough on the modern, mechanized farms they planned. However, with the deterioration of the international economic climate, and the heavy pricing attack on Nigeria's oil, export revenues fell. Production dropped to 700,000 barrels per day (bpd) in March-April 1982. Now they are up again to the 1.3 million bpd level, at the OPEC fixed price of \$35.50 for bonny light crude.

But the wolves were at the door. In order to finance some of their development projects, help was needed from the World Bank. The Nigerians are meeting the Bank's "conditionalities" by allowing the Bank to write the Fourth Development Plan. The Fourth Development Plan lays heavy stress on agriculture, "appropriate technology," and the small farmer. Some vague words were devoted to energy, irrigation, and industry.

Nigeria launched a National Council for Green Revolution in 1980, to coordinate the work of all the federal and state ministries of agriculture. World Bank activity was under surveillance at all times.

This Green Revolution differs little from the failed World Bank efforts of the 1970s called "Operation Feed the Nation." It could at best be a mere stopgap. The agricultural ministry itself has launched many extension programs to educate farmers in the use of new methods. One research institution exists in Nigeria for tropical agriculture, but three-quarters of Nigeria can be considered arid and this area, which still grows cotton, is receiving little help.

The Moslem north is targeted by the Qaddafi-backed fundamentalists, and was the scene of riots last year in the ancient town of Kano.

Because the population continues to believe that they will benefit by developing industry and technology, and maintain that having children is wealth, this proud country has few friends in advanced-sector governments. The AID has thrown its hands into the air, saying that there is nothing they can do for Nigeria.

That policy of benign neglect was laid out in the 1970s series of New York Council on Foreign Relations publications called the 1980s Project. In the volume on Africa, the following future of Nigeria was outlined: by 2010 Nigerian oil will have run out, and that will make the Nigerians behave like the other poverty-stricken nations of Africa.

Interview: AID's David Walsh

'Nigeria should cut its wages, infrastructure'

David Walsh of the Nigerian desk at the State Department's Agency for International Development (AID) was interviewed by EIR's Cynthia Parsons on June 14. Excerpts follow.

Parsons: What is the Green Revolution and how did it begin?

Walsh: The Green Revolution as an agricultural initiative whereby new, improved seeds are used to increase output, has been successful in only a few countries—some of them being very heavily populated, like India, Taiwan, Mexico, Philippines, and Korea. But it has not been successful in Africa.

Agricultural production in Nigeria has not increased on a per capita level, nor on an absolute basis. Food imports have gone up. Over the past four to five years they have increased by a factor of 7 or 8.

Parsons: Why?

Walsh: There are some fundamental problems. I think the Green Revolution was over-sold initially. A high expectation was built up that all you needed was the improved varieties and that would do the trick. Take the case of the improved rice developed in the Philippines, which quickly matures and makes double-cropping possible. What was overlooked was that the discrete quality of those seeds will not work in all places. Special ones in that country have to be bred. Frankly, that needs research facilities in or near that country, yet the quality of research and money is not comparable to that in the U.S. or other places.

Secondly, the high yields require a high concentration of inputs of production. In turn the price of that food has to support the increased costs. In some countries, these costs priced the product out of the market. The cost of producing that extra ton of rice was higher than that of importing it.

Thirdly, management and logistics for ordering fertilizers, distributing them at the right time, not before or after—most African countries tend to have governments that bureaucratically do this. Many are not capable of administering it. Water management is generally a polit-

ical trick, as it is in the U.S.: who gets it, and how much? All the management has to occur at the right time and at low enough costs to make the benefits available.

The scale of the projects in order to obtain maximum benefit would have to be larger than 10 hectares or so. In Africa, arable land is scarce, yet the government wanted to provide maximum benefits to the small farmer who in Africa has maybe three to four hectares. In that small unit, the large output could not be realized.

The other problem is credit, and they have institutional problems that make credit dispersal difficult. If a farmer is to produce three to four times his family consumption, he needs the incentive of someone to buy it, and transportation. The farmer is not going to get into debt unless he knows his produce will be sold and that he has something to buy with the cash.

The other problem is the overvalued currency and the government's insistence on subsidizing food.

Parsons: How did the Green Revolution work in India, then?

Walsh: The difference in India is that they had many large cities, not just one capital, so there were places to sell the produce. They also had the management capability and were able to resolve political problems. The fundamental difference was that the British, for all their colonialism, left a network of rail and road that provided the infrastructure. Plus the weather, India being over-supplied with water, so to speak, while Africa is a water-short country. It is very difficult for a sub-Saharan country to make a dent in its food deficit. Take India, its food exports are multiple. Take Ghana, which has a trade deficit, exports a single crop and doesn't even control the price of it. This is true for most of Africa.

In Nigeria, since the oil days, they have viewed things differently. They have had foreign-exchange surpluses, which has worked in a negative way on food production. The vast urban population has become used to eating imported wheat, and agricultural prices have been treated indifferently by the government, which has concentrated on public works programs with high wages, wages grossly out of whack with the type of job they perform. This drew people to the already over-crowded cities, creating a labor shortage in the villages, indirectly crippling agricultural production. Now the agricultural sector is in a shambles. Any increased production means hard political decisions.

Parsons: How can Nigeria get out of this mess, as you call it?

Walsh: They need transportation, on-farm storage and off-farm, otherwise food will rot and they will not have any for the bad times.

They have to get a strong grip on imports, which are damaging local production—stop the subsidies of food

prices. They are importing food at lower prices than they are producing it. This would be okay if local producers cannot reduce their prices. But it is not the cost of production, but the government policy of not devaluing their currency, which makes imports high. And that ridiculous minimum wage in the towns—to get the farmer back, the rural areas must pay comparable wages.

Parsons: Didn't the Nigerian government launch a Green Revolution? What happened to it?

Walsh: As I said, the Green Revolution means that the correct seeds have to be bred locally, adequate water has to be made available. None of this was done in the case of Nigeria. To encourage exports, they would have to revalue their currency and adapt government policy to maximize the effects.

But the Nigerian government used the term "Green Revolution" for what they wanted—a rapid increase in food production through the small farmer. It was a political statement, not an agricultural policy. And it failed.

Parsons: What about [former Agriculture Secretary] Orville Freeman's Joint Agricultural Consultative Committee [JACC], which wants to encourage private ventures in Nigeria? How is it progressing?

Walsh: JACC talks of wonders for two years, and nothing as far as I know has been done, nothing. It's a naïve idea. You don't have to tell an investor where to make money. Nor do you have to tell him where Nigeria is.

Oh yes, they claim they have projects "ready to go," but no one is putting any money behind the feasibility studies even. Look, if Caterpillar is hesitating to do a few feasibility studies, then I don't want any part in it.

Parsons: But if Mr. Freeman is involved in such a dud, why is he risking his name?

Walsh: Actually, Orville [who is active in the population-reduction lobby—ed.] was asked by the State Department to move back into the public light. There are too many obstacles to investing in Nigeria and clearly JACC has done nothing about them—the infrastructure, bureaucracy, etc. The only function is to exchange information, and why set up another institution for this when banks and embassies do this?

The biggest problem is that it takes such an abominably long time to do anything in Nigeria. You've got to be prepared for three to four years' investment before you get your first customer. With the high price of money, who can afford such an investment? The Japanese and Germans have done this with some success. But the U.S. businessman wants his fast return.

Parsons: Why did the U.S. government suggest the thing and how?

Walsh: It was one means to balance our balance of trade deficit with Nigeria. By encouraging investors, exports would follow. The Nigerians may have been motivated by this. [Former Vice-President Walter] Mondale initiated the whole thing while on his trip to Africa. The U.S. government got it going with the understanding that they would step out of the picture. The U.S. government is not involved in anything in Nigeria, we haven't put any money into it.

U.S. investment could be increased, however, if our anti-corruption laws and the laws on taxable income earned abroad were changed.

Parsons: How do you see Nigeria's future?

Walsh: Since the oil find, Nigeria has been overextending themselves. They did not anticipate a fall off in oil revenues. They invested badly, making heavy commitments two years ago for capital equipment. That takes a long time to arrive and for the order to pay off. Now everything depends on the market firming up. But the next budget will be a problem. They are only just finding out what their foreign commitment was. They did not know how many import licenses they had outstanding, so last year they stopped issuing them.

They must re-order their priorities—knock off their show-window projects, stop worrying about infrastructure, and let the service sector ride for a bit. They also have to find alternative sources of foreign exchange. It may be in the manufacturing-goods sector, but somehow they must diversify their export program.

The Green Revolution didn't go anywhere, and it won't now because of the elections.

Parsons: Does AID have any programs in Nigeria?

Walsh: Not as such. We have some population programs that we fund through U.S. voluntary organizations. But we have no aid programs.

Parsons: What about Stephen Low, the former U.S. Ambassador to Nigeria, who thinks private enterprises can work in Nigeria?

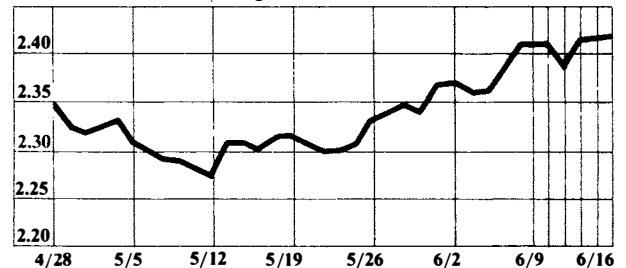
Walsh: Low has a constitutional bias against foreign aid, so he would prefer the self-help programs.

Nigeria has the resources to turn around and get going without concessional assistance. But does it have the political will to use their money to break with the past? Foreign aid is not there—and why? There is one difficulty, which is attitudinal. Nigerians don't make good students. They don't want to be told what to do. Not like Ghana, where they follow advice. Nigerians have visions of their role in Africa. So we just stay out and let them work their own way out of it. They don't want to be partners. They want to own things. That's why the JACC projects for part ownership in projects won't work.

Currency Rates

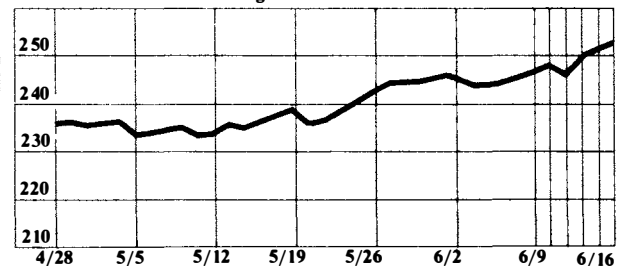
The dollar in deutschemarks

New York late afternoon fixing



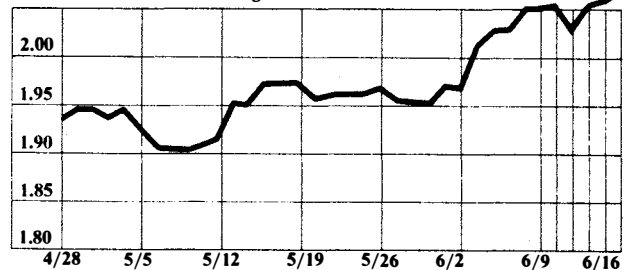
The dollar in yen

New York late afternoon fixing



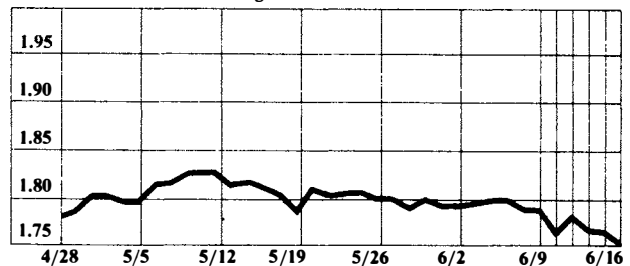
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Real estate crash has already begun

A 20 percent collapse of New York commercial holdings is only the beginning, investors say.

Asking—not bidding—prices for top-quality New York City office buildings have already dropped 20 percent over the past three months, in the first phase of a property-value crash that will make the 1974 wipeout look small by comparison, according to top New York City real-estate sources. Former high-flyers in the New York market, including the Helmsley organization and the secretive Canadian Olympia and York, are expected to be bankrupt before the end of the year, among a half-dozen top names.

"The Reichmans [the family that controls Olympia and York—L.J.] were in my office twice in the past month trying to sell us parts of their properties," said the president of a large New York real-estate concern, who represents substantial foreign and pension investment in the metropolitan-area property market. "They think their portfolio is worth \$3 billion. Our people looked at it and said, '\$1.8 billion, maybe \$2 billion, tops.' But we wouldn't touch it even at this price."

O&Y's troubles have been the subject of rumors for weeks, and a top consultant to the Canadian private concern, Gary Stamm, has warned friends that his client may have to file for bankruptcy. But what is not known is the extent of the market collapse.

In the past 90 days, the rental cost of top-quality commercial office space has collapsed, partly be-

cause new construction is adding the equivalent of a whole World Trade Center tower to supply per year; partly because corporations are canceling expansion plans.

On June 13, a major East Side office tower signed a lease for 40,000 square feet at only \$19 per square foot, a rental which implies a loss for the building's owners, according to sources involved in the transaction. "Three months ago, that space would have gone for \$32 per square foot, plus a cost-of-living adjustment," said one source.

Among the big Canadian companies speculating in New York City real estate, the only one able to stabilize its position is Cadillac Fairview, sources say. A liquidator for the Bronfman family, Leo Colberg, arranged the sale of two Cadillac Fairview shopping centers to American investors last month, and has taken other measures to contain the company's liabilities.

O&Y has few chances. It has made the rounds of New York investors unsuccessfully and a last-ditch attempt to put together a group to realize cash from their properties mounted by Goldman, Sachs investment banker Claude Ballard is reported to have fallen through.

"No one will go into this market for the next three to five years," said a top industry executive. Asked what discount of real-estate values would lure investors back into the market, he answered, "Asking

prices are already down 20 percent from the peak level. But you could knock the price down to nothing, and people still wouldn't buy it. If you can't get the rentals, it costs you money to carry the properties."

A final thump on the coffin lid may well come from Senate Finance Committee Chairman Robert Dole, who is now studying proposals to revoke tax breaks favoring real-estate investment, especially the 15-year straight-line depreciation of non-user commercial office properties. These provisions have permitted investment banks to market tax-shelter packages which permit investors to put up \$1 of equity for \$2 of debt, and take the entire tax break on the \$3. Through participations in office buildings, investors in a 30 percent tax bracket can earn back triple their original investment in eight years. Goldman Sachs, Merrill Lynch, Winthrop Financial, Paine Webber, and other investment houses have already marketed more than \$1 billion of such participations. Senate Finance staffers are reportedly incensed at the revenue loss and acting to eliminate it.

Although the investor-participation deals represent a small margin of total real-estate investment, the tax subsidy has permitted sellers to push up the prices of buildings marketed in this fashion. One \$90 million property was reportedly sold for \$120 million; the investors make so much from the tax break that the inflated price is of little consequence.

Ironically, Dole's move took the normally alert real-estate lobby by surprise because certain prominent real-estate interests, incensed at the price pattern, called the Senator's attention to the tax maneuver.

Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$220 mn.	Argentina from Venezuela	Venezuela has agreed to buy up to 20% of Argentine exports displaced by European Community boycott of Argentine products. Venezuela is buying food products from Argentina instead of from its normal sources in the United States, Europe, Australia, New Zealand, South Africa, and Chile, which are the very countries which have aided Britain's war effort against Argentina. Among the specific deals signed by 50 Venezuelans in the first trade mission to Argentina, were purchase of 13,000 tons of semi-refined sesame, cottonseed, and sunflower oil; 15,000 tons of unprocessed red meat; tallow, leather, wine, and fresh and frozen fruits. Purchases of beans, sorghum, corn, milk, and cheese are also being directed to Argentina.	This is substantial business as Venezuela imports 3 mn. tpy of food, worth \$1 bn. British military victory will not end Latin solidarity with Argentina. Peru, Venezuela, Colombia, Ecuador, and Bolivia to have 500 businessmen in Buenos Aires June 24-25 for similar market shifts.
\$160 mn.	Iran from Argentina	Iranian delegation in Argentina signed purchase of 540,000 t. wheat, 360,000 t. corn and 180,000 t. sorghum. Also negotiating for oils, soy pellets, rice, fish, dairy products, chickens, and manufactures.	Argentina is replacing its traditional export markets.
\$140 mn.	Spain from West Germany/Kuwait	Spanish govt. has decided to go ahead with 1.1 mn. tpy iron-copper ore pelletizing project in Extremadura region. Presur project includes mining and reducing ore averaging 33.7% iron and 0.15% copper. Chemie Huetentehnick and Kuwait Foreign Trading are partners with Spanish state and private interests. The first will provide technology and the second invest some of Spain's oil-purchase funds. Presur was delayed by discovery that use of gas from Bay of Cádiz would be uneconomic. Presur planning to use Spanish coal.	Govt. steel mill, Ensider, obligated to take 800,000 tpy pellets from Presur, which means cancellation of iron ore contracts with Brazil.
\$2 bn.	Australia from U.S.A./Japan	Woodside LNG Ltd. has given the contract to build a 6 mn. tpy natural-gas liquefaction plant to a consortium of JGC of Japan, Kellogg of U.S.A., and the Australian subsidiary of Raymond of U.S.A. Plant, located onshore, will liquefy gas found in Australia's Northwest Shelf for export to 8 Japanese electric and gas utilities.	Contract includes smaller processing plant for gas for local use. Contract on fee-plus basis, is in yen, U.S. dollars, and Australian dollars.
\$500 mn.	U.S.S.R. from Yugoslavia	Soviets ordered 15 tankers with total 16,400 dwt. tons and 3 crane ships from Yugoslav shipyards.	Soviet orders from Yugoslavia up by 1/3 over previous 5-yr. plan.
\$120 mn.	U.S.S.R. from West Germany	Linde has signed a contract to build a 250,000 tpy ethylene plant in the Kalusch chemicals complex in the Ukraine. Plant will also produce other basic petrochemicals including propylene and aromatics from gas oil feedstock. The complex, including a gas oil cracker and a 100,000 tpy benzene plant ordered from Hoechst, will come on stream in 1986.	Linde will perform engineering, procurement, supervision, and start-up.
\$340 mn.	China from Belgium	Belgian companies have reached informal agreement with China for them to invest in coal and nonferrous metals mine in southwestern China.	Acec, Brugeoise, and Nivelles will place \$340 mn. equipment and services.
\$250 mn.	Saudi Arabia from South Korea	King Khalid Military City near the Iraqi border will have another \$250 mn. worth of family housing built by Samwhan Corp.	Samwhan already had \$800 mn. in contracts there.

Business Briefs

International Credit

Venezuela plays hardball with the banks

Venezuela has refused to accept the high interest rates and fees offered it by the 17 international banks managing a \$2 billion Eurodollar loan syndication. The Venezuelan government countered with a set of reasonable terms comparable to its other recent syndications. For good measure, the Venezuelan negotiators reminded the banks that it had \$5.7 billion deposited with them which could be withdrawn, just as Venezuela had pulled \$3 billion out of London banks when the British fleet sallied forth against sister republic Argentina.

The London *Financial Times* fulminated against Caracas for daring to challenge the banks. However, it was soon realized that in the past Venezuela has simply borrowed in order to redeposit money with the banks at lower interest rates . . . a kind of gift to the banks.

Venezuelan bankers told *EIR* that their total international assets stand at \$26 billion, "or more like \$30 billion if our gold were valued at market rates" compared with a mere \$19 billion in debts. An officer of the state-run Banco Industrial commented, "Latin America is already putting pressure on the banks. Venezuela might withdraw from all those banks if the jumbo doesn't go through."

The jumbo did not go through.

Domestic Credit

BIS predicts new rise in interest rates

The Bank for International Settlements (BIS), the central bank for central bankers, stated in its annual report, released June 14, that U.S. interest rates will rise substantially in the second half of 1982—which would send interest rates worldwide higher.

Already, between late May and June 17, three-month Treasury bill rates have risen from 11.5 percent to 12.32 percent,

which is also sending the dollar higher.

Were interest rates to continue to rise, there would be large-scale U.S. bankruptcies. Since the BIS helps set Federal Reserve Board policy, its "prediction" of higher rates is more like a threat to raise rates.

The BIS also reports that in 1982, there will be about \$500 billion in savings worldwide, which would not be enough to meet world credit needs. Further, the BIS report states, the U.S. commercial banks net external loans rose by \$38.5 billion in 1981. The United States stepped in especially in the second half of the year to fill the role of OPEC as net supplier of funds to the world banking system. OPEC surplus had been falling, leading to OPEC's cutback in lending. As a result, the U.S. banks, which extended much of these new loans to the Third World, may have overextended themselves. The BIS report notes that the capital base of large commercial banks may have become dangerously thin, which could leave them exposed if a Third World country were to default.

The BIS report proposes that countries should sharply cut their budgets and impose wage controls.

Canadian Economy

Will Trudeau lower rates and break with the U.S.?

As Canadian Premier Pierre Trudeau returned from his European tour on June 14, cabinet ministers, on behalf of the Privy Council, were issuing warnings to the effect that the Canadian economy is now confronted with an "imminent financial catastrophe," as the *Montreal Gazette* put it. "Fear is growing," the front page declared, "that the economy has had all the abuse it can take and any more will plunge Canada into a depression." Concern is so intense, said Stan Roberts, president of the Canadian Chamber of Commerce, that "every banker is telling you that a lot of companies have really only six months to go." "Indeed," wrote Richard Gwyn in the *Toronto Globe and Mail*, "the surprise

about big bankruptcies will be if they don't happen."

The background to the clamor is the possible collapse of big companies like Dome Petroleum, Ltd., sending big banks such as the Canadian Imperial Bank of Commerce over the edge. The number of bad loans reported by Canadian banks is expected to double this year to C\$1.5 billion. Bill Mackness, the chief financial analyst for Pitfield MacKay, Ross, told the press that "unless interest rates come down soon, and sharply, a default crisis is almost inevitable."

Canada has a post-depression record of 10.6 percent unemployment, with 1.2 million people out of work, inflation over 11 percent, and the Canadian dollar at 0.78 U.S. dollars, and still going down. If interest rates, now at 17 percent, are not eased, the economy will soon go belly-up.

On May 23, the *Los Angeles Times* had reported that Trudeau may be "willing to cut Canada's ties to the American economy" altogether by lowering interest rates below those of the United States and enforcing the move with some kind of "currency exchange controls." This would have an immense effect on the United States, since Canada is its biggest trade partner.

Under this option, Trudeau would also have to impose draconian wage and price controls and reflate the Canadian dollar, that is, print money, to prevent big corporations from going under.

International Trade

Comecon moves towards autarky

This year's annual conference of the Council for Mutual Economic Assistance (Comecon), the East bloc's economic association, marked an historic shift toward *independence from Western technology* and autarkical self-sufficiency within the bloc. The Budapest meeting, which followed the Versailles summit of Western nations by a few days, emphasized in a final communiqué "socialist integration" rather than further open-

ings to the West.

Economists for East bloc governments emphasize that "socialist integration" is a code word for autarky. The past 10 years' experience of East-West trade has been a major disappointment for the Eastern economies, Eastern European government sources report, and opponents of expanded contacts with the West have gained in influence.

In particular, East bloc sources emphasize, the trade pattern in which Eastern countries bought downstream technologies for finished-goods production with credit, intending to repay credits through exports to the West, has left the Comecon countries with declining markets in the depressed West, and shortages of both raw materials and spare parts.

Poland in particular does not have the foreign exchange to buy spare parts for Western installations that it cannot manufacture itself.

Therefore, although Comecon will still seek Japanese and West German cooperation in such major projects as Siberian resource development, this will be at Comecon's own pace and its own terms.

Gold

Physical demand up while price falls

As *EIR's* gold columnist Montresor revealed May 11, the June-issued annual report of Consolidated Gold Fields of South Africa, *Gold 1982*, demonstrates that physical demand has risen sharply over the past year despite the more than halving of the market price of gold (to \$308 on June 18). ConsGold reports that:

1) "In 1981, the fabrication of new gold into jewelry, coins and industrial products exceeded supply for the first time since 1972, by 51 tons."

2) "Identified investment hoarding of bars reached 280 tons, the highest total ever recorded since these annual surveys began."

3) "In contrast to this strong physical demand, there was an almost total absence of any large-scale investment or

speculative interest in gold at the more sophisticated end of the market. In fact approximately 330 tons must have been sold from investment holdings during the year, in order to supply the gold required to meet the above mentioned demand for fabrication and bar hoarding."

The report, which is the authoritative source on gold supply and demand, concludes, "It is entirely conceivable that the requirement for gold will again exceed supply in 1982, and by an increased margin. This will have to be met through continued disinvestment. Logically, it can be argued that there must come a stage when the strength of physical demand proves to be a lasting support to the price."

Decisive in increased gold supply were a doubling of jewelry demand to over 1,000 tons, of which 100 tons represented Mideast buying, and the bar hoarding noted above, of which Japan alone accounted for 117 tons.

Agriculture

Farmers cut back on fertilizer usage

U.S. fertilizer usage for the year ending June 30 will be down 11 percent from the record high usage of 1981. U.S. exports also dropped, with finished materials declining by 20 percent and phosphate rock sales down 23 percent.

"Lack of both farm income and higher future commodity prices, plus high interest rates, caused fertilizer use in the U.S. to drop for the first time in four years—and not since 1975 has the drop been this significant," said Edwin Wheeler, president of the Fertilizer Institute in Washington, D.C.

The record usage level of 53.3 million tons will be down to 47 million tons.

While farmers have been cutting back on machinery and equipment, fertilizer cuts are a last resort. Farmers may still be applying the correct amounts per crop; the reduced consumption comes from no longer being able to afford that "extra spread for good measure" for which U.S. agriculture is famous.

Briefly

● **BANCO AMBROSIANO** is subject to intense monitoring by its clearing agent in New York, Bankers Trust, following the "disappearance" in mid-June of its chairman, Roberto Calvi. Bankers Trust will no longer make payments for Ambrosiano on an expected-cable basis. Calvi was arrested in Italy last year during the scandal of the Propaganda-2 Freemasons, who were documented to be involved in terrorism, drug-running and flight capital operations.

● **FRITZ LEUTWILER**, Swiss central banker and President of the Bank for International Settlements, told a press conference June 15 that he expected European Monetary System rates to revert to free-floating within a year.

● **PETRA KELLEY**, head of West Germany's environmentalist Green Party and transcontinental nuclear-disarmament agitator, gave a fair description of how she and her party operate in an interview in the June 14 issue of the mass-circulation weekly *Der Spiegel*. Kelley related proudly, "When the lizards were debated in the state of Baden-Wurttemberg—the lizards harmed by [nuclear plant] radiation—a deputy of the Green Party stood up and said, 'I am the representative of the lizards here in parliament.'"

● **KATHERINE GRAHAM**, chairman of the Watergate-conduit *Washington Post* hosted a private party at New York's 21 Club restaurant the night of the June 13 Holmes-Cooney fight, for her associates—mob lawyer Roy Cohn and Capital Communications head Tom Murphy. Murphy is also on the Board of Directors of Resorts International, the operation Meyer Lansky set up to turn the Bahamas into an offshore banking operation for the drug trade.

Will Moscow pick up lost U.S. influence in the Middle East?

by Robert Dreyfuss, Middle East Editor

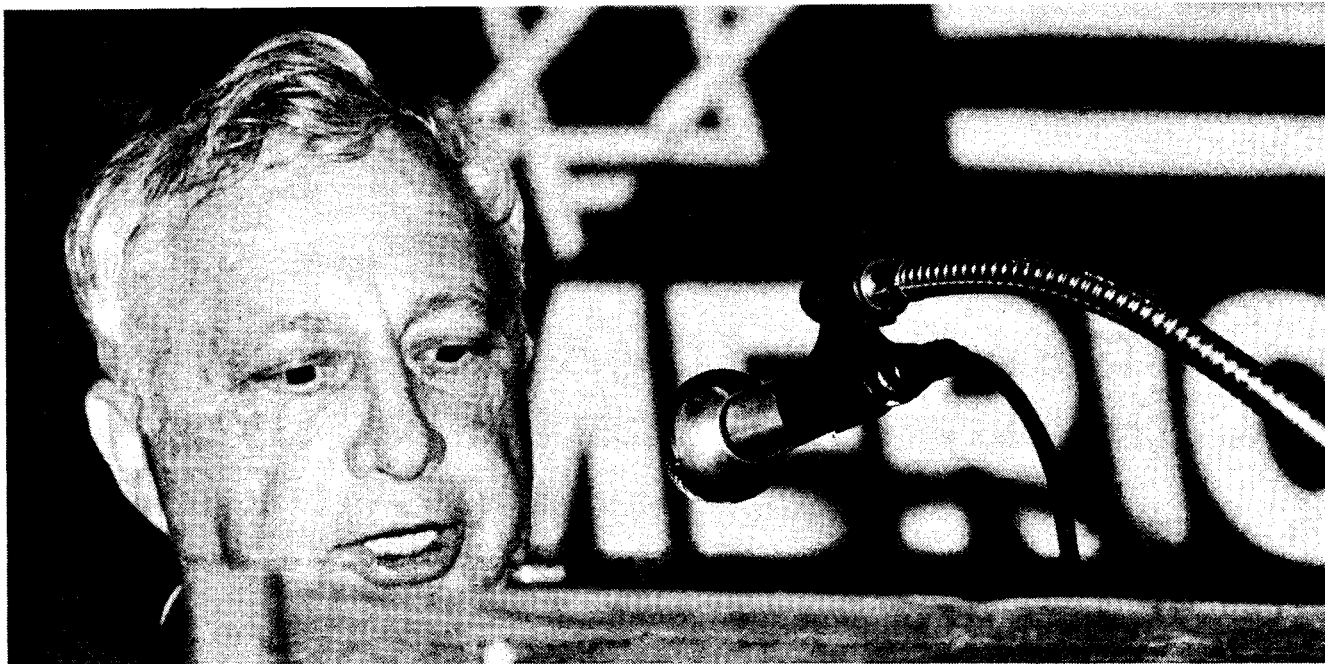
Thanks to the treachery of Secretary of State Alexander Haig, the Israeli invasion of Lebanon has not only left tens of thousands dead and half of Lebanon homeless, but it has virtually eliminated the remaining vestiges of American influence in the Middle East. A Soviet military and political power play is now set to unfold that will establish the U.S.S.R. as the region's only true superpower.

Further, with Israeli troops teetering at the brink of an invasion of Beirut, the region could become the scene of a superpower confrontation, since, from all available evidence, the Soviet Union will not permit the destruction by force of its allies in Syria and Lebanon.

From the beginning of the Israeli invasion, the U.S. government has followed a British script. Lord Carrington—who still runs foreign policy—and the British Secret Intelligence Service (SIS) triggered the Israeli blitzkrieg by orchestrating the attempted assassination of the Israeli Ambassador to Britain, Shlomo Argov, withdrawing the ambassador's security screen without warning. The shooting of Argov in London on June 3 gave Israeli Defense Minister Ariel Sharon the pretext he sought to unleash the Israeli armed forces against Lebanon's cities and Palestinian camps.

The British, who, with the French, have rebuilt the World War I-era "Entente Cordiale," viewed Israel's move into Lebanon as an opportunity to displace the American influence in the Arab world—particularly in Saudi Arabia—with a European-led "Third Force." By supporting Israel's massacre and refusing to demand an immediate Israeli withdrawal, a policy guided by Haig, President Reagan has ensured that Arab faith in commitments from the American superpower has evaporated.

But the Anglo-French alliance will soon discover that Western Europe is a feeble force for stability in the world's hottest hotspot. Instead, as a result of the war in Lebanon, the powerful regional influence of the Soviet Union will gradually assert itself, not only among the area's radicals and in Khomeini's Iran, but in the eyes of the moderate Arab states like Iraq, Saudi Arabia, Jordan, and even Egypt.



Stuart Lewis/NSIPS

Israel's General Ariel Sharon addressing a May 23, 1982 conference of the American Zionist Youth Foundation in New York City. Sharon double-crossed his Anglo-American backers by extending the Israeli invasion of Lebanon.

The successful sweep of the Israeli armies through southern Lebanon to the gates of Beirut, made Sharon and Prime Minister Menachem Begin obscenely manic with visions of reorganizing the entire Middle East at once. Stating that what Israel has done in Lebanon is "no worse than what the Allies did in bombing Dresden in World War II," Begin declared that the Lebanese population welcomed the genocidal blitz. "Sharon was received with fanfare," a deluded Begin announced. "They almost called him 'King of Lebanon.'"

With Israeli forces tightening their grip on the Lebanese capital, occupying suburb after suburb, almost no one believed the Israelis' pious declarations that they would not eventually move into Beirut itself. In their euphoria, Israeli officials cavalierly dismissed the Soviet threat, despite mounting evidence that the U.S.S.R. is preparing action. "Let Moscow try to stop us," said one Israeli official. "We will attack their force too."

Evidence that such insanity prevails even among Israel's top leadership is the statement on June 17, after a Soviet warning to Israel, by Sharon. In a televised interview, Sharon declared that beside the Soviet Union, "there is another superpower in the area," referring to the presence of a huge U.S. naval flotilla in the eastern Mediterranean.

From the Soviet side, Admiral Gorchkov's navy is not impressed by Sharon's suicidal bravado. Following the Soviet government statement warning Israel on June 15, additional Soviet ships were dispatched to the sea near Israel and Lebanon and a Soviet airborne division was placed on alert in the Caucasus region. According to

UPI, Moscow informed Israel that it will not tolerate an attack on Beirut, the destruction of the Palestine Liberation Organization, or any threat to Syria.

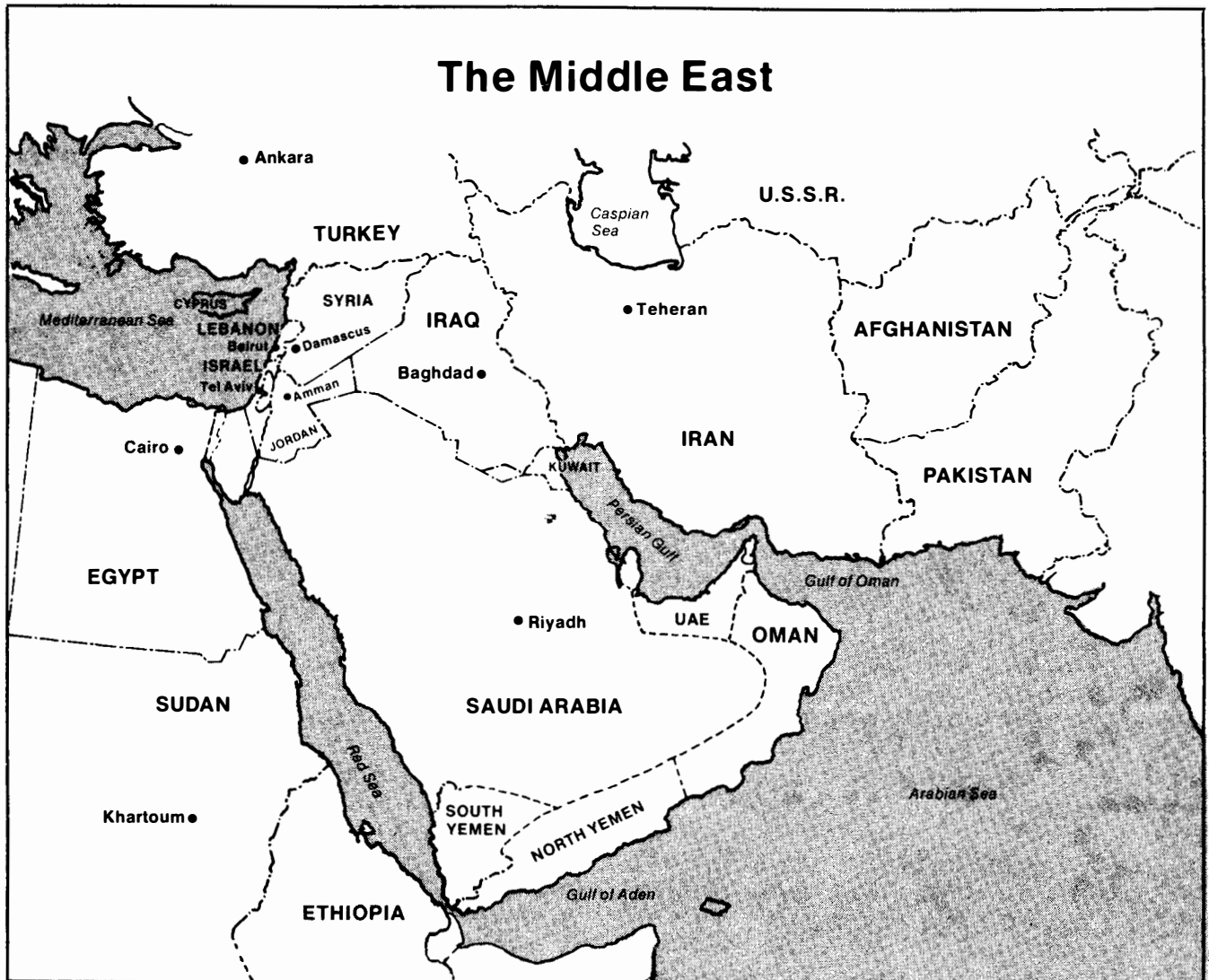
In Washington, not a single official repudiated Sharon's suggestions that Israel is operating in Lebanon under an American nuclear umbrella. Furthermore, all U.S. official and unofficial sources seem unaware that the Soviet Union will not permit its vital interests to be damaged. In effect, America's leaders and policy makers have written off the threat of Soviet intervention. "There are no real alerts here, and nobody believes that Moscow can do anything," said a source at the Defense Intelligence Agency.

The last shred of American reality-orientation in the crisis disappeared when, on June 17, the Reagan administration rejected out of hand an emergency proposal made jointly by the Egyptians and the PLO. Having coordinated their role at the United Nations, Egypt and the PLO proposed that in exchange for American dialogue with the Palestinians, the PLO would lay down its heavy arms in Beirut, accept the sovereignty of the Lebanese army command, and abide by a ceasefire. But the proposal was flatly turned down by Washington, angering Egypt and probably making inevitable a catastrophic battle for Beirut.

After rejecting the Egypt-PLO plan, President Reagan accepted—again, on Haig's Rasputin-like advice—a proposal to meet with the butcher of Lebanon, Menachem Begin, on June 21. At that meeting, Begin intends to portray Israel's blitz as part of the worldwide fight against communism and terrorism.

The politics of the double-cross: the players outsmart themselves

by Robert Dreyfuss



When Israeli troops and armor moved into Lebanon on June 6, not a single relevant government anywhere in the world was surprised. Not only did Israel and Syria have a gentleman's agreement concerning how to conduct the war, but the Soviet Union, Britain and France, the United States, and most of the Arab world had blessed—secretly, of course—the actions by Israel. Each country's leadership had its own understanding of its own interests and advantage in the war, and each, with quiet deliberation, planned to double-cross all the others.

But after only seven days of the war in Lebanon, each one of these elaborate secret understandings had come undone. Everyone had been double-crossed. In fact, the agreements were made before the war *with the intent to violate them*. And, with the Soviet Union as the only real superpower in the Middle East, Moscow stands to reap a windfall and emerge as the dominant force for stability in the region.

This is exactly how the Soviet Politburo planned it. However, in seeking to take advantage of the collapse of American influence in the Middle East, the short-sighted Soviet leadership may have set into motion a process that could unleash World War III.

Moscow's 'trap' for the West

From the Soviet viewpoint, the plan to double-cross the West was simple. President Brezhnev and the Soviet leadership are well aware that Moscow represents the only credible military force with the potential to deploy into the Middle East. The U.S.S.R. has more than 20 divisions stationed in close proximity to the Middle East and an enormous airlift capacity; for Moscow the American Rapid Deployment Force (RDF) is a trifle. This military power is combined with the evident ruthlessness of the Soviet command in deploying its forces, as in Afghanistan. The Soviet Union does not doubt its ability to fill a vacuum that emerges in this part of the world.

At the present time, therefore, the Soviet Union believes that it stands to benefit from a decline in American influence in the Middle East. In order to oust the United States from the Middle East, the Soviet leadership has been quietly cultivating a duplicitous "New Yalta" dialogue with Great Britain, beginning with former Foreign Secretary Lord Carrington's proposals to Moscow that the superpowers' spheres of influence established after World War II be modified. In this process, Moscow has encouraged Great Britain to believe that the Soviet Union would look with favor upon British efforts to replace the United States in the Middle East.

Playing on British susceptibilities and taking full advantage of the desire of the British and Swiss banks and oil companies for hegemony in the Persian Gulf

and North Africa, Moscow has led London to believe that it would accept a deal to carve up the Middle East into pro-European and pro-Soviet "spheres of influence." British geopoliticians and strategists endlessly repeat the refrain that the Soviet Union will accept a regional influence restricted to the so-called "northern tier," that is, Syria, Iraq, Iran, and Afghanistan. The geopoliticians believe that Moscow, thus supposedly satiated, will graciously allow Great Britain and Western Europe's Socialist International to ensconce itself as a Third Force in the Middle East, brokering U.S.-Soviet relations in the Persian Gulf and reaping the hefty benefits of controlling the Gulf's oil and financial wealth. Some of these British thinkers have gone so far in their cynical delusion as to assert that Moscow will inherit new troubles along with its new Middle East "turf"—ethnic instabilities and Islamic fundamentalism that will eventually spread into the Soviet Union itself.

The real Soviet view of Carrington's New Yalta plan is: "You give us the northern tier of Syria, Iraq, and Iran, and then we take the rest, too."

That is the essence of the Soviet double-cross. Having learned of London's plans to spark an Israeli invasion of Lebanon, Moscow encouraged the British. With its own well-developed contacts to the Israelis—via channels in Rumania, Austria, and the Russian Orthodox Church in Jerusalem—the Soviets could afford to lead London to believe that the British would gain from Israel's attack on Lebanon. The Soviet KGB secret service, with its far better sense of reality than the British SIS (Secret Intelligence Service), had determined correctly that the consequences of a move by Israel into Lebanon would be an accelerating shift toward the Soviet Union by all the countries in the region, including such unlikely candidates as Pakistan, Saudi Arabia, Egypt, and even Israel.

British miscalculation

Masters of deceit and the double-cross for several centuries, the British succeeded in outsmarting themselves. Although they failed to deceive the Soviets, however, they most successfully did outwit and manipulate the Americans. At the start of the Israeli attack, and as the situation worsened, the Reagan administration hardly wavered from its knee-jerk, flag-waving support for Israeli aggression and genocidal butchery. A shocked Arab world waited in vain for some White House action to rein in the Israelis and assert American leadership for stability in the region, as Eisenhower had reined in the British and French in the 1956 crisis over Suez. Such American leadership did not come. A clique of British agents at the State Department—led by Alexander Haig, and including Paul Wolfowitz at Policy Planning, and special envoy Philip Habib—and a

similar crew at the Pentagon, led there by Eugene Rostow, Richard Perle, Steve Bryon, and others, had managed to lock President Reagan onto the most disastrous possible course: full endorsement of the Israeli plan to forcibly redraw the map of the Middle East.

The British scheme was therefore simple. While promising Washington its full support in the pro-Israeli effort, the British government secretly set about to negotiate the ouster of American power in the Middle East. London quickly sought to curry favor with the Arabs, taking advantage of the U.S.-Israeli identification in Arab eyes. Most shocking was Prime Minister Thatcher's remark—despite the suicidal American backing for London's adventurism in the South Atlantic—that she could not agree with the American position on the Middle East. Privately, Mrs. Thatcher was heard to remark that "NATO is worthless" as long as "American Jews control U.S. policy."

The pretext for the invasion itself resulted from a brutal application of British deceit: the attempted assassination of Israel's Ambassador to London, Shlomo Argov. The terrorist who shot Argov on June 3 is a member of the British SIS-controlled "Abu Nidal gang," based in Syria and Iran, and he succeeded in shooting Argov only because the British security screen around Argov had been removed prior to the hit, according to Israeli intelligence sources. That action, orchestrated by the British, gave General Ariel Sharon the pretext he needed to convince Prime Minister Begin and the Israeli cabinet to give the green light for Operation "Peace for Galilee."

"The Europeans can replace the Americans in the Middle East," said a top intelligence official who is close to the SIS. "That is definitely what the British are thinking. Harold Beeley, Patrick Seale, Ian Gilmour, and Lord Mayhew all agree on this. It will be the 'third force.' As long as the conflict can be kept below the nuclear level, it will work. The Saudis are angry at the United States, and they do not have a Soviet option. So they will come to Europe, and Europe will replace the United States."

Preparing to double-cross France

Based on false assurances from Moscow, London is therefore doing Moscow's dirty work. So euphoric are the British that they have even considered double-crossing the French. Some European sources have asserted that the 1956 Anglo-French "entente cordiale" has been reestablished with French President François Mitterrand, and that the World War I-era Sykes-Picot agreement that carved up the Ottoman Arab territories between Paris and London has been rebuilt. But, just as the U.K. tricked France then, some British officials



today are planning to double-cross France again: "The French have no role in the Gulf," said a British Middle East specialist. "They will be restricted to Lebanon's Christians."

The 25-mile hoax

In the wake of the attack on Ambassador Argov and the June 4-5 murderous Israeli bombing raids on Lebanon, British agents Ariel Sharon and Alexander Haig went to work to convince their respective governments to support Sharon's crusade into Lebanon. Until that weekend, a shaky accord between Reagan and Begin—in part based on personal assurances—had blocked Sharon. To win approval for his Lebanese invasion, Sharon told Begin, Haig, and Reagan, that Israel would confine its attack to a narrow 25-mile zone north of Israel.

But on the third day of the fighting, Israel expanded the war far beyond this zone. Sharon, of course, had long planned to use a war in Lebanon to achieve a broad reorganization of the area, and he had established a nest of agreements with Syria, Iran, and others to topple King Hussein of Jordan, destroy Iraq, and forcibly reorganize the Palestinian movement before placing it in Jordan, referred to by Sharon as the "real Palestinian state." Therefore, in a fashion prearranged with Syria, Israel began limited clashes with Syrian forces, eventually leading to a strike against Syria's missiles in the Bekaa Valley. Israel was careful, however, not to humiliate Syria and careful to allow Syria an avenue for retreat, repeatedly offering Damascus a

ceasefire—which, after some noise-making, the Syrians accepted.

By this time, Prime Minister Begin had been caught up in the war and eagerly endorsed Sharon's bloodletting. In an emotional outburst, the Israeli Prime Minister called the invasion of Lebanon, which had left 10,000 dead in the first week, the "greatest operation in the history of the Jewish people."

But Reagan began to have reservations when Israel attacked Syrian forces. Undoubtedly, reports are correct that Reagan was upset when Israel broke its promise that it would confine its attack to a 25-mile zone. With pressure from Moscow, Saudi Arabia, and elsewhere, the President drafted a series of personal letters to the Israeli Prime Minister. They went unheeded, however, probably because of assurances from Haig and Habib to Israel that Sharon's original plan should proceed on schedule.

To their respective bosses, Sharon and Haig argued that Israel had no option but to attack Syria in force, out of military necessity.

Falling out between Israel and Syria

As the war progressed, then, it became clear that the original agreement between Sharon and the Syrian government of Hafez Assad had also begun to unravel. Before the start of the fighting, Sharon and Assad were united in several causes: their hatred for the Palestine Liberation Organization, their opposition to Jordan and Iraq, and their support for Khomeini's Iran. To consolidate the Israeli-Syrian "strategic consensus," Sharon proposed to divide Lebanon into two separate states, one to be controlled by Israel and one by Syria. But the Israeli advance seemed to indicate that Israel had a broader goal and that Assad had been deceived. The advance by Israel to the gates of Beirut and into the Bekaa Valley revealed Israel's intent to completely reorganize Lebanon in a manner not necessarily coherent with the interests of Syria.

A grave danger of superpower confrontation has developed as a result of the unraveling of the secret agreements that allowed the war to occur. If the British suddenly realize that the Soviet Union does not intend to play their "New Yalta" game, London may demand that American power in the east Mediterranean—now represented by three and possibly four U.S. aircraft carrier task forces—bail out the British in the region. Israel, trapped in an overexposed military position deep in Lebanon, may find its adventure turning into a disastrous predicament. Caught in this position, Sharon might lose restraint and lash out against Syria itself. And the Soviet Union, with troops on alert in Czechoslovakia, the mountainous regions north of Iran, and in Afghanistan, and with its own fleet moving toward the conflict zone, will be forced to respond.

Habib shuttling for Ditchley Foundation

by Barbara Dreyfuss

Since July 1981, President Reagan has dispatched crisis-management negotiator Philip Habib to the Middle East every time Israel has threatened to unleash General Ariel Sharon and the Israeli army against Lebanon. Habib, who served as a Mideast shuttle negotiator under U.S. Secretary of State Cyrus Vance in 1979 and was reappointed to this position by Alexander Haig, is put forward as a seasoned U.S. diplomat, whose skill, and in some part perhaps his Lebanese heritage, has reassured Syria, Jordan, Saudi Arabia, and the other Arab nations that the United States will not abandon their cause in the Middle East.

Newsweek and the *Washington Post* call Habib's brand of operations diplomacy. But a closer look at the State Department envoy's pedigree, and the circles in which he travels when he is off the shuttle circuit, reveals that Habib is running a nasty protection racket, built on false promises to the moderate Arab nations that the United States will restrain the Israeli military menace if those nations do not challenge the Haig State Department's Middle East policy.

Habib and Ditchley

Habib in particular maintains a very close working relationship with the elite Ditchley Foundation, a center of Anglo-American policy making. Twenty-four hours before the Israeli blitzkrieg into southern Lebanon on the evening of June 6, Habib could be found chairing a conference on the Camp David peace process at the foundation's Ditchley Park headquarters near Oxford, England. The Ditchley Foundation was created in 1958 by the leadership of Great Britain's Royal Institute for International Affairs and its U.S. subsidiary, the New York Council on Foreign Relations, and has served since then as a transmission belt of Anglo-American establishment policies to educators, diplomats, bankers, legislators, and businessmen at the secondary level of policy implementation.

The Ditchley Council of Management and Board of Directors include the cream of British aristocracy, such men as Lord Saye and Sele, Lord Aldington, Sir John Keswick, Lord Caccia, and the Earl of Cromer. Leaders of the American Ditchley Foundation include George



Henry Kissinger: "still Habib's boss."

Franklin, the North American head of the Trilateral Commission, and Stephen Stamas, one of the leaders of the Council on Foreign Relations.

In the words of one participant, the recent Ditchley conference was called to discuss "the role of the United States and its allies in the Middle East peace process and the obstacles to progress." Before this strategy session on Anglo-American Mideast policy had gotten into full swing, however, Habib had flown off to the Middle East on orders of Secretary of State Haig.

Habib left behind him at the Ditchley estate a full roster of American and British functionaries being initiated into the inner workings of the strategy laid out by Britain's Lord Carrington to destroy U.S. influence in the Middle East. The Americans attending included a number of high-level U.S. government officials working closely with Haig and Habib, among them David Newsom, a top official in Vance's State Department; Jeffrey Kemp, the man in charge of Middle East policy for the NSC; Michael Ameen, president of Mobil, Middle East; Lowell Thorpe, of the Foundation for Middle East Peace in Washington; Najeeb Halaby, former head of Pan Am and father-in-law of Jordan's King Hussein; Fuad Ajami, director of the Johns Hopkins University School of Advanced and International Studies' Middle East program; J. G. Clark, senior vice-president of Exxon and a Ditchley director; Richard Viets, the U.S. ambassador to Jordan; and Richard Goldman, a close friend of Habib and a member, along with Habib, of the San Francisco World Affairs Council.

From Her Majesty's aristocracy and its coterie the attendees included His Excellency John Leahy of the British Foreign Office; J. A. Morrell of Henderson-

Baring Management; Edward Mortimer of the London *Times*; Gen. Sir Anthony Rarahali of the Allied Forces, Northern Europe; Dr. David Sambar, chairman of Financial Arab Trust; Patrick Seale of Patrick Seale Books; Albert Hourani of Oxford; Lord Bethel; Phillip Windsor of the London School of Economics; Noah Lucas of the University of Sheffield; the Right Honorable Roland Moyle, the Labour Party spokesman on the Middle East; Dr. Clarence Awisha of the University of Southampton; and the Honorable T. C. F. Prettie of the Information Trade Center.

Habib, Vance, and Kissinger

One very active former director of the Ditchley Foundation is former U.S. Secretary of State Cyrus Vance. It is not unlikely that Habib was first introduced to Ditchley by Vance, who was also instrumental in promoting the special envoy's diplomatic career. Habib worked closely with Vance throughout the Vietnam War, as head of a special State Department task force on Vietnam in 1967-68. Habib was the highest-ranking career diplomat in the U.S. delegation at the Vietnam peace talks in Paris from 1968-71, where his friendship with Vance blossomed.

Henry Kissinger too worked closely with Habib, whom he had met at the U.S. embassy in Saigon in the mid-1960s, when Kissinger, then a professor at Harvard, made a fact-finding trip to Vietnam. Habib at the time served as counselor in the embassy. As Secretary of State in 1974 Kissinger pulled what State Department insiders termed a coup d'état when he made Habib, then the ambassador to South Korea, the Assistant Secretary of State for East Asian and Pacific Affairs. Another man had been appointed to the post by Secretary of State Rogers, but when Rogers was forced out by Kissinger just before the presidential approval for the appointment went through, Kissinger immediately put Habib in. Two years later Habib's old friend, Vance, promoted him to the post of Undersecretary of State for Political Affairs. Habib became Vance's chief adviser on Middle East and Soviet relations. Although he formally resigned from the State Department in 1978 because of heart problems, Habib was asked by Vance to continue serving as a special Middle East adviser. Beginning in 1979, Habib began his own shuttle diplomacy on Lebanon, operating in much the same way he did in 1973-74 when Kissinger had him going back and forth to the Middle East. "Whatever his personal feelings, his loyalties lie with State Department policies and with Kissinger, who was and still is his boss," declared one Middle East specialist recently.

With a boss like Henry Kissinger, a mentor like Cyrus Vance, and Alexander Haig planning his itinerary, Philip Habib can be doing no good for U.S. interests in the Middle East.

Soviets bid to become the sole superpower in the Middle East

by Rachel Douglas, Soviet Union Editor

On April 24, when the British flotilla was at sea and the Israeli invasion of Lebanon still weeks ahead, the veteran Soviet television journalist Valentin Zorin advised against preoccupation with the South Atlantic war: "What is happening . . . in the Near East region is not only very acute, but cannot be pushed aside by any, even the most urgent, sensational and acute events." By June 6, the Soviet government daily *Izvestia's* authoritative commentator A. Bovin was talking about "a new balance of power" in the Middle East, and on June 14 came a Soviet Government declaration to "warn Israel" that "the Middle East is an area lying in close proximity to the southern borders of the Soviet Union and developments there cannot help affecting the interests of the U.S.S.R."

But the opinion emerged in Washington and London with impressive uniformity that Soviet warnings and assertions of a stake in the Middle East were "hollow." "That and 35 cents will get you a cup of coffee," said one former National Security Council staff member about the Soviet government statement. If the *Washington Post* reported euphoria in the capital about the United States gaining influence in the Middle East "at the expense of any aspirations the the Soviet Union may have had," in London the excitement among British Arabists was over picking up the shards of shattered American policy in the region. In neither case was trouble anticipated from Moscow.

It is hard to say whether there was more of delusion in such estimations, or of amnesia. Making firm predictions of Soviet military action following Soviet verbal warnings has been a dubious endeavor for NATO analysts; the widespread conviction that the Soviets *would* invade Poland in 1980 demonstrates that as well as did the belief that they would *not* enter Czechoslovakia in 1968.

The eventual Moscow decision in these cases depended not only on the situation in the given country, but on the strategic geometry in which it took shape. The De-

cember 1979 dispatch of troops into Afghanistan was not only a show of force in a neighboring country where the Soviets had voiced a security interest, but it answered two American policies considered unacceptable by Moscow: the so-called China card and the Dec. 12, 1979 NATO decision to prepare the deployment of Pershing II nuclear-armed missiles in Europe, within several minutes' striking range of Soviet territory.

In mid-1982, the signals from Moscow indicate an evaluation of the world situation as far more set on a track of superpower showdown than it was two and a half years ago. Now that the Chief of Staff of the Soviet Armed Forces is talking about a live master plan of the West against the U.S.S.R., "encompassing all aspects of struggle, right up to balancing on the brink of war," and Prime Minister Nikolai Tikhonov a long-time ally of Leonid Brezhnev in the pursuit of trade-based detente, is telling his Eastern European counterparts to rally forces for "economic and technological independence" in the face of "an open offensive against socialism," it is folly to exclude Soviet military action in any area of strategic concern to Moscow.

It is even more wrong to suppose that Soviet effectiveness in the Middle East begins or ends with military assistance to Syria and the Palestine Liberation Organization (PLO).

The perception in the Soviet Union is different, as it is in the Middle East itself. A June 1 propaganda sheet from the Israeli Consulate in New York made the point, useful for the Israeli message to anybody listening in the United States, but also true: "Against the background of the overriding physical survival interests which preoccupy . . . all Arab leaders, there is the growing image of the U.S.S.R., as if it is in a uniquely superior position to meet many of the security concerns of these regional leaders. . . . While some Western observers expect 'moderate Arab leaders' to share a 'strategic consensus' against the Soviet threat . . . it is the potentially pro-Western Arab leaders who are the first to refute that

expectation.”

The Soviets are positioning themselves to be arbiters or allies for practically every state in the region. Traditional Soviet diplomacy, military presence, networks of Russian intelligence that historically interlock those of British intelligence—all of these capabilities of diverse Soviet factions come into play in today’s mode of building assets. They are making headway, not because of endearing themselves to Middle Eastern nations by skill or virtue, but because the U.S.S.R. is recognized as a power in the region in a way that the United States—Rapid Deployment Force (RDF) and all—increasingly is not.

A precedent for some of what the Russians are doing is the late Aleksei Kosygin’s mediation of an India-Pakistan conflict, at Tashkent in 1966. Today, Soviet diplomacy has an open field. The Soviets are moving where the U.S. lacks even semblance of a policy.

The Iran-Iraq war

Fighting broke out between Iran and Iraq on Sept. 22, 1980, just days before Brezhnev signed a 20-year Friendship and Cooperation Treaty with Syria. Was Moscow gaining one closer ally, but forced to choose between two other Mideast countries where it had large economic and political investments? In the first weeks of the war, intelligence sources reported that Soviet arms were going to both sides. Then, as months passed, Soviet relations with Iraq cooled.

A year and a half later, however, it was to the Iran-Iraq war that A. Bovin pointed as evidence for “a new balance of power now being established” in the region. Here were Syria and Libya, Iraq’s erstwhile “hardline” companions, backing Iran, while “moderate, conservative” Jordan and Saudi Arabia sided with Baghdad and Iran received Israeli armaments, observed Bovin.

As for the Soviets, they are once again working on both sides of the conflict, aiming to be guarantors of its eventual resolution.

On June 4, Iraqi Deputy Prime Minister Tariq Aziz arrived in Moscow for the highest-level open diplomatic contact since shortly after the war broke out. He met not only Boris Ponomarev, the old Communist International official who oversees Soviet ties to foreign communist parties and liberation movements, but also Deputy Prime Minister Ivan Arkhipov, of the southern Ukraine heavy-industry faction which produced Brezhnev’s closest associates. Arkhipov had paid a call in Damascus, which is chronically at loggerheads with Iraq, just a week earlier. Also in the first week of June, the Soviet-Iraqi Friendship Society was revived, with expressions of good will from Iraq’s new ambassador to Moscow, a relative of President Saddam Hussein and a man with a background in intelligence.

In Iran, the Soviets have added to their leverage among the mullahs, and other entities like the famed communist Tudeh Party, in the tangle of Iranian politics (leverage based largely on the British-related networks of triple-spy Kim Philby and his ilk), by activating the economic projects begun with Iran under the Shah. In recent months, upgrading of roads and influx of technicians from the Soviet Union and Eastern Europe have established an infrastructure to expand Iran’s trade with the Soviet sector as much as threefold.

The Soviets have assigned a new ambassador to Iran, the long-time desk chief at the Foreign Ministry for the “northern tier”—Iran, Afghanistan, and Turkey.

Afghanistan and its neighbors

As the Mideast crisis exploded in Lebanon, the Soviets reportedly directed warnings to Pakistan’s military leaders not to pursue its alliance with “the United States and China.” According to informed sources, Foreign Minister Gromyko himself told Pakistani Foreign Minister Yaqub Khan that the U.S.S.R. was ready for friendly relations with Pakistan, including more economic aid, if Pakistan moved away from its military axis with the U.S.A. Gromyko also encouraged the Pakistanis to be serious about talks with the Soviet-backed Afghan regime, and, indeed, Yaqub Khan went from New York (where he saw Gromyko) to Geneva for a round of United Nations-mediated talks with Afghan Foreign Minister Dost. It was the closest Pakistan has come to recognizing the Babrak Karmal regime of Afghanistan.

What was involved was not only military victories by Soviet forces against Afghan rebels, reported at the end of May. Gromyko’s diplomacy is also effective because it intersects the pressure brought to bear on Pakistan, independently, by India and by Pakistan’s Arab backers, particularly Saudi Arabia, who fear Pakistan’s opening the door to RDF bases in the region. After Indian Prime Minister Indira Gandhi’s trip to Saudi Arabia in April, according to Indian newspapers, the Saudis summoned Yaqub Khan and Bangladesh President Gen. Ershad to tell each, in turn, to “resolve their differences” with India.

Jordan and the gulf

In June 1981, Saudi Foreign Minister Prince Saud said of the Soviet Union, with which Saudi Arabia does not have diplomatic relations, “We recognize the Soviet Union and acknowledge its superpower status.” He asserted that there were ongoing Soviet-Saudi contacts through their embassies in third countries.

In 1980-1981, the Soviets and Saudis each advanced partial Mideast peace plans; neither flatly dismissed the other’s, and some sources hinted about their comple-

mentarity. Brezhnev's plan was a proposal for demilitarization of the Persian Gulf and international guarantees of safe trade in that area; he presented it first in a December 1980 speech to the parliament of India. Months later came the "Fahd plan," the eight points for Middle East stabilization formulated by then-Crown Prince, now King Fahd. Soviet official media declined to condemn the Fahd plan, calling it rather evidence of an independent impulse in Saudi foreign policy.

A. Bovin's June 6 broadcast defined the late King Khalid's reported request, through Jordan, to Iraq's Saddam Hussein to step down, if necessary, "to clear the way for peace" as part of the shift to a "new balance of power."

Jordan not only buys arms from the U.S.S.R., but maintains frequent diplomatic contact, up to the level of King Hussein's May 1981 trip to the U.S.S.R. (another visit is scheduled for late June 1982). On April 26, Soviet Communist Party daily *Pravda's* senior Middle East editor, Pavel Demchenko, interviewed King Hussein and published his statement that, "I think the climate for the international conference [on the Middle East] proposed by the Soviet Union is ripening, and we are drawing nearer to its convocation."

In the Persian Gulf, however, the most active channel for Soviet diplomacy has been a very English one—the small Gulf states, especially Kuwait. The biggest promoter of opening diplomatic relations between the U.S.S.R. and the Gulf states, and Saudi Arabia, is Kuwait, whose foreign minister boasted after Kuwaiti Sheik Jaber al Ahmed's tour of the Balkans last year that "definite progress is being made" towards these relations. Kuwait and the U.S.S.R. already have exchanged ambassadors. Under the auspices of the Gulf Cooperation Council, formed in 1981, the Kuwaitis are also active in negotiations for reconciliation or even unity between North and South Yemen, a project which the Soviets also have a perennial eye on, for their own purposes.

Syria and the military presence

Some of the most dubious Soviet assets are, ironically enough, the Middle Eastern states with which Moscow has treaties and close military relationships. In Syria, as with the other "Steadfastness Front" members like Libya, Moscow is counting on individuals—Syria's Assad or Libya's Qaddafi—who have commitment to little else than their own status as potentates, certainly not to the stability or the development of the region.

These are assets delivered to Moscow by the British or by European oligarchs' intelligence services in hopes of having a lever of control over Soviet policy in the Middle East. The Soviets are quite game to take the assets with the troubled region and run.

Regardless of the origin of Moscow's relationship with these countries, they have provided an opportunity for increased Russian military presence, which has been well exploited. Shortly after the Treaty of Friendship and Cooperation between Syria and the U.S.S.R. was signed in October 1980, Syrian Foreign Minister Khaddam secured large new consignments of Soviet weaponry. In July 1981, when Israel was warning about the newly stationed Syrian surface-to-air missiles in Lebanon, the Soviet navy held its largest maneuvers ever in the Mediterranean Sea, involving 50 ships and a landing operation. One year later, when Israel bombed those installations, the First Deputy Chief of Soviet Air Defenses was hastily dispatched to Damascus for consultations.

The Friendship Treaty itself contains a clause identical to those that codify Soviet relations with its close non-Warsaw Pact military allies in the developing sector. Article 6 specifies that, "In cases of . . . situations jeopardizing peace or security of one of the parties or posing a threat to peace or violating peace and security in the whole world, . . . the parties shall enter without delay into contact . . . with a view to coordinating their positions and to cooperation in order to remove the threat . . . and restore peace."

Relations with Israel

The Russians omit nobody in their cultivation of relationships that could be useful in the Middle East, especially if they might detract from the fading American presence. Early 1982 saw a flurry of diplomatic activity, involving Romania, that augmented ongoing, covert Soviet-Israeli intelligence contacts. Vasile Pungan, the frequent emissary of Romania's President Nicolae Ceausescu to the Middle East, traveled to Israel, Egypt, and Lebanon at a moment when there were reports of new Soviet-Israeli arrangements about emigration of Soviet Jews. Ceausescu has as many ties to the Venetian-origin oligarchy as he does to the Warsaw Pact, but he represents a channel for Soviet overtures without overt Soviet involvement.

Karen Brutents, a deputy of Ponomarev who, like Bovin, sometimes speaks frankly about the exigencies of power politics, said on an April Soviet TV discussion show that "contradictions and divergence of interests" in U.S.-Israeli relations were coming into sharper focus. Prime Minister Begin has complained that the United States treats Israel "like a banana republic," Brutents noted. To this, his interlocutor, think tanker Yevgenii Primakov, rejoined, "However, it also happens that Israel treats the United States like a banana republic. This also happens!" Which goes to emphasize that the erosion of U.S. power is a central premise of Soviet policy in the Middle East today.

Why Israel fights Britain's wars of extermination

by Mark Burdman from Wiesbaden

The startling statement by Israeli Prime Minister Menachem Begin, likening his country's genocidal campaign in Lebanon to Britain's terror-bombing demolition of the German city of Dresden in February 1945, provides insight into the real motivations behind Israel's military action. Leaving aside all the megalomaniac pretensions of the homeopathic Defense Minister Ariel Sharon and his cohorts, the fact is that Israel has chosen to be the bully-boys for launching the era of protracted population-wars in the developing sector desired by the British aristocracy and its Averell Harriman-centered confederates in the United States.

The mass-terror bombing of Dresden by the mad "Bomber Harris" (Air Chief Marshal Arthur Harris), and the even more horrific razing of various cities of Japan, was the leading edge of a strategy concocted by Winston Churchill, psychological warfare specialist Lord Beaverbrook, and special operations executive chief Sir William Stephenson ("Intrepid"), to provide an object lesson in how Europe and Asia would be de-industrialized following the war should Britain have had its way. By conscious design, the entire city of Dresden was set aflame, its civilian infrastructure destroyed, tens of thousands of its population killed, hundreds of thousands more made homeless, and its refugees brutally shot at as they tried to flee the city—just as Israel has now done in Tyre, Sidon, and Beirut.

The grouping behind the Dresden terror was (and is) closely intertwined by family and other connections with the Harrimans and with such Harrimanite figures as George Ball, who was a director from 1943-45 of the U.S. Strategic Bombing Survey. The Strategic Bombing Survey operated in parallel with the British Royal Air Force's campaign to raze German cities to the ground; its aim was "the total dislocation of civilian life" and undermining of morale through mass terror bombing.

Today, Ball is a confidante of Ariel Sharon. He is also an advocate of the forced reduction of the population of Mexico and other developing sector countries, and is a central spokesman for the "population war" doctrine.

As Begin now admits, Israel, with Sharon at the helm, is carrying out the genocidal policy of the British "Air

War" psychotics and their American Strategic Bombing Survey counterparts. The central question we must pose is how Israel, despite the wishes of many of its citizens, has become a captive of these forces. To answer this, we must review the historical evolution of the country, and uncover the stranglehold that the British oligarchy has had on its leadership since its inception.

Britain and 'Jewish Palestine'

As we have documented elsewhere (see "How Britain's biggest racists created Zionism," *Campaigner*, December, 1978), the early rise of political Zionism in the 19th century was not at all a spontaneous eruption arising from Jews, but was rather a carefully constructed conspiracy by the fanatically racist British circles around Lord Palmerston, Benjamin Disraeli, and the notorious Cecil family—the same cluster behind the early expressions leading to Nazism and Italian Fascism. This group had the geopolitical aim of breaking apart the Ottoman empire and establishing, out of its cadaver, a puppet "Jewish State" in Palestine. They wanted this "Jewish State" to be a base of subversion against efforts of Arab nations (particularly Egypt) to develop in collaboration with the powers of continental Europe. It is this legacy that Israel today is still manifesting in various of its extreme adventures over the past years of the Begin regime.

The "window of opportunity" for the British came with World War I, and Turkey's entrance into the war on the side of Germany. Sir Herbert Samuel (of the Venice-linked Samuel and Montagu families), Lord Robert Cecil, Round Table coordinator Lord Milner, and the special "Garden Suburb" advisory group of Prime Minister Lloyd George (Leo Amery, Philip Kerr/Lord Lothian, William Ormsby-Gore, and Sir Mark Sykes) colluded together in favor of the Zionist option in the 1914-17 period. Sykes is particularly interesting, since it was he who concluded the famous Sykes-Picot Agreement, with his French counterpart Georges Picot, dividing the Mideast into French and British spheres of influence on the basis of Britain reneging on various previous commitments it had made to Arab leaders.

Since the British art of double-cross knows no bounds, however, Sykes immediately back-stabbed the French in turn, by making separate promises to the Zionists for a Jewish homeland in Palestine, a region which had been originally envisioned by Sykes-Picot to be under international management.

The British game to undercut the French and other European powers produced Foreign Secretary Arthur Balfour's November 1917, "Balfour Declaration," promising a "national homeland for the Jews in Palestine," which, as events turned out, was legitimized by the League of Nations in the context of a British mandate for all of Palestine. The British racists now had their long-sought-after "Jewish buffer."

The British at that point elevated the manipulation of Zionist paranoia to a fine art. As Palestine High Commissioner, Sir Herbert Samuel sponsored the rise to power in the Arab community of Palestine of the notorious Grand Mufti of Jerusalem, Haj Amin al-Husseini, later a close collaborator of Adolf Hitler. Other capabilities associated with St. John Philby (father of triple-agent Kim Philby) and the Cairo-based Arab Bureau of the British Secret Intelligence Service (SIS) were also brought into play to build up an "Arab terrorist" capability aimed at the Zionists. The Mufti's gangs committed terrorist atrocities and there were extreme Zionist counter-actions, all leading up to spectacular Arab-Jewish confrontations in 1921 and 1929.

Britain's control agent on the Jewish side was Irgun militia commander and Menachem Begin's mentor Vladimir Jabotinsky, an ally of Italian and East European fascist movements. A raving Anglophile, Jabotinsky shared the British oligarchy's view of the Arabs as, in his words, "infinitesimally puny," and had the following to say about Britain itself in a 1929 interview: "It would be a blessing for any land to become a partner in the British Commonwealth of free peoples. . . . The invisible tie binding Britain and the dominions is the most remarkable achievement in the world's political history. . . . The core . . . of British statesmanship is a thing of almost divine inspiration."

Hence the currently exhibited slavish devotion of Jabotinsky's protégé Begin to British racist war policy!

British creation of Israeli strategy

In the 1930s, British intelligence coordination and manipulation of the Zionists laid the basis for three of the main foundations of what was to become Israeli state strategy in the post-1948 period.

The first of these is the concept of **massive retaliation**.

Jabotinsky's extremism became hegemonic in mainstream Zionist strategy through the agency of a top Scottish intelligence officer, Orde Wingate. In the late 1930s, Wingate, a Protestant fundamentalist whose favorite habit was to sit naked on the floor reciting

mystical mumbo-jumbo supposedly taken from the Bible, forced the formation of Zionist "special night squads" that responded to Mufti-inciped terrorism with large-scale retaliation, according to the principle of "one-hundred-eyes-for-an-eye, one-hundred-teeth-for-a-tooth." In the face of some Zionist reluctance to implement his policies, Wingate made bombastic exhortations about the glory of the cultish Maccabean military sect of Roman Empire times and had captured Arabs publicly tortured and shot to death, to "stiffen" the Zionist militias' resistance. Through Wingate's and related efforts, Zionist forces were incorporated into British policing actions against Palestinians in the 1936-39 period that resulted in as many deaths, proportionate to the entire Palestinian population, as if 1,000,000 Americans were to be killed.

One of Wingate's protégés was the young Moshe Dayan, who in later years received military training in Great Britain. Together with Sharon (trained in the late 1940s at Camberley Staff College in Great Britain), Dayan in the early 1950s formed, on Wingate's guidelines, the so-called Brigade 101 counter-terrorism units. In response to incidents of relatively small-scale terrorism by Arab infiltrators into Israel, Brigade 101 carried out retaliatory slaughters against Arab villages in the West Bank and the Gaza Strip. These actions produced a cycle of violence and counter-violence contributing to the 1956 Suez confrontation and years of Arab-Israeli confrontation thereafter. The chain of connection from Wingate, through Brigade 101, to the current Lebanon extermination is self-evident.

A second aspect of Zionist strategy originating in the 1930s under British orchestration is the notion of **technetronic warfare**. This idea, combining sophisticated communications grids, intensive psychological warfare and media mass manipulation, and the emergent cult of **air power**, was architected by the aforementioned British nexus of Churchill, Beaverbrook, and Stephenson, with Harriman prominently representing the American side of the operation. This group overlapped members of the so-called Cliveden Set (the Astors, Lord Lothian, Leo Amery, Lord Brand, etc.), for whom Zionism and Nazism were only flip sides of Freemasonic-tinged race-cults to be used to achieve a global policy of de-industrialization and re-feudalization under British oligarchical direction. The same nexus, as we have seen, produced the policy of mass terror bombing of Germany and worked with the U.S. Strategic Bombing Survey in the United States.

British intelligence Special Operations Executive (SOE) coordinator Stephenson co-opted Zionist leader Chaim Weizmann into his intelligence network, and conceived of the Jewish homeland in Palestine as a potential "high-technology" extension of British intelligence and psychological warfare activities directed

The carnage in Lebanon

by Nancy Coker

The ongoing Israeli invasion of Lebanon conducted by Defense Minister Ariel Sharon and Chief of Staff of the Israeli Defense Forces Rafael Eytan has turned into one of the bloodiest military actions in history. In the first 10 days of fighting, tens of thousands of innocent Lebanese civilians have been killed in bombing raids or gunned down while trying to flee their besieged cities or villages.

Reports by the United Nations, the Palestine Liberation Organization, and the U.S. State Department estimate that more than 10,000 civilians have been killed or wounded since Israel launched its invasion of Lebanon June 6. Some estimates go as high as 40,000. These figures do not include the thousands of PLO casualties of the war. Deaths of Palestinians are probably mounting by the hour since the Israelis are not treating captured Palestinians as prisoners of war protected by the Geneva convention, but instead are classifying them as captured terrorists.

Prime Minister Begin, and the other Israeli leaders who are calling the invasion operation "Peace for Galilee," justify the mass killing with the logic that one Jewish life is worth more than the lives of others, that the sacrifice of one Jewish life warrants an "eye-for-an-eye" revenge on the scale of thousands for one, and that at all costs another Jewish holocaust must be averted. The irony of the situation—tragic for Lebanon and for Israel—is that in the name of preventing another holocaust, Israel is conducting a holocaust.

Systematic genocide

The carnage in Lebanon has shocked observers on the scene. According to the Red Cross, there are now 500,000 refugees in southern Lebanon—almost the entire population of the area. Lebanon's total population is 3 million, of whom 1 million live in Beirut. In the week following the invasion, Israel has carried out systematic and indiscriminate bombings of Lebanon's towns and villages and of Palestinian camps, killing men, women, and children alike. According to U.N. observers, especially lethal high explosives and incendiary phosphorous bombs have been used, causing extensive damage and igniting

raging fires that can be extinguished only with special foam.

Israel has also used antipersonnel cluster bombs in Lebanon. A hospital for tuberculosis patients in Aazzouniye was nearly destroyed by these special explosives, which spray hundreds of smaller bombs when dropped from planes. Cluster bombs were also dropped on the Palestinian refugee camp of Bourj el Brajneh near Beirut. In 1978, Israel's use of the cluster bomb in its invasion of Lebanon provoked such public outcry that the U.S. Congress considered canceling further arms shipments to Israel on the grounds that cluster bombs are to be used only for defensive, not offensive, operations.

The assault on the port city of Tyre was particularly gruesome. Before razing the city to the ground, the Israelis gave the city's residents the option to assemble on the beach before the shelling began. Thousands did so, and were left stranded there for days, without food or water. Israeli military authorities have officially blocked all U.N. relief efforts, saying that "all humanitarian questions would be handled by Israel." According to U.N. sources, Israel has clamped "unparalleled secrecy" on its operation in Lebanon, and closed the border to all reporters.

In Beirut, whole sections of the city have been leveled in what have been described as Dresden-style bombing raids, and thousands of people have been killed or trapped alive in collapsed buildings. An estimated 125,000 Beirut residents have fled their homes and taken refuge in the Christian parts of the city, while wave after wave of Israeli jets have pounded West Beirut, the area considered the PLO's stronghold.

Throughout the country, food, water, milk, medicine, and electrical power are in short supply or unavailable. On the first day of the invasion, Israeli planes systematically destroyed as much of Lebanon's civilian infrastructure as they could. Roads, bridges, and industrial sites were bombed. The Zah-rani oil refinery, Lebanon's main source of oil, was destroyed in the first day of fighting, as were several water-bottling plants.

toward the Middle East. As we will see below, the SOE co-optation of Zionist networks introduced the air power cult into the Zionist milieu, and implanted in Zionist intelligence circles tried-and-true British methods for playing different groups off against each other throughout the Middle East. This is seen most graphically in recent Sharon-dictated efforts to seek the mutual destruction of Iran and Iraq in that bloody theater of conflict.

This latter effort is most directly relevant to the third foundation of Zionist strategy—the **demographic obsession as such**. One key reason that Israeli strategists are so easily drawn into Harrimanite “population war” adventures is that, for largely racialist reasons, there is a fixation in Zionist circles that the Arab birth rate will surpass that of the Jews, especially in Palestine and in areas contiguous to it. This propels the Zionist strategists, on the basis of Malthusian thinking, to seek transfers of Arab populations **away from Palestine**, and to seek control over perceived scarce resources, such as water (hence the importance of control of Lebanon’s Litani River in the current military campaign).

From this standpoint, in the 1948 war with the Arabs, the Zionist militias at times employed random terror to force population movements. This is virtually boasted about by Menachem Begin, in his book *The Revolt*, in respect to the notorious 1948 Irgun massacre in Deir Yassin village. It was also the thinking of Israeli Prime Minister David Ben-Gurion. Describing the 1948 confrontation with the Arabs, Ben-Gurion biographer Michael Bar-Zohar writes: “Ben-Gurion was still skeptical about any possibility of coexistence with the Arabs. The fewer there were living in the frontiers of the new Jewish state, the better he would like it. . . . A major offensive against the Arabs would not only break up their attacks but would also greatly reduce the percentage of Arabs in the population of the new state. This might be called racialism, but the whole Zionist movement was based on the principle of a purely Jewish community in Palestine.”

Hence the 1948 war produced upwards of **500,000 refugees** out of Jewish-controlled areas. The 1967 war created an almost-as-massive flow out of the West Bank into Jordan. The current Lebanon war is displacing more hundreds of thousands. A further conflict involving the West Bank, forcing another massive flow into Jordan and the Gulf states—and thereby fulfilling British destabilization aims for the entire region—cannot be excluded in the period immediately ahead.

The case of Gen. Dan Tolkovsky

The merger of the three strands we have identified was most graphically illustrated in the 1967 “Six-Day War,” and in the ensuing, although less publicized, “war of attrition” against Egypt of 1969-70, during

which perpetual Israeli bombing raids destroyed massive chunks of Egyptian industrial infrastructure, creating problems for the economy which remain unsurmounted to the present day.

The architect of the air power capability behind this devastation was one Gen. Dan Tolkovsky, air force commander during the 1967 war. Tolkovsky’s case sums up in itself the entire set of contentions we have been making up to this point.

Today, *Tolkovsky is the sole Israeli member of the Club of Rome*, the “limits-to-growth” organization at the command-center of the global population-reduction and regional war efforts. This alone indicates that Israel’s touted air war against Egypt had little to do with defending Israel against “Nasser’s aggression,” but instead indicates that the Israeli air power was set up to create a radical economic and demographic devolution in the Arab world—a mini-“strategic bombing survey” for that time.

Tolkovsky has been since otherwise rewarded. He is the present director of the Israel Discount Bank, the affiliate in Israel of Barclay’s Bank, which is a core initiation point for British oligarchical policy. Notably, in 1967, the same year as Tolkovsky’s air war, future Foreign Secretary Lord Carrington was made a director of Barclay’s, and in mid-1970s became a top man in its international division. Carrington, it is generally known, pulled the strings on events leading toward Israel’s latest atrocity in Lebanon, operating from behind-the-scenes. The powerful Israeli Discount Bank, directed globally by the Italian Jewish oligarchical Recanati family, is a thus key channel for British-Israeli intelligence coordination of the regional population-war policy.

To the same point, obese genocidalist Sharon is also controlled by the oligarchical circles behind the “population war” policy. His liaison to George Ball has already been cited, and he reportedly also acts under the aegis of leading British mideast manipulator Lord Caradon, a director of the pro-genocide Population Crisis Committee of the Draper Fund.

Sharon’s personal aide is West Bank administrator Col. Menachem Milson, an agent of the Colorado-based Aspen Institute, which is a prime planning center for population wars in the developing sector. A confirmed mystic, Milson has a particularly butcherous policy for the West Bank Palestinians, fully consonant with the current stated Nazi-modeled aim in Lebanon of “purifying” the area of supporters of the PLO. Using British colonial methods, Milson is pitting more backward ruralist village groups against urban-centered political groups in the West Bank, to break the back of PLO support. This policy, in three months of implementation, has led to more bloodshed on the territory than had occurred in the previous 15 years combined!

After the Malvinas war: Latin America's options

by Robyn Quijano, Latin America Editor

In the aftermath of the final battle in the Malvinas islands, governments throughout the world must confront a harsh reality: the Malthusian policies described in the State Department's *Global 2000 Report*, a policy of racist genocide targeting half of the world's population, has become official policy of the United States government, NATO and the European Community. This policy is backed officially by the military might of the NATO countries, the most advanced "technetronic" capabilities, and the blackmail of tactical nuclear strikes against any developing nation that dares to fight back. The British, using U.S.-supplied technology being tested in battle for the first time, decimated the Argentine army with infrared goggles permitting night surprise attacks and missile launchers guided by laser guidance systems.

Maggie Thatcher, after making the fight for liberty for the 1,800 Kelpers on the Malvinas "a matter of principle," asserted that she would hold 11,000 Argentine soldiers hostage until she gets the kind of surrender the Empire demands. This includes billions of dollars in reparations, according to various sources, and the absolute denial of any further Argentine claims to sovereignty over the islands the British stole from Argentina in the 19th century.

For the British, their colonialist war has only begun. The international oligarchy intends to make a horrible example of the nation that dared to fight British colonialism. The new stage of oligarchist war against the American continent will require "wars, pestilence, and famine" to cut the population in half, beginning quickly with Mexico (see article, page 53).

Lyndon LaRouche, Chairman of the Advisory Board of the National Democratic Policy Committee, warned in Mexico during the last week of May that the nations of Latin America must understand that every Argentine pilot that lost his life was doing so to save the entire continent. He warned that the British adventure in the Malvinas would be only the first step.

Now, after the continental defeat at the battle for Port Stanley (Puerto Argentina), events are proving LaRouche right. While factions within the Argentine military dampened their forces' efforts weeks before that defeat for fear of suffering excessive losses, it has become clear that total war must be fought against those determined to impose genocide on the entire continent.

Crisis in Argentina

Before Argentine President Galtieri was forced to resign, he described the reasons for the defeat: "Our troops fought with more courage than weapons against the overwhelming superiority of a power supported by the military technology of the United States, which surprisingly [became] the enemies of Argentine and her people." The Argentine military had been led to believe that the United States would remain neutral in the conflict, and correctly assumed that without U.S. backing for the colonialist war, they could have defeated the United Kingdom. The Argentine daily *Convicción* editorialized on June 14 that the Argentines had very good reasons to believe that Washington would remain neutral. The fact that the State Department deliberately misled the Argentine government in order to launch the

war that would start NATO out-of-area deployments, set up a large military base in the South Atlantic, and will force devastating conditions on Latin America, is being widely and bitterly discussed in Buenos Aires.

Galtieri, who refused to sign any terms of surrender that would commit Argentina to give up claims of its sovereign rights over the islands, was forced to resign, handing over the presidency for a short interim period to Interior Minister Alfredo Oscar St. Jean, until the Junta meets to choose a new President. St. Jean is known as a hard-line nationalist with the same intolerance as Galtieri for U.S. betrayal.

Long mooted as a possible presidential contender, he had developed a working relationship with the opposition parties, arguing for an orderly institutional transition to representative government.

St. Jean, like Galtieri, argued that Argentina must fight to the end, and is therefore not acceptable to either London or the State Department.

The Anglophile press in the U.S. reports that the real powerbroker in the new government will be General Cristino Nicolaides, who replaced Galtieri as Chief of Staff. Nicolaides, former head of the Buenos Aires-based First Army Corps, represents the grouping within the army which contends that the costs of the war were too high, therefore Argentina should accept defeat and strike a deal with Alexander Haig, who promises to pressure Britain to be moderate in victory, if Argentina acts "reasonable."

According to the *Latin American Newsletter* of London, General Nicolaides is a close friend of Haig's special Latin American adviser Vernon Walters, an Averell Harriman protégé. Sources agree that Nicolaides's "military-only" policies would provoke the civilian parties. Argentine diplomatic sources in Europe have expressed concern over Walters's activities in subverting the war effort and preparing a State Department government for Buenos Aires. Any such government would quicken the current popular unrest, fostering civil-war conditions. Such circumstances are high on the list of strategic aims within the State Department, which supports the Global 2000 plan for slashing the developing-sector population.

Regional wars

The Aspen Institute, which was so energetic in promoting the installation of the Ayatollah Khomeini in Iran, issued a blueprint for the post-Malvinas subjugation of Latin America a week before the final battle at Port Stanley. The report, entitled "Governance in the Western Hemisphere," identifies the enemy as "the persistence and depth of such concepts as nationalism, *Hispanidad*, fears of dependency, and competitive feelings between the developed and developing worlds." The study predicts that border conflicts will persist

during the 1980s; profiles potential regional wars; and recommends a dictatorship of international agencies such as GATT to impose British free-trade economic looting.

The authors of the report include operatives from the Brandt Commission, Club of Rome, and World Bank, as well as members of the Sovereign Military Order of Malta, the strategists of oligarchical policy internationally.

The accelerated move to blow up Latin America in regional conflicts was further confired by an agent of Britain's IISS who discussed British plans to continue their war against Argentina by provoking border conflict throughout the continent. The old State Department "War of the Pacific" scenario developed by British agent Luigi Einaudi will be exploded, with Peru and Chile fighting a war which would draw in Argentina. Guatemala and neighboring Belize will begin hostilities which will threaten the Mexican border and be used as an excuse for U.S. troops to invade Mexico on the pretext of protecting U.S. strategic oil supplies. The other flash-point is the disputed territory between Guyana and Venezuela. The Port of Spain accord, a pact on border stability, ran out on June 18, leaving easily manipulated tensions between the two nations.

The Chilean-Argentine territorial dispute is heating up. On June 17 the *New York Times* filed a story from Santiago reporting Chilean fears that Argentina will make up for its defeat by attacking Chile. "Chile says it will treat any aggression as complete war, and will retaliate by sea, ground, and air anywhere along the country's 2,000-mile border as well as anywhere else in Argentina," states the *Times*.

The British are openly fueling these tensions by putting out a televised report that the British established a special deal with Chile to install a system of electronic surveillance in Chilean waters of Argentine bases. "Chile will continue to deny this connection formally, but during the crisis, its government responded with the spirit of friendship and collaboration towards England," the program reported.

American-wide response

LaRouche's message to the Argentine people and the rest of the population of Ibero-America, that they must unite and continue the war by creating new economic institutions for the continent, using the combined threat of defaulting on multi-billion-dollar continental debt against London was broadcast on TV, radio, and press in Buenos Aires, where *EIR* Latin America Editor Dennis Small is meeting with political, military and business circles.

"Try U.S. Secretary of State Haig for Treason" was the headline of an interview with Small in the June 14 edition of *Convicción*, a Buenos Aires daily, where he

detailed LaRouche's views.

The nations of the Americas must jointly create the kind of pressures which will force a change in U.S. policy; they must create shocks that will force the United States back to reality, asserted LaRouche.

The nature of NATO's plans and Alexander Haig's role in Britain's genocidal undertaking has become clear to many political figures who back Argentina's fight for sovereignty. One remarkable statement of this came from Panamanian President Arístides Royo (excerpted below), who lamented the U.S. destruction of the inter-American system, "one of the few established and ongoing institutions for North/South integration," and called for "a Latin American security system" without the United States.

Former Venezuelan President Carlos Andrés Pérez in mid-June made a similar proposal in Caracas: "I believe, that without rejecting the existence of the Organization of American States and the Rio Treaty, the Latin American countries must exclusively write a new treaty of security and defense. The conflict in the Malvinas has demonstrated that when we have problems with a country from the North, even extra-continental problems, we will not have the backing of allies or even the United States."

The following are excerpts of the speech given by Dr. Arístides Royo, President of Panama, to the second United Nations General Assembly session on Disarmament on June 14:

It need be said, so that there will be no mistake in this regard, that the peace desired by all humanity is not the false peace imposed by force of arms, nor the precarious peace based on the fallacy of an arms balance, but a deep and lasting peace, rooted in a new economic order which offers security to all nations. . . .

The member powers of the Atlantic Alliance split shortly after the [Second World] War into two forces which a growing rivalry would define as two antagonistic blocs. Thus the arms race began, involving nuclear arms as well as those which, by convenient and perverse euphemism, are labeled "conventional arms." . . .

One cannot underestimate these factors. Eighty percent of weapons costs consist of non-nuclear "conventional" arms. In 1980, Third World countries had already doubled their military expenditures in respect to 1971, and currently 75 percent of all arms sales in the world goes to the underdeveloped countries. . . . These arms and military technology are imported by diverting resources and foreign exchange from peaceful development. . . .

As long as the superpowers continue to violate their fundamental international obligation to eliminate colon-

ialism and other forms of hegemony, [to practice] non-interference, and to respect the self-determination, independence, sovereignty, and integrity of our nations, these powers will force us to arm to defend ourselves from their overt and covert abuses. . . .

We do not view disarmament as the elimination of armies, but as the proper reformulation of the army's role in society. What we do criticize is the obstinate insistence of privileged minorities and foreign interests on humiliating the military institutions by involving and committing them to anti-national and repressive projects, in defense of unjust and obsolete structures. . . . We want military institutions committed to the integral development of the nation, patriotic and active among their respective peoples and in the service of technical, productive and social development tasks in their own countries. These are the military forces that can best contribute to security, stability, and peace. . . .

Inter-American system shattered

The Malvinas crisis has shattered the inter-American system, one of history's few systems of North-South political unity, by demonstrating that reciprocal agreements between the northern powers have pre-eminence over continental solidarity.

We wish to preserve the best of relations with the United States, a country to which we are tied by a long history of cooperation. . . . But it would be useless to try to hide the fact that recent experience has forced . . . us to realize that the concept of reciprocal assistance for collective defense and security in our America must be an essentially Latin American concept, and that it must be institutionalized as such, for we have seen that including a northern power within this family can be tantamount to bringing in a Trojan horse. . . .

The hostile, aggressive, and bellicose actions carried out by Great Britain against Argentina have caused just indignation and resentment among all the Latin American nations, worsening the United Nations' institutional crisis, irreparably traumatizing the inter-American system, and destroying the Rio Treaty's collective-security system. . . .

It has been rightly said that in Latin American countries, the concepts of militarism and independence are linked from the moment our republics were born, and that the first citizens of our free homelands were the soldiers who fought for them. The disillusionment suffered by Latin America because of the unexpected United States decision to render TIAR [the Rio Treaty] useless has made it clear that Latin America has neither reason nor desire to belong to any of the military alliances of the East or the West. Latin America must therefore proceed to take up again the values which presided over her independence struggle. . . .

The NATO summit endorses 'out-of-area' deployments

by Mary Lalevée, Wiesbaden Bureau Chief

Mme. Lalevée was EIR's correspondent at the June 10 NATO summit meeting. The following is excerpted from a lengthier report she filed from Bonn.

The chief executives of the 16 members of the North Atlantic Treaty Organization (NATO) met for a grand total of six hours in the West German capital on June 10, and endorsed three previously prepared statements. There was little deliberation, and at first sight, little departure from NATO's previous policies.

However, the heads of government officially endorsed what had been a profound break in NATO's self-definition—the defense ministers' May 7 vote to encourage support for and participation in “out-of-area” NATO deployments beyond the North Atlantic.

This was a victory for Great Britain—whose war against Argentina represented a test run for NATO deployments against underdeveloped nations. The British script has been signed into Atlantic Alliance policy: a buildup of U.S., British, and French bases and “Rapid Deployment Force” capabilities.

The resolutions and the climate

The first document ratified was a “Programme for Peace in Freedom.” It stresses that the aim of the alliance is to “deter aggression” and “strengthen peace by means of constructive dialogue.” Criticism of the U.S.S.R. as “ultimately willing to threaten or use force beyond its own borders” is mild. The document's six points specify:

1) “Our purpose is to prevent war. . . . None of our weapons will ever be used except in response to attack. We respect the sovereignty of all states. 2) Our purpose is to preserve the security of the North Atlantic area by means of conventional and nuclear forces. . . . 3) Our purpose is to have a stable balance of forces at the lowest possible level, thereby strengthening peace and international security. 4) Our purpose is to develop substantial and balanced East-West relations aimed at genuine détente. For this to be achieved, the sovereignty of all states, wherever situated, must be respected. . . . 5) Our purpose is to contribute to peaceful progress worldwide; we will work to remove the causes of instability, such as underdevelopment or tensions which

encourage outside interference. We will continue to play our part in the struggle against hunger and poverty. . . .

“We will consult together as appropriate on events in those regions which may have implications for our security. Those of us who are in a position to do so will endeavour to respond to requests for assistance from sovereign states whose security and independence is threatened. 6) Our purpose is to ensure economic and social security for our countries, which will strengthen our joint capacity to safeguard our security. . . . [W]e attach the greatest importance to the curbing of inflation and a return to sustained growth and to high levels of employment.”

President Reagan's new “arms control” campaign, which was praised by the NATO summit resolutions, made possible a greater degree of surface unity on East-West relations than on other issues. As Chancellor Schmidt noted with evident relief, the leaders reaffirmed their adherence to the principles of the 1967 NATO “Harmel Report”—strengthening of alliance defenses alongside efforts at arms negotiations with the Warsaw Pact, the basis upon which the Chancellor in 1979 accepted the plan to deploy “Euromissile” Pershing IIs and cruises in West Germany. Rather than throw out the word “détente” altogether, as the U.S. administration proposed, the communiqué approved “balanced East-West relations aimed at genuine détente.”

The pledge to “ensure economic and social security for our countries,” included at the behest of West Germany, was more reasonable than the prevalent discussions of military strategy which ignore the West's unraveling industrial base. The reference to “responding to requests for assistance from sovereign states whose security and independence is threatened” brings us, however, to the second NATO protocol.

Entitled “Document on Integrated NATO Defense,” that agreement first specifies that the NATO members will “continue to improve NATO planning procedures and explore other ways of achieving greater effectiveness in the application of national resources to defense, especially in the conventional field. . . . explore ways to take full advantage, both technically and economically, of emerging technologies, especially to improve conventional defence, and take steps necessary to

restrict the transfer of militarily relevant technology to the Warsaw Pact.”

The formula on technology transfer foreshadowed a more stringent approach to East-West trade, which prompted West German Chancellor Helmut Schmidt to tell the press afterward, “While some people may take [the declaration to mean a ban on exports of] knives and forks, and say that knives and forks may be put to military use, we do not mean that. It is clear that the declaration will be interpreted in different ways by different NATO members, especially by the Federal Republic.”

Out-of-area deployments

British Secretary of State for Defense Peter Blaker had told journalists publicly at the beginning of June that the summit would discuss “out-of-area” deployments by NATO members, that the Falklands war would be a “test run” for such deployments, and that the policy would be formally approved. So it was. The “Integrated Defense” declaration concludes with a paragraph repeating almost word for word the NATO Defense Ministers’ statements in Brussels on May 7, affirming the out-of-area expansion:

“Noting that developments beyond the NATO area may threaten our vital interests, we reaffirm the need to consult with a view to sharing assessments and indentifying common objectives, taking full account of the effect on NATO security and defence capability, as well as of the national interests of member countries. Recognizing that the policies which nations adopt in this field are a matter for national decision, *we agree to examine collectively in the appropriate NATO bodies the requirements which may arise for the defence of the NATO area as a result of deployments by individual member states outside that area. Steps which may be taken by individual allies in the light of such consultations to facilitate possible military deployments beyond the NATO area can represent an important contribution to NATO security* [emphasis added].”

In her speech at the summit, British Prime Minister Maggie Thatcher expressed the momentum embodied in this provision. She made no mention of “respect for sovereignty,” no mention of “requests for assistance,” no mention of détente and economic security. She first stressed the call for a conventional arms buildup, stating that “to be credible in the eyes of a potential aggressor, we must have sufficient conventional defenses, and this means that we must convince our publics that they must pay the necessary price.” She continued: “There is another area in which change is needed. Our fortunes are affected by developments *outside the NATO treaty area* [emphasis in original]—as Afghanistan reminds us most vividly. Our dependence on imported oil supplies

and raw materials means that we have a crucial interest in the maintenance of stability throughout the world.

“But we know that the system of deterrence which has maintained stability in Europe cannot be applied elsewhere. We need to devise a strategy which exploits the assets which we each possess, whether political, economic, commercial, or military. We need to identify political trouble spots, to agree upon our objectives, and upon the measures necessary to achieve them.

“This does not require that the members of the alliance should invariably support each other, whatever or wherever they are engaged, or that members should only embark upon activities which the others support. *Nor does it require the alliance to revise the North Atlantic Treaty to enable it to act firmly outside the NATO area* [emphasis added].” As *EIR* revealed (May 4, 1982), the British plan is for “informal arrangements” rather than politically difficult treaty revision.

The third summit document reaffirmed NATO’s arms-control negotiation posture.

Splits among the allies prevented them from issuing any statement on Israel’s invasion of Lebanon or on the Malvinas crisis. NATO Secretary-General Joseph Luns, faced with the job of explaining this silence to the press, said with a straight face that these crises were outside the NATO area! The European Community’s Foreign Ministers had held an emergency session just before the summit and condemned Israel’s “gross violation of international law,” while the Saudi Foreign Minister arrived for urgent in-between meetings with President Reagan and Chancellor Schmidt; Mr. Reagan was also in direct communication with Soviet President Brezhnev on the Lebanon crisis.

The U.S. President delivered the formal rationale for a conventional arms push in his speech to the Bonn parliament the day before the NATO summit, when he said that “alliance security depends on a fully credible conventional defense to which all allies contribute. There is a danger that any conflict could escalate to a nuclear war. Strong conventional forces can make the danger of conventional or nuclear conflict more remote. . . .” He omitted any reference to détente, while voicing a proposal for East-West reduction of group and air forces in Europe which represented no significant new initiative.

Chancellor Schmidt put himself on the sidelines, abstaining both from the worst side of the NATO resolutions and from an affirmation of the depth of the crisis. In his speech to the summit, Schmidt had once more accurately stressed that economic strength is essential for military security. “In the global rivalries between the systems of East and West,” he said, “the ability to maintain economic and social stability has—and I deliberately use this word—a strategic impor-

tance. For without internal tranquility, external peace is in jeopardy.”

He emphasized, after the summit, his commitment to continuing détente, stating that the alternative is nothing but confrontation; he was widely reported to have urged this view on Mr. Reagan. Pressed on the question of NATO out-of-area preparations, he repeatedly asserted that there was “no expansion of NATO.”

In reply to a question by *EIR* Bonn Bureau Chief Rainer Apel, Schmidt insisted that “neither the Middle East, Southwest Asia, nor South America belongs or should belong to Europe or to NATO; NATO’s boundaries are in Europe,” adding that West Germany would take no responsibility for actions by other NATO members outside the treaty area. He emphasized that the wording of Paragraph 5E on out-of-area deployments, referring to countries “in a position to do so,” meant *legally* in a position to do so. West Germany’s armed forces are constitutionally limited to defense of the territory of the Federal Republic. However, such qualifications are unlikely to impress Mrs. Thatcher or Mr. Haig, whose plan is for West Germany to increase its European theatre contributions to free up Britain, France, and the United States for interventions below the Tropic of Cancer.

Secretary-General Luns, a Dutch nobleman who was responsible for overseeing NATO’s creation of the environmentalist and peace movements in order to put a ceiling on global technological advances (see *EIR*, June 15), was bombarded with questions about out-of-area policy and the potential use of the U.S. Rapid Deployment Force. He answered, “Out-of-area deployments? Why, that is not new. There have been many military interventions by NATO members outside the NATO area—the French in Indochina, the Americans in Vietnam, the French in Algeria. . . . Third World nations who criticize this policy had better study history; I would say they are not well-informed.”

Luns was asked again after the summit whether NATO would be expanded to include out-of-area military deployments. His banner of imperial glory drooped, and he said that he “could not remember” whether deployments out-of-area had been “specifically” mentioned during the meetings! To the astonishment of the press corps, he proceeded to affirm that he was “hot” and “needed a bath,” and hoped that the journalists would take a bath too.

Secretary of State Haig, the author of Washington’s support for Britain’s war in the South Atlantic, in his own press conference after the summit, declared how happy he was that for the first time NATO had officially recognized that “crises” outside Europe could affect NATO’s security. In future, he said, “working groups will be established to follow Third World crises.”

WEST GERMANY

Former Nazis control ‘green-peace’ groups

by Vin Berg

Nazis, featuring unrepentant former figures in Hitler’s SS, occupy commanding positions in the international “peace” and “environmentalist” movements, according to security investigators of the West German-based *Spuren und Motive* and U.S. *Investigative Leads* newsletters. The two publications, directed at a readership among the law-enforcement and intelligence communities, warn that assassination capabilities controlled by these fascist networks under cover of “environmentalist” organizations are now threatening the life of Helga Zepp-LaRouche, Chairman of the European Labor Party (EAP) and wife of *EIR*’s founder, Lyndon LaRouche.

Among the investigation’s findings:

- **Armin Mohler**, formerly of Hitler’s SS and now head of the **Siemens Foundation**, is founder and leader of the “**new right**” movement in Europe.

- **Herbert Gruhl**, former chairman of West Germany’s **Die Grünen** (Green Party), is an avowed neo-Nazi who convinced Germany’s most publicized Nazi organization, the **NPD** (Nationaldemokratische Partei Deutschlands) to adopt a program of using environmentalism to rebuild Europe’s fascist movement, and “try again.” Gruhl’s own **Green Future Action** (Grüne Aktion Zukunft) organization, composed of Nazis and Nazi sympathizers, dissolved itself into Die Grünen in 1979.

- **August Hausleiter**, Die Grünen executive board member until 1980 with strong continuing influence, founded and led **Deutsche Gemeinschaft**, which changed its name and became Germany’s first environmentalist organization after a celebrated 1960s court case which found the group in violation of the anti-Nazi sections of the West German constitution.

- **Udo Reinhardt**, among Die Grünen candidates in September 1981 Hannover city elections, is also a leader of a group seeking the revival of Nazism (**Nationalrevolutionären Aufbauorganisation—Sache des Volkes**). He was exposed, but Die Grünen voted that he remain a candidate.

The investigation shows that former Nazis, elements of similar fascist pedigree in other European nations, and their “second-generation” followers, occupy leadership positions at all levels of the “green-peace” movement—largely because these **Black International** elements did most to create the movement in the first place.

At the highest level, they believe that destroying the credibility of constitutional-republican order with "left-wing" and "right-wing" terrorism, and Jacobin-like mobs, is an appropriate way to bring fascist forces into dictatorial power again in Europe. Hence the prevalence of fascists in the movement's leadership, despite the left-wing rhetoric in the movement's pronouncements.

Armin Mohler

Stern magazine, in a recent article, identified the presence of **Die Rote Nazi**, or the "Red Nazi" network, in the environmentalist/peace movement. Mohler, a former officer in the Swiss SS, occupies the powerful position of director of the Siemens Foundation, and has a circle of collaborators grouped around Count Schrenck-Notzing's *Criticon* magazine. He is among the chief theorists of the Black International, which controls an extended network of magazines and organizations ranging from "solidarists," "national revolutionaries," ethnic "separatists" and "autonomy" groups, to hard-nosed professional assassins. His influence extends to all sections of the greenie-peace movement in Europe.

Typical is *BDS Informationen*, published by the **Bund Deutscher Solidaristen** (BDS), a group defining itself as "national revolutionary" in the tradition of Gregor Strasser, head of Hitler's dreaded Sturmabteilung (SA). BDS spokesman **Klaus-Dieter Ludwig**, a Darmstadt bank manager, has stated that "overpopulation" is the major problem in the world, "especially the increasing birth rate of Mediterranean people that must be cut back."

The statement reflects the views of the elite **Club of Rome**, which backs both the Nazi networks and "peace" and "environmentalist" movements more broadly. The Club, founded by **Aurelio Peccei**, a corporate representative of Europe's "black noble" families, and **Dr. Alexander King**, a British intelligence executive seconded to NATO, declares overpopulation a threat to "natural resources," and was founded to promote genocide against "colored" races to preserve resources for the "Anglo-Saxons." The neo-Nazi NPD supports and funds a group in Hamburg, **List for Containment of Foreigners**, which reflects Club views by arguing that its program is a path to a "clean environment," emphasizing the threat of darker-colored peoples using up resources.

The extent of neo-Nazi influence is also reflected in **Muammar Qaddafi's** recently publicized role in funding "peace movement" activities, after Austria meetings with "green" leaders last March. Qaddafi is also proven to have funded the neo-fascist group responsible for the August 1980 Bologna, Italy train station bombing that left 80 dead. Qaddafi's career was launched and supported by financier Licio Gelli, former torturer in

Mussolini's secret service (OVRA) and fugitive leader of the outlawed **Propaganda-2** Freemasonic Lodge in Italy.

Qaddafi now funds *Wir Selbst* (*We Ourselves: A Magazine for National Identity*). **Prof. Henning Eichberg** of the University of Copenhagen, who has called Mohler "the master of the history of ideas," is the leading theoretician of *Wir Selbst*. It is contributed to by a tightly-knit network of "anthropologists" expert in profiling ethnic minorities for "separatist" movement organizing, and also permits Eichberg to exert controlling influence over virtually all "autonomist" movements in Europe. Eichberg's policy is "Balkanization for everyone," proposing the destruction of the "artificial" nation-state by combining autonomous and environmentalist movements to reshape the world map on a "regions" basis. The autonomists function as above-ground support networks for underground terrorist organizations like Italy's **Red Brigades** (controlled by Gelli's P-2 lodge) and the **Baader-Meinhof** of Germany. *Wir Selbst*, however, also champions the "acts of resistance" of the Basque ETA killers, the **Irish Republican Army Provisionals**, and the **American Indian Movement**.

Assassination alert

BDS Informationen recently published an attack on Helga Zepp-LaRouche, singling out her role as Europe's leading nuclear-power advocate. The magazine, which Mohler controls as an "insiders news bulletin" for the green fascist networks, also stated, "two years ago, *Der Spiegel* magazine hinted at the connections of her American husband to the CIA. . . ."

The attack has led security specialists to place this network under intense scrutiny for fear of an assassination attempt on Mrs. Zepp-LaRouche, her husband Lyndon LaRouche, or both. BDS maintains close relations with **Narodnyi Trudovoy Soyuz** (NTS), the White Russian organization that fought with Hitler on the Eastern Front. NTS maintains trained professional assassins, which are at the disposal of **Perminex**, the "Murder, Incorporated" agency central to the John Kennedy assassination and many attempts on the life of Charles de Gaulle; this is only one of several assassination capabilities intersecting Armin Mohler's networks of Nazi leaders in the "peace movement."

Recently, *BDS Informationen* revealed that it was "new rightist" Mohler himself, using his pseudonym "Anton Madler," who wrote an article in the prominent German daily *Die Welt* which, while ostensibly criticizing *Wir Selbst* for its historical oversimplifications, was actually an attempt to grant this obscure publication the wider political influence attendant upon such publicity.

To be continued.

What will happen if Schmidt falls?

Helga Zepp-LaRouche, Chairman of the Europäische Arbeiterpartei (European Labor Party—EAP) in the Federal Republic of Germany, discussed in a June 15 interview with EIR's Susan Welsh the implications of West Germany's current political crisis. The second part of the interview, which will appear in the next issue, takes up the EAP's own electoral campaign in the state of Hesse. Mrs. Zepp-LaRouche is the wife of EIR founder Lyndon LaRouche.

EIR: Chancellor Helmut Schmidt has received numerous recent setbacks in local elections in West Germany. *The Economist* magazine of London has called for Hans-Dietrich Genscher, Schmidt's coalition partner of the Free Democratic Party (FDP), to break with Schmidt's Social Democrats and join the Christian Democratic Union (CDU) in a new government. Who are the people who want to get rid of Schmidt, and why?

Zepp-LaRouche: I find this situation a dramatic proof of our warning to Schmidt when he went along with the economic sanctions against Argentina. We warned him that the same forces he was blindly backing were already secretly working for his ouster. And just at the end of this disgusting, violent outbreak of colonialism on the part of the British in the Malvinas case, Schmidt gets the bill for his behavior.

We knew that it was mainly British or British-dominated circles who wanted to get rid of Schmidt. The reason is that, despite his behavior in the Malvinas case, which was totally against German national interests, Schmidt was, and is—perhaps together with Italian Prime Minister Giovanni Spadolini—the only political leader in the West who sticks to the concept of détente in the East-West relationship. I think it is probably attributable to Schmidt that the [détente] formulation even appeared in the NATO Bonn communiqué.

But more broadly, certain Anglo-American-Swiss oligarchical forces are now attempting to establish a supranational world-federalist government, to eliminate the sovereignty of national governments. They aim to wipe out the nation-state as such. You can see this reflected in the recent NATO decision for out-of-area deployments, which practically eliminates the ability of

sovereign governments to decide whether they will be part of such a scenario or not; and you can see it reflected clearly in the attempt to extend International Monetary Fund surveillance and establish an IMF dictatorship, again eliminating the ability of governments to determine their own sovereign economic policy.

And even though Schmidt is tending to go along with these policies, the oligarchical forces who are pushing them regard Schmidt as a big obstacle to the kind of world order they have in mind. Therefore there has been an effort under way to oust him, as Schmidt himself mentioned in interviews months ago.

A faction of the U.S. government around Alexander Haig, Caspar Weinberger, Fred Iklé, and so forth—the Rapid Deployment Force part of the U.S. government—wants to get Schmidt out as quickly as possible. These people in any case are only the faithful agents of the British crown, as Henry Kissinger recently demonstrated in a speech in London. It's this combination of people, including some European oligarchs sitting in the United States and Latin America, that wants Schmidt out.

EIR: Some people say a Christian Democratic government would not have a fundamentally different policy from Schmidt's.

Zepp-LaRouche: That reflects either wishful thinking, total ignorance, or outright lying. As the recent election results in Hamburg, Lower Saxony, and earlier in Berlin have shown, the domestic situation in Germany is already reaching what some people call "ungovernability." Nobody in the present CDU leadership has the stature to deal with the kinds of crises we face today, ranging from several wars simultaneously to the possibility of a total East-West showdown.

Even if you leave aside the international strategic crisis, everyone in Germany knows that the world is heading toward a financial disaster. We are already in the midst of a depression which in its effects is worse than that of the 1930s, and we are heading for worse still, including the possibility of a complete blowout of the international monetary system. Germany is affected both by the high interest rate situation and by sabotage by the greenies of domestic economic processes. Germany right now has nearly 2 million unemployed. Because of the destruction of Germany's export markets—in Latin America, the Gulf, the rest of Europe—exports are heading for a massive downturn.

It is a total illusion to think that a CDU government could manage this domestic situation, not to mention the international dimension. It would absolutely not be like it was in the 1950s with Konrad Adenauer or anything like that. You would have a total disintegration of the institutions of the country with unforeseeable consequences. So I think it is a very dangerous game that people who think this way are playing.

The elements of a new oil-supply crisis

by William Engdahl, Energy Editor

One of the obvious dimensions of the march by Ariel Sharon's army into Lebanon is the potential impact on Middle East oil supplies. Although it is not yet clear whether Arab OPEC members, led by a new regime in Saudi Arabia, will invoke the oil weapon against the industrial West, the vulnerability to such a threat is enormous—despite the recent illusion of a glut in world oil supply.

Indeed, the situation led to a charge in Congress that the major oil companies are drawing down inventories in a manner "virtually identical to the 1978-79 situation."

This time, world oil consumption has fallen at unprecedented rates because of the industrial depression induced by the Federal Reserve's imposition after October 1979 of double-digit interest rates and the 1500 percent rise in oil prices since 1973. But the adjacent map demonstrates the obvious: the industrial nations of Europe and Japan are still overwhelmingly dependent on the Persian Gulf for oil.

In 1981, Western Europe imported 5.8 million barrels daily from the Middle East. Japan imported 3 million. The United States imported somewhat more than 1.2 million barrels per day (bpd) from the Middle East.

Over the past several months, and most dramatically since about January of this year, the United States and the rest of the oil-consuming nations have decided to draw on existing inventories. Worldwide, a June 8 Congressional Research Service analysis concludes, "stocks have declined from an estimated 6 billion barrels to levels variously estimated to be between 4.7 and 4.0 billion." They point to the short-term nature of this process and the "likelihood that within the next few months other nations will enter world markets in order to stem their own stock erosion." So world demand should increase just as the Middle East is super-vulnerable again.

Let's look more closely at the U.S. side of this picture. From more than 3 million bpd of Middle East imports in 1978, the United States currently is hovering at a level around 1 million barrels of Arab OPEC imports. In 1981, the United States imported a total of 5.9 million barrels daily from all sources. In the first months of the current year, this plummeted to 4.1 million barrels, a 31 percent

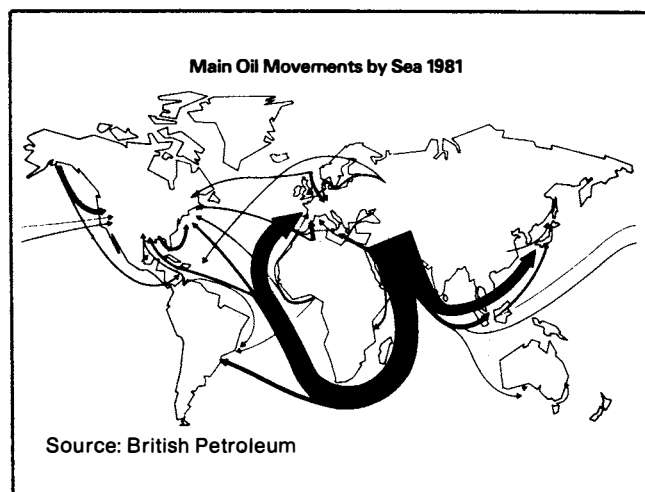
drop in the period of a single year.

Depressionary collapse and soaring credit costs have reversed the economics which made it highly profitable in 1979-80 for the major oil companies to build inventories on expectation of rising prices. By this January, according to this analysis by Philip Verleger for Booz-Allen & Hamilton consultants, the cost of holding a barrel of \$34 per barrel Saudi crude in inventory soared to a carrying cost of \$6.12 annually when interest rates reached 18 percent. From record inventory accumulation in the wake of the Iranian upheaval of 1979, major oil companies began dumping stocks once London engineered the sharp drop in spot market prices last January. The decline in consumption and high cost of holding stocks while prices fell led oil majors to dump an estimated 3.8 to 4.9 million bpd onto world markets; this forced OPEC to sharply cut production in order to restabilize prices.

Now, according to U.S. Energy Information Administration estimates submitted to Congress on June 10, in order to rebuild inventories for next winter's heating oil, the United States will have to increase imports to the tune of at least 1.5 million bpd by this fall. U.S. crude oil stocks, according to official Energy Information Agency figures, were 11 percent below spring of last year. Gasoline stocks are 20 percent lower, while distillate fuel oil stocks are almost 40 percent lower

A recent report by the Congressional Research Service notes that "there are now two shooting wars going on in the Mideast. Should either impair the OPEC countries' ability or willingness to accommodate an increased call on its oil of several million barrels per day, price increases and supply disruptions can be expected."

Of course enemies of OPEC such as Rep. Richard Ottinger are barely able to contain their satisfaction over this prospect. The more sober point is the stupidity of the U.S. foreign policy that puts world energy supplies at risk.



Tourism mafia raises its voice again

The gambling push has found a generous padrino in the governor of Baja California Norte.

In early June, representatives of what is known here as the "tourism mafia" demanded that the government change the constitution to allow casinos and other gambling activities to proliferate. The *turismo* crowd, led by former President Miguel Alemán, president of the National Tourism Council, had gathered in Acapulco for their seventh annual convention, the "Turist Tianguis."

As I have reported, ever since President Lázaro Cárdenas made the prohibition of casinos and other gambling activities a constitutional mandate in the 1930s, the country's nationalist leadership has rejected the Alemán group's demands. They accurately view gambling as a foot in the door to criminal activities such as drug and arms smuggling, and therefore as a security threat to the country.

The Acapulco-based tourist industry, nonetheless, is taking advantage of the country's deep economic troubles. Several participants in the Acapulco meeting, for example, wrapped up their calls with economic arguments, claiming that casinos "will undoubtedly offset the flight of foreign revenues and tourists." Mexico, they say, can weather outside economic pressures by becoming a "great tourist attraction."

They have powerful foreign supporters. A representative of the California-based Bank of America

recently told *EIR* that if Mexico orients its economy to tourist activities and gambling, it will get the foreign credits it needs.

There is something else that is encouraging the Alemán mafia, and that is the fact that certain gambling activities are already beginning to proliferate on the northern border. Several months ago, Mafia figure Johnny Alessio, a.k.a. "the gambling czar," succeeded in setting up slot machines in some border cities. Alessio encountered resistance from the mayor of San Luís Río Colorado in the state of Sonora, who along with governor Samuel Ocana vehemently opposed the move.

Nonetheless, reliable sources report to me, a call from the Office of Entertainment—that is what it is called—in the Interior Ministry broke the mayor's resistance, and the slot machines were installed 24 hours later.

Alessio could never have won such a battle if he did not have powerful patrons among some government officials. One of those *padrinos* is the Governor of Baja California Norte, Roberto ("Bob") de la Madrid.

Since the 1970s, when Alessio inhabited a cell in some of the jails of Tijuana, he has enjoyed the protection of Bobby de la Madrid. Once he fulfilled a sentence for drug smuggling, Alessio became a "businessman." He started importing

slot machines and other goods of dubious utility from the United States.

Alessio has had other powerful *padrinos*. When he was manager of the "Agua Caliente" racetrack of Tijuana in the 1940s, Miguel Alemán bestowed a special award on him for "services to Mexico's tourist industry."

Alessio's shenanigans on the border have become a source of special concern to the federal government, because of the increasing pattern of instability in that area, including terrorist deployments, weapons smuggling, and other forms of unrest (see *EIR*, June 22).

As an expert on border studies highlighted for me recently, the government's concern over these border events was demonstrated earlier this month by the presidential candidate of the ruling PRI party, Miguel de la Madrid, (no relation to Gov. Bob de la Madrid) who made a week-long tour along the border.

Bob de la Madrid's home state is a special cause for concern. On June 15, a spokesman for the Popular Socialist Party (PPS) charged that two individuals—apparently Americans—have been distributing weapons to people in the outskirts of Tijuana, close to the border with San Diego, California. The unidentified individuals, the PPS charged, were telling people that "the government is in bad shape and the incoming one will be worse . . . in two or three months, you will need these weapons."

On June 11, several dailies here reported that federal police agencies had recently confiscated shipments of weapons and drugs along the borders of Sonora and Tamaulipas with an approximate value of \$10 million.

International Intelligence

Britain eyes shutdown of the Panama Canal

British intelligence channels are buzzing with the line that a British base on the Malvinas is a strategic necessity because of the "instability" of the Panama Canal, as a relative of the Queen of England told a reporter on June 15. *The New York Times* on June 16 quoted a "senior military official" in London speculating that "if the Russians gain control of and then close the Panama Canal," then a Malvinas base would be needed to guard Cape Horn—the only route around the South American continent.

Britain is looking forward to chaos in Central America based on capabilities that they have set in motion through a plague of anthropologist-controlled "liberation" armies. Number one on their list is Nicaragua, which has braced itself for an invasion from Honduras led by renegade Sandinista Eden Pastora. Pastora's major military force is composed of expatriate Misquito Indians, armed by the Socialist International, the U.S. State Department, and Muammar Qaddafi.

The wife of U.S. Ambassador John Negriponte, Diana Villiers, has been identified as the person who provides clearance for all visits to the Misquito refugee camps in Honduras. Villiers descends from a Scottish feudal family of the same name, and was the head of the British Conservative Party's Foreign Policy Committee. The Misquitos themselves, a backward tribe left rotting on the British-controlled Misquito Coast of Nicaragua for over a hundred years, are now run by anthropologists associated with the Boston-based Cultural Survival organization.

EIR will have more to say about Cultural Survival and its international parent organization, the Society of Endangered Peoples, a West German-based network of 3,500 anthropologists which claims to coordinate most of the ethnic separatist movements in the world.

British capabilities in Panama itself center on the Kuna tribe, which an anthropologist linked to Cultural Survival told an investigator could mobilize

40,000 people on a moment's notice. The Kunas, who fought to set up an independent republic in the 1920s under a flag with a swastika on it, are today the majority of the maintenance workers in the Panama Canal Zone.

Britain wants Schmidt out now

Leading British circles have for the first time publicly demanded the ouster of Chancellor Helmut Schmidt of West Germany and his replacement by a conservative government of the Christian Democratic Union (CDU) and the Free Democratic Party (FDP). The call came in an editorial June 12 in the weekly magazine *The Economist*, house organ of N. M. Rothschilds and Lazard Brothers of London.

Titled "Go On, Genscher," the editorial urged Hans-Dietrich Genscher, Schmidt's FDP coalition partner, to "end the Schmidt government's misery" by switching to a coalition with the CDU. Since *The Economist's* call, Schmidt has suffered numerous setbacks. The FDP in the state of Hesse voted 160 to 140 on June 17 to switch coalition partners, virtually ensuring the defeat of the Social Democrats (SPD) in the coming fall elections there.

Hesse was the last state still governed by the SPD and FDP, the coalition that rules on the federal level. Hesse's governor Holger Börner is a close factional ally of Schmidt within the SPD and his defeat would be a terrible blow to the trade union-based elements within the SPD, who are losing more and more ground to the leftists and environmentalists.

In the city-state of Hamburg, Schmidt's home town, where the SPD suffered serious electoral losses June 6, the SPD has let it be known that it is interested in forming a coalition with the radical ecologist party, the Green Alternative List (GAL). The CDU, which gained more votes than any other party, will first try to form a city senate; if that fails the SPD will approach the Greens,

who gained 7 percent of the vote and nine seats in the senate.

Theo Sommer, editor of the Hamburg weekly *Die Zeit* and a member of the London International Institute of Strategic Studies, declared in an article published in his newspaper June 16 that pressure is building for the federal cabinet to be dissolved July 7, when a debate on the budget is scheduled. The two governing parties are expected to deadlock over Finance Minister Manfred Lahnstein's proposal to increase federal indebtedness.

Spanish Prime Minister challenges Thatcher

At the June 10 NATO summit in Bonn, only the Spanish government dared to even implicitly criticize Britain for its war in the South Atlantic.

Prime Minister Leopoldo Calvo Sotelo stated: "I believe that there is no contradiction between our European and Latin American calling, and I say this with deep conviction, precisely now, when a military conflict is tearing the Western world apart. . . . Our voice in this assembly, without prejudice to our loyalty to the alliance, is and always shall be at the service of a formula which reduces, as far as possible, the inevitable scars already inflicted by military actions."

"The use of force is not a way for settling differences between nations. But some problems which most acutely offend the sensibilities of peoples need careful and generous solutions in order not to become sources of international tensions."

Mrs. Thatcher, in return, added a remark to her prepared speech, looking Calvo Sotelo in the eye: "Principles have to be put into practice; that is what we are doing in the South Atlantic now," she said.

Spain was the only NATO member to support Argentina on the Malvinas issue. Further reports on the views of the Span-

ish government will be forthcoming in *EIR*. European Editor Vivian Freyre Zoakos and Paris Bureau Chief Katherine Kanter are touring Spain and expect to have several ministerial-level interviews there.

Malthusians clamor for extension of NATO

In the wake of British "success" on the Malvinas, leading voices of the British aristocracy and the Club of Rome are chortling that the time is ripe for extension of NATO and multinational strike forces into the Southern Hemisphere. Israel's murder spree in Lebanon, they say, makes their case even stronger.

Tory parliamentarian Sir Anthony Kershaw, chairman of the select committee on foreign and security affairs, told *EIR* June 14 that "the concept of multinational deployment forces is the emerging strategic idea, replacing the prior idea of relying on the United Nations for peace-keeping purposes." For the Malvinas, Kershaw recommended "multinational management" in the context of creating a South Atlantic Treaty Organization including, at least, South Africa, Chile, and various members of the British Commonwealth. He included not only Lebanon but also the Indian Ocean as areas of expanded NATO-Commonwealth activity.

Kershaw's views were echoed in another *EIR* interview, with the Duke of Buccleuch, one of the leading sheep owners in the United Kingdom. He emphasized bringing France into the new military arrangements, and the necessity of figuring out how to include the United States. Like Kershaw, the Duke thought that these "new strategic concepts" should "supersede the United Nations."

Malek Basbus, head of the Club of Rome-linked Arab Thought Forum, told a journalist in Paris that the Lebanon situation "could only be solved through the creation of a large-scale multinational force" to number between 30,000 and 40,000 troops. This would "provide the basis for Lebanon to be used as a military base for multinational security opera-

tions throughout the Middle East." Basbus said he expected Israel to approve of such an idea, citing remarks by Israeli Foreign Minister Yitzhak Shamir.

The Malthusian Basbus welcomed Israel's "disarming of the Palestinians," illustrating the connection between the NATO-extension policy and the population-reduction wars advocated by the Club of Rome.

Egypt makes PLO peace bid to U.S.

For the first time since Egypt signed the Camp David treaty with Israel, its government has assumed a mediating role between the PLO and Washington. The Egyptian Foreign Minister, Hassan Ali, delivered a message to President Reagan on June 16 that the Palestine Liberation Organization was ready to lay down its arms in Lebanon if the U.S. would begin a dialogue with the PLO in order to achieve "mutual recognition with Israel."

Ali revealed the PLO proposal before going into a meeting with Vice-President Bush and Congressional leaders the next day. Ali has been conferring with PLO officials at the United Nations, PLO Foreign Minister Farouk Kaddoumi, and Khaled Hassan.

During his talks with President Reagan, Ali said he was told that the United States could not accept the PLO peace bid until it recognizes Israel and accepts United Nations resolutions 224 and 338, which contain the internally accepted terms for a settlement of the Arab-Israeli crisis.

Egyptian Ambassador to the U.S. Ashraf Ghorbal strongly warned that should Israel besiege West Beirut it will be "annihilation and massacre ... You can't have a besieged Arab capital and then call it a strong, independent central Lebanese Government. So Israel must withdraw and stop trying to manipulate the situation.

"You just can't replace a Syrian occupation with an Israeli occupation and call it a free Lebanon," he said.

Briefly

● **EDUARD PESTEL**, a key figure in the founding of the Club of Rome, has been identified in the West German press as a regular attendee at the conferences of international cult-leader Sun Myung Moon. Pestel is Science Minister in the government of the state of Lower Saxony; the ensuing scandal caused an official inquiry to be lodged in the state parliament. Further investigation implicates Count Kielmannsegg, whose name is often mentioned as the next state Minister of Culture. A Moonie journalist, Crista Meves, is also said to be close to state Prime Minister Ernst Albrecht, otherwise known for his "post-industrial" proclivities.

● **THE DAILY YOMIURI**, the English language edition of one of Japan's leading newspapers, carried an unusually blunt editorial on June 14 on the effects of Israel's invasion of Lebanon, which "... can only increase Soviet influence in the area." *Yomiuri* declared that "this and other dangers are too great to permit Israel to justify its aggression on the basis of its own security. The U.S. should make it very clear ... what Israel is permitted and is not permitted to do militarily."

● **NAHUM GOLDMANN**, the internationally prominent Zionist leader, told the Parisian magazine *Liberation* that only "joint pressure" from the two superpowers could bring peace to the Middle East." Goldmann also noted "how odd it is that this war was launched just at the very moment when most Arab moderates, particularly Saudi Arabia, were about to recognize the existence of the Israeli state."

● **DENNIS SMALL**, *EIR* Latin America editor, arrived in Buenos Aires on June 12 for an on-the-scenes reporting visit. From Argentina, he will go to Venezuela for a series of meetings and interviews.

Harrimanites reveal their plans to crush Mexico

by Barbara Dreyfuss

“Just as Russia has at various times seized pieces of Poland . . . so have American troops been seen wandering Mexico. . . . One can argue that the days of American troops in Mexico are over, but the argument is unlikely to be true.”

These threats were issued by Lester Thurow, an official economic advisor to Charles Manatt's Democratic National Committee and a spokesman for the Averell Harriman wing of the Democratic Party. Thurow's interview appeared in the June 14 issue of *Newsweek*, whose publisher is Harriman associate Katherine Graham.

Thurow's statements confirm the accuracy of the warning made by *EIR* founder Lyndon LaRouche in Mexico in late May that the Harriman policy for Mexico does not stop at demands for new devaluations of the peso, attempting to force Mexico into abandoning development of its industry in favor of the “free-trade” approach, and inciting Khomeini-style upheaval. “Invasion of the Mexican oilfields, under conditions of Middle East crisis,” is on the planning board, as LaRouche warned at a May 26 press conference in Mexico City.

New openings for depopulation strategy

Thurow and other Harriman Democrats are now coming forward publicly with their proposals, now that Washington's backing for Britain's colonial war in the South Atlantic has thrown Latin America policy to the

winds. Ronald Reagan came into office with the promise to rebuild relations with the region after the Carter years—which were exemplified by Zbigniew Brzezinski's insistence that the administration would tolerate “no new Japans on our southern border.” That hope has been pulverized, thanks to Alexander Haig's success in convincing the President to support British policy in the Southern Hemisphere.

Harriman and other leading anglophilic Democrats like former Secretary of State Cyrus Vance are complicit with Haig in British efforts to undermine the potential for the United States to recapture the goal of developing the so-called Third World. Their intent is to force murderous levels of austerity upon the developing sector, not only to gouge out the latter's debt payments to international lending institutions, and eliminate nation-building leaders, but to lock the United States itself into the policy of crushing and depopulating its erstwhile allies.

Thurow, whose Malthusian temperament is elaborated in his book *The Zero-Sum Society*, spelled out the Harriman formula for austerity in Mexico and the sealing of the U.S.-Mexican border. “The Mexican economy is in deep trouble. The currency has just been devalued 45 percent to bring the balance of payments back into something resembling balance, and further devaluations may be needed. . . . [The] debts can be repaid only by taking goods and services away from the



Carlos de Hoyos/NSIPS

Iran-style insurgency is planned for Mexico.

a consensus" around Thurow's policies.

The Center was set up by a number of people from the Carter administration that was responsible for the *Global 2000 Report*, which looks toward a reduction of world population by 2 billion at the end of the century. These include former secretaries of State Cyrus Vance and Ed Muskie, former Treasury Secretary Michael Blumenthal, former White House counsel Lloyd Cutler, and former Labor Secretary Ray Marshall. The Vice-Chairman is Cyrus Vance, the man who, as *EIR* has documented, ran the behind-the-scenes preparations for installing the Khomeini regime in Iran, to wreck its industrializing efforts and tilt the region toward disintegration.

The Center's policy toward Mexico was spelled out by Van Dyck in a recent interview. "One of the problems with Mexico is that they are doing little to implement population planning. The unemployed and surplus labor is coming to the U.S. and we have reached a saturation point. . . . I can see the need for enhanced border patrols.

"Then there is the question of the stewardship of their oil—the money from it has gone into the hands of the rich, and there has not been wise planning. The politics there must be changed too—it is rife with corruption and inequities. The Mexican President will have to adhere to belt-tightening."

The CCIR and Congress

Thurow was applauded by a leading member of the Citizens Committee for Immigration Reform, which includes on its board Averell Harriman's wife Pamela. (Pamela Harriman is also the mother of Winston Churchill III, a British Tory leader who during the height of the fighting over the Malvinas demanded that the British bomb the Argentinian mainland.) "Thurow is a very intelligent man," declared the spokesman for the group. "I respect his views."

The Harriman group, which also includes on its board Cyrus Vance and Robert McNamara, former World Bank President and architect of the Vietnam war, is lobbying for passage of the Immigration Reform and Control Act, the immigration bill introduced by Sen. Alan Simpson (R-Wyo.) and Rep. Romano Mazzoli (D-Ky.)

This legislation would put severe penalties on employers who knowingly hire undocumented workers and would set up a system of identifying legal workers that could mean establishment of a national I.D. work-card system. "Simpson shudders at the term 'work card'" said his aide, because it smacks of a police state. The bill passed the Senate Judiciary Committee in early June. Simpson is pressing for a full Senate vote within a month, and Mazzoli has been pushing hard for House Committee action on the bill.

average Mexican citizen and selling them in international markets. But this means lowering the already low Mexican standard of living," he concludes in the article complacently.

As for Mexican immigration to America, Thurow says that, "Americans are not apt to put up with current levels of immigration for long in the midst of our economic difficulties. . . . when [Mexico's] social safety valve closes, as it inevitably will, economic and social pressures are apt to build rapidly within Mexico." Thurow does not cite the oilfields as the prize to be captured in sending the Marines back to "the Halls of Montezuma"; he cloaks the expedition in national security terms once leftist-led unrest has reached the boiling point. "America puts up with Castro in Cuba because he runs a small island country," he writes; "America is unlikely to put up with similar circumstances in a large country of 72 million people sharing a common undefended border extending over 1,000 miles."

The strategists behind Thurow

"Thurow is very popular now," declared Ted Van Dyck, director of the Center for National Policy, the official think tank of the liberal nexus of the Democratic Party which works intimately with the Democratic National Committee. The Center is setting up a task force on U.S. policy toward Mexico in order to "build

The evidence of computer vote fraud in the California primary elections

by the Wertz for Senate Legal Staff

California Gov. Jerry Brown was awarded over 51 percent of the vote in the senatorial race in California's June 8 primary, while his most aggressive opponent, National Democratic Policy Committee-backed Will Wertz, who raised the third-highest amount of funds in a field of 11 candidates, received only 1.1 percent. Wertz contends that these vote figures could only be the result of gross fraud. The decision of Brown's backers, the Averell Harriman-Charles Manatt-Tom Hayden wing of the Democratic Party, who have been organizing to wreck it as a broad-based organization responsible to a labor-small business-minorities constituency, and to turn it into a vehicle for media-created candidates like Jimmy Carter, was to give Brown the election at any cost.

In his eight years as Governor, Brown had appointed Huey Johnson, the advocate of such Peking-style measures of population control as sterilization of welfare mothers, to be Human Resources Commissioner; had sacrificed California's high-technology agriculture to his refusal to control a plague of Mediterranean fruit flies; and legalized sodomy in the state. His financial backers include organized crime lawyers Sidney Korshak and Paul Ziffren; his grass-roots organizer is Tom Hayden.

Hayden, who won the nomination for State Assembly from Santa Monica in a closely contested race funded to a large degree by his wife, Jane Fonda, has made a career of following up the work of Averell Harriman in converting the program of the Democratic Party to the same fascist corporatism advocated by Benito Mussolini. Hayden's Campaign for Economic Democracy calls for low-technology, small-shop industry, and the elimination of nuclear power, which would insure the deaths of millions in the developing sector due to failure to modernize agricultural and industrial production. Hayden met with Averell Harriman in Paris just prior to leading the riots at the 1968 Democratic convention in Chicago.

Pornographer Gore Vidal, the only other well-publicized candidate in the senatorial race, was backed by Hollywood producer Norman Lear, who also gave Brown's campaign a maximum \$1,000 contribution.

Election Day, June 8, 1982

1:30 p.m.: Because of prior indications that vote fraud might occur, the Wertz for Senate campaign obtained a

writ of mandamus against the California Secretary of State in Sacramento Superior Court. According to California election code, all counties with computer voting systems must file copies of their programs with the Secretary of State at least a week prior to an election. However, 32 of the 46 counties with computerized voting had not complied with this provision. As it was then too late to file the remaining programs, Superior Court Judge Michael Virga instead ordered that those counties not in compliance with the law institute a random manual recount of 10 percent of the vote as a substitute precaution.

8:30 p.m.: An official in the Secretary of State's office in Sacramento, Tony Miller, refused to allow Wertz representatives to inspect the room where election results from the various counties are transferred to computers.

9:00 p.m.: From Santa Clara County, a Wertz representative reported that Bob Honda of Channel 11 News had said one of the four machines was broken.

9:00 p.m.: Jerry Brown claims victory.

10:00 p.m.: In Los Angeles County, only 18 precincts of 6,344 were available. Election officials and members of the press commented that the tallies were slow.

10:00 p.m.: CBS San Francisco reported that Napa County's election results were delayed due to "computer problems." A Wertz representative talked to Sharon Doms, in the registrar's office in Napa County, who said there were problems with the disc. However, later Doms's supervisor, Donna Solis, denied this saying, "We don't have a disc problem here."

10:00 p.m.: In Sacramento at the Secretary of State's office, Caren Daniels reported that the Napa County computer was down, and would be for an hour.

10:10 p.m.: When a Wertz representative told Secretary of State March Fong Eu of the reports he had heard that Santa Clara and San Francisco Counties had computer problems, the Secretary of State commented: "I have been wondering why no votes are in from San Francisco and Santa Clara."

10:30 p.m.: The San Francisco registrar, J. Patterson, told a Wertz representative that "header cards were not going through the computer." He said that because of this problem only precincts starting with zero or four would be accepted by the computer. He thought that

the problem was in the software, not in the hardware. Mr. Ray Choy, who was second in command of the operation, volunteered the information that the computer was not accepting two-thirds of the cards. Choy said, "We anticipated the problem and are making a whole new set of header cards [the card placed in the computer first which determines the count—ed.]."

10:30 p.m.: CBS reported computer problems in Santa Clara, San Francisco, Alameda, and Napa counties. The announcer surmised: "Gremlins are loose in the computers," and "Murphy's Law is in effect."

10:30 p.m.: Channel 11 television newsman Jeff Simmons reported that the delay in Santa Clara County was not a computer breakdown, but a breakdown in the counter machine attached to the three computers. He said that the computers were being adjusted to count without the counter.

10:40 p.m.: Assistant Secretary of State Rick Nannini told a Wertz representative that he had been told that one of the Santa Clara machines had a bad card reader, but that the problem had been discovered on June 6 and fixed. Nannini also said that in San Francisco County they had "bad header cards."

10:45 p.m.: A Wertz representative at the Secretary of State's office in Sacramento reported that the state computer went down for about five minutes, and that the down time occurred shortly before the vote began to come in from statewide computers in heavy volume.

11:00 p.m.: A Shasta County official at the registrar's office said their machines were broken down. "I don't know what's going on here; they're down in the basement counting votes," he said.

11:30 p.m.: In assembly candidate Tom Hayden's 44th district the ABC anchorman reported that 26 percent of the vote was in. A minute later he corrected the statement and reported that 5 percent of the vote was in.

11:35 p.m.: An election official in Napa County said there were still no votes counted due to the computer problem. The official said, "They are bringing in a new counting unit."

11:45 p.m.: The Santa Cruz registrar's office reported that only 14 out of 160 precincts were counted. He said the problem was a lack of tally machines.

11:50 p.m.: A reporter in San Bernardino County reported that 62 percent of the vote was counted. He then said, "I don't think that the figures are right; we'll only know on Friday" [6/11/82].

11:55 p.m.: KABC anchorwoman in Los Angeles Christine Lund said, in discussing the percentage of the vote counted for city-wide Proposition H, "There must be something wrong with the L.A. city vote."

12:00 a.m.: Ron Greenslate from the registrar's office in Napa county said that their computer vote-counting had broken down.



An NDPC demonstration this May in Los Angeles.

June 9, 1982

12:04 a.m.: A Wertz representative learned from KABC TV in Los Angeles that there had been no change in the totals in one hour because of "computer problems in 12 counties, including Napa and San Francisco" counties.

12:10 a.m.: Mendocino County Registrar Betty Kummett told a Wertz representative that they had had a problem with an overheated computer, beginning at 11:00 p.m., which had lasted about an hour-and-a-half.

12:15 a.m.: A staff member in the Alameda County registrar's office said that he had overheard a superior saying they were having trouble with the counting machines, and that it would be necessary to bring someone in to repair them. Another person in the registrar's office, Janis Ketter, said that one machine was shut down and that all the ballots were being processed by one machine.

12:19 a.m.: KABC reported that 45 percent of the vote in Hayden's 44th district had been counted. A moment later the newsman changed the figure, saying that only 21 percent of the vote was in. And "so far we don't know how good these numbers are," he added.

12:20 a.m.: In the San Joaquin County registrar's office, Marjory Pojo said no votes had been counted, and that "One of the readers won't read."

12:30 a.m.: A Wertz representative reported that in the Alameda County registrar's office there was a lot of confusion about precincts whose ballots had not come in.

12:30 a.m.: In the Secretary of State's office, Caren Daniels reported problems with card readers, logic, and accuracy. She noted San Joaquin County was having problems with white cards, and that in Napa County the disc controller was broken and a replacement was being flown in.

12:45 a.m.: KABC anchorwoman Christine Lund reported that 12 counties were having computer problems; that San Francisco County was accepting only one-

third of the ballots; and that results were slow due to computer coding errors.

1:00 a.m.: A call to the Kern County registrar's office revealed that soon after the polls closed, their computer terminal froze for a period of time.

1:00 a.m.: An assistant registrar of Tuolumne County said that they have never had computer problems in an election before. She has already ordered a hand count in one race where the computer was misreading the ballots.

1:00 a.m.: A woman named Kathy at the San Mateo County registrar's office reported that Wertz had 4.7 percent and 528 votes with 96 out of 738 precincts reporting. She referred the Wertz representative to a supervisor, Shirley Kaufman, who said that close to 100 percent of the precincts had come in. She had no explanation for why it took five hours for the ballots to arrive from the precincts.

1:10 a.m.: Another call to the San Mateo registrar's office ten minutes later revealed that now Wertz only had 0.7 percent of the vote and a total of 81 votes.

1:10 a.m.: Only 242 of 1,048 precincts had been counted in Santa Clara County.

1:30 a.m.: KABC interviewed Tom Hayden: "The problem is there is no information; there are computer problems . . . I think the results will be positive however," he said. "I tried to run a clean campaign, I didn't reply to dirty tricks. People are tired of dirty tricks and memories of the sixties," he concluded.

1:30 a.m.: Doris Chest from the Sacramento County registrar's office reported that 94 percent of the precincts are now counted, but that at 1:00 a.m. the terminal went down and the new totals, which had just been read out, were different from the previous totals. She referred the Wertz representative to the "computer expert," one Rupert Hess, who said that the procedure had been "routine" and that "we decided to ignore the terminals for routine reasons."

1:10 a.m.: The Alpine County registrar's office said they had "no problems—we don't have computers."

1:30 a.m.: An official from the Napa County registrar's office reported that a new computer had just been flown in from Marysville and that a team of experts were "fixing it."

1:45 a.m.: In a call to the Yolo County registrar's office, a Wertz representative was told that only 44 out of 124 precincts had been counted due to problems with the computer. Peter MacMane in the computer room said that one out of two card readers were down. An observer for the Secretary of State, Rick Mennis, however stated that they were having no problems in Yolo County. In another call to Peter MacMane, he commented he had no idea why Mennis would not have noticed that the count was so slow.

2:00 a.m.: At the Santa Clara County registrar's office, Ben Barrintos, a candidate for Democratic Central

Committee in Santa Clara, reported that County Supervisor Ron Dridion had told him that numerous irregularities had occurred at the polls, including people being unable to vote due to changes in the precincts and polling places.

2:00 a.m.: Mendocino County Registrar Marsha Young reported that the automatic blower fan in their card reader began malfunctioning beginning at around 10:40 p.m. and resulting in overheating. She said that they tried to operate the blower manually but the machine still overheated. At 1:45 a.m. "Al" from the computer company Computer Election Service advised her to shut down the computer.

2:15 a.m.: The Sutter County registrar's office reported 4 percent for Wertz, and said they were having no problems because they had no computer.

2:30 a.m.: A Wertz representative at the San Diego registrar's office reported he had overheard the registrar talking excitedly about the writ of mandamus.

2:45 a.m.: "Joe" from the Santa Clara registrar's office said that no votes were tallied until 10:30 p.m., after a new program was implemented through which the cards had to be hand fed.

4:10 a.m.: The Ventura County registrar's office reported that one of four computer cards had been down since 2:00 a.m.

7:30 a.m.: The registrar's office of San Joaquin County reported 78 percent of the totals were in, and that there was a computer breakdown.

7:40 a.m.: Tubb Torjillo from the Sonoma County registrar's office reported that the votes were "rotated," [names were reversed] in one of the Democratic congressional races.

7:45 a.m.: The Mendocino County registrar's office reported all the ballots had been sent to Tehama County for counting since the Mendocino computer had broken down.

8:25 a.m.: Ron Greenflake from the Napa County registrar's office said, "We don't know what the computer problem is; we may not know for days; we ran it on a bypass system."

8:25 a.m.: The El Dorado County registrar's office reported that "wet ballots" had delayed the final print-out.

8:35 a.m.: An official at the Tuolumne County registrar's office reported that the "cumulative" had finally come in, and that in her 12 years on the election board she had never seen such a confused election.

8:45 a.m.: According to the Yolo County's registrar's office, the computer was not tabulating the results as the tape was going through.

8:50 a.m.: In Tulare County, the printout was not working because of "problems with the computer," said an official at the registrar's office. He added that the card reader was not working, and the "man from the computer company has been out to fix it."

9:00 a.m.: A Wertz for Senate representative reported that in San Diego County, ballots were delivered to computer counting sites by members of the Youth Conservation Corps wearing Brown teeshirts.

12:30 p.m.: The home edition of the *Los Angeles Times* reported that Wertz received 6 percent of the vote with 18 percent of the precincts reporting. The late morning edition of the *Times* said that Wertz secured only 1 percent of the vote with 68 percent of the precincts reporting. Between the first and second editions, Wertz's total vote count dropped from 28,805 to 15,665.

1:00 p.m.: After hearing the *Los Angeles Times* report that Wertz had 6 percent of the vote with 18 percent of the precincts counted, the Wertz representative who had been in Sacramento reported to campaign headquarters that the Secretary of State's central computer had produced one printout at 11:27, with about 12 percent of the precincts in, and another printout at 11:47 with about 20 percent of the precincts in. There were no printouts in between. The vote counting process, however, is continuous and can be assessed at any time by the major media—such as the *Los Angeles Times*—which have terminals hooked into the state computer. The Wertz representative said that during this time-frame, when Wertz had the 6 percent, there was a huge leap in the number of votes being counted.

2:30 p.m.: A Wertz supporter in Sacramento County reported that in the Rio Linda Alverta area at 11:24 p.m. election eve, the computer printout with 37 percent of the vote counted showed a voting turnout of 11.05 percent. However, he noted, the printer also showed 1,305 voters had been in out of the 2,987 registered voters in the area. He also noted an unusually high number of blank votes in the Democratic U.S. Senate race; 7.5 percent blank votes in that race compared to 3.2 percent blank in the Republican race, and 2.9 percent in the gubernatorial race.

3:30 p.m.: Brian Abas from the registrar's office reported that at least one precinct had to be recounted because of computer problems in Orange County.

4:00 p.m.: Mike Keofer, a Democratic candidate for Congress running against Bosco, a crony of State House Speaker Willie Brown who is one of Jerry Brown's close associates, reported that at 8:20 p.m. on election eve his lead was reported 2:1; later it was reported to be 3:1. However, at 11:43 p.m. when it was announced the computers had broken down in Sonoma County the trend changed. Prior to the breakdown, Keofer led in Sonoma County, 15,377 to 12,273. After the breakdown he lost his lead and was finally outpolled by a third. The Sonoma County registrar had told him that his earlier count was erroneous because the computer had been "misprogrammed."

4:15 p.m.: Stanislaus County which did not use computers, reported that Wertz received 6.3 percent of the vote.

U.S. Television

Speer documentary: an evil soap opera

by Molly Kronberg

Cynical manipulations and lying recasting of history: That accurately describes ABC television's five-hour "docudrama" *Inside the Third Reich*, broadcast in prime-time at the beginning of last month. *Inside the Third Reich* is the worst example yet of history-as-soap-opera, by which American television deprives this population of any understanding of its own or world history. For distortion it surpassed last year's CBS *The Bunker*, another docudrama-format soap opera which depicted Hitler's last days in the bunker beneath Berlin.

Directed by Marvin Chomsky—the man responsible for the docusoap *Holocaust—Inside the Third Reich* presents itself as the "true story" of Albert Speer, Hitler's Minister of War Production and the man who was convicted at Nuremberg of crimes against humanity and war crimes for running the Nazi slave-labor system. Speer himself served ABC as "technical consultant" on the program until his death last summer.

The Nazi war criminal made hero

Three levels of fraud combine in the final product. First, the basis of the program, Speer's book *Inside the Third Reich*, is a fraud. In that book, a 1970 bestseller here and abroad, Albert Speer launched the Big Lie to which he devoted the rest of his life: that he, as a nonpolitical architect, was seduced into committing crimes on an unparalleled scale by his "Mephistopheles," a Hitler who bewitched him; that, when he finally "realized" what he had done (a revelation that conveniently came to him in the dock at Nuremberg in 1946), his guilty plea there absolved him from outside criticism and opened up for him a life, for the next 35 years, of wrestling with his newly active conscience; that the greatest demon in the drama was not the racist depopulation drive Hitler represented, but the "unbridled technology" Speer applied to his assignment—a technology against which he passionately warned the judges at Nuremberg and against which he organized for the rest of his days. The result: while Speer's subordinates were hanged at Nuremberg for following his orders, he was sentenced to 20 years, because his charm, his sang-froid, and his campaign against technology made him a useful spokesman for the anti-technology Anglo-Americans.

The second level of lies in the program is true to the

“spirit of Speer” but extends beyond what even he dared lie about. Director Chomsky, producer E. Jack Newman, and stars Rutger Hauer (playing Speer) and Derek Jacobi (playing Hitler) report fundamental agreement: a soap opera must have a hero. Clearly Speer must be played as that hero, whose greatest failing will therefore have to be shown, not as having been a committed Nazi adhering to Hitler’s program of depopulation and desolation (which is the truth of the matter), but as a confused young man who suffers, yet suppresses, the pangs of conscience. So Rutger Hauer, a young, wide-eyed Dutch actor, plays Nazi war criminal Albert Speer with ever a surprised, pained look on his face as Nazi excesses and atrocities come to his attention!

Because the “hero” must have a battle of conscience to fight, the producers find it necessary to invent a series of totally false subplots which even Speer does not report in his memoirs. Thus in this program, Speer’s father and wife (played by character actress Blythe Danner) were committed anti-Nazis from the outset, distressed by their loved one’s inability to see the evil he consorted with. For this version there is not one shred of historical evidence. The television viewer is asked to believe that Mrs. Speer spent her life with the Nazi high command, sharing confidences with Hitler’s mistress Eva Braun, while secretly detesting the Nazi world of which her husband was a principal. Thus Speer is portrayed as the beloved, albeit confused, son and husband of the anti-Nazi resistance. In fact, the real resistance had a very special hatred for this amoral man.

The film cannot show Speer collaborating with the real German resistance (since such a portrayal is so provably false), so it is forced to invent a fake resistance, one which never existed, with which Speer can be identified. Thus, Hitler’s first foreign press secretary, the Harvard-educated American Putzi Hanfstaengl, is made into a secret anti-Nazi and close friend of Speer—two absolute falsifications. Dr. Fritz Todt, the man originally in charge of war-related fortification construction, is made into an anti-Hitler conspirator to confer the same mantle on his successor, Albert Speer. Erhard Milch, the second-in-command of the Luftwaffe and a protégé of Goering’s, is made into a part of the anti-Hitler conspiracy of July 20, 1944—a distinction neither he nor Speer actually possessed.

But the most fundamental level of fraud is this. To present the story of the Third Reich, and Albert Speer, as a soap-opera, is to kill history for any population who watches it. The romanticization, the insistence on reporting history as if it were a personalized contest between “good guys” (like Speer) and “bad guys” (but with redeeming “human” features, as Derek Jacobi plays Hitler), is an attack on the moral, intellectual, and political powers of the population. This soap-opera

trash tells Americans, whose last strong moment of national purpose came precisely in their fight to destroy Hitler and Speer in World War II, that in fact the *real* history of the 1930s and 1940s was not as these Americans lived and created it, but a bathetic tale of ahistorical, *uncaused* villains (Hitler) and heroes (Speer). It is a crime not only against those men and women who fought Speer, but against future generations who will have to fight again against the Dark Ages for human development.

Two examples, out of five long hours, make this point. Throughout the film, Speer is portrayed as a blocked young man who does not understand what he is doing. His spurious “emotions” are made to burst out finally towards the film’s end, to wrench the audience into sympathy.

Speer is shown visiting a slave labor camp—the work of his own hands. He is portrayed as shocked at the conditions. What does Albert Speer do, in this soap opera? He orders his subordinates to attend to the slave laborers’ needs, to feed them more, to work them less hard. This never happened, period. Yet there it is, large as life, in “living color” on the television screens of millions of American viewers.

And then the most amoral moments in the film. April, 1945: The blocked Speer must finally say goodbye to his “Mephistopheles.” The background music is meant to be heart-wrenching, the glimpse of Hitler’s mistress Eva Braun bravely saying farewell to her friend Speer before her suicide is meant to be affecting. Speer goes into the inner sanctum, and stammeringly bids goodbye to Hitler, who responds almost soothingly. The next scene: Albert Speer is packing his valise. His butler comes to the doorway to report, “The Führer died this afternoon at 1500 hours.” And Albert Speer, the blocked but basically heroic young man with whom the TV audience has been made to identify, sits down on his valise and sobs.

While the Speer on the screen sobbed and sobbed for Adolf Hitler, and the movie-music swelled, I thought to myself: The television audience is supposed to be crying now too. Are millions of Americans watching this outrage, and also crying, or blinking back tears—for Adolf Hitler?

There was no other way to interpret the climax of this five-hour brainwashing. All the elements of a classic Hollywood tear-jerker were there. By 1982, American memories of the Second World War are growing dim. Those who fought the battle are growing older, dying out. Today’s teenagers, immersed in the rock-drug counterculture, are being so morally destroyed that for them the Nazis can be made into superstars. The transformation of Hitler from the paramount symbol of evil in the 20th century into a kind of “anti-hero” has begun.

A singular invitation

Guests arriving at the Georgetown garden-party fundraiser for Averell and Pamela Churchill Harriman's personal PAC, Democrats for the 80s, were treated to a glimpse of the Harriman family's background. Each guest—for the most part underpaid Capitol Hill staffers being made to feel "a part of things"—was handed a gold-colored invitation to another reception, this one to commemorate the golden anniversary of the 1932 Eugenics Conference sponsored by and dedicated to Mary Harriman, the late mother of Averell Harriman.

The invitation announced that "proceeds from the affair will go to the Fund to Endow a Nobel Prize in Race Science." "Anglo-Saxons Only Need RSVP," it said in the corner; "Music by the Cliveden Set. Catering by Aryan Freres."

The invitation contained a precise characterization of the Harriman family, under the title "A Golden Anniversary":

"On Feb. 10, 1927, the *New York Times* carried an article under the headline: 'Harriman Returns from Tour Abroad; Saw Mussolini in Rome.'" The article quotes foresightful Averell Harriman directly on how he was 'very much impressed' with the economic development of Italy under Mussolini.

"But this was merely a precursor. The 1932 Eugenics Conference, held at New York's Museum of Natural History—sponsored by, attended by, and ultimately dedicated to Mrs. Mary Harriman—had truly world-shattering effects.

"At the pinnacle of its accomplishments was the *unanimous* election of Alfred Plotz, of the German

Society for Racial Hygiene, as President of the International Eugenics Society. Another conference attendee, Ernst Rudin (President of the German Society) wrote of Plotz in a 1940 obituary: 'It is tragic Plotz did not live to see the solution to the problem of understanding among Nordic races, when he had believed so ardently in the purposeful leadership of Adolf Hitler and his holy national and international racial hygiene mission.'

"Rudin himself would later gain far-reaching attention as author of: 1) The Nazi law "For Protection of German Blood and German Honor," which declared Jews to be non-citizens; 2) The forced sterilization programs for "mental defectives"; and 3) The T-4 program which trained the operators of the concentration camps.

'Survival of the unfittest'

"Your host and hostess today might agree that there are lessons for our time in the keynote address, delivered by Henry Fairfield Osborne, director of the Museum of Natural History and nephew of J. P. Morgan. Osborne argued (when the Great Depression had forced 25 percent of the American workforce out of work) that 'overpopulation and unemployment are twin sisters. . . . The unemployed are naturally the less competent. In nature they would disappear, but in civilization we are keeping them . . . and encouraging the survival of the unfittest. . . . The slogan, 'Not More, But Better, Americans' should have its counterpart in every country in the world. . . . [Q]uality rather than quantity is the essential element of progress in every country and in every race.'

"Another attendee and associate of the Harrimans was Madison Grant, head of the Immigration Restriction League. Grant wrote:

"In the United States there is a native American aristocracy resting upon layer after layer of immigrants of lower races. . . . [I]t has taken us 50 years to learn that speaking English, wearing good clothes, and going to school and church does not transform a Negro into a white man. And we will have similar experiences with Polish Jews, whose dwarf stature and peculiar mentality are being engrafted upon the stock of the nation.'

"Nor should we forget Dr. Charles Davenport, head of the Harriman-funded Eugenics Records Office . . . an aficionado of human breeding techniques."

On the back page of the invitation was an announcement that the Golden Jubilee will culminate in the presentation by Gov. Jerry Brown of the Ernst Rudin Quality of Life Award to Democratic National Committee Chairman Charles T. Manatt. The award, it said, was sponsored by "Resources for the Few, the Second Century Fund, and the Fund for an Anglo-Saxon Majority. Time: 1982. Place: Nuremberg." The invitation stated that it was "authorized and paid for by the National Democratic Policy Committee as a public service of its 'Known or Should Have Known' Division."

The Harrimans' staff immediately tried to stop the distribution of the invitations. They told incoming guests, "You don't want to read that . . . it's just an embarrassment to the Harrimans."

When Charles Manatt arrived, he read slowly through his invitation and asked a Harriman aide to explain it to him.

One Harriman neighbor who commented, "You can't believe how disgusted I am with the lines of people marching over there all the time to shake the old cadaver's hand. You'll come for the next party, won't you?"

Fed admits to control by Congress, which punts

Congressman Henry Reuss (D-Wisc.) told the House on June 10 that he had received a letter from Federal Reserve Chairman Paul Volcker confirming that indeed the Congress controls the Fed. "I was asked to confirm to you the full understanding of all members that the Federal Reserve is a creation of Congress and responsible to it, that the Congress plainly has the constitutional authority and the right to determine the control of money, that the [Federal Reserve] system is subject to congressional oversight and, of course, will follow the law," declared Volcker in his May 24 letter.

Nevertheless, when Volcker testified before the Joint Economic Committee June 15, not one of those present declared that he or she was prepared to force the Fed to lower interest rates. Clarence Brown (R-Ohio) even told Volcker that he hopes Congressmen don't use "these tumultuous times to extend the power of the Congress or the administration over the Fed."

Senator Ted Kennedy (D-Mass.), aware that he is one of those responsible for the current economic crisis because of his refusal to deal with Volcker, tried to cover for himself by laying the blame on President Reagan. Kennedy demanded to know how many times Reagan had met with Volcker and then, when told it was not since January, asked with mock incredulity, "So you are saying that there has been no intervention, no directive by this administration?"

Volcker watched the charade

and told the spineless Congressmen, "It would be shortsighted for the Fed to abandon its monetary discipline to bring about a short-term lowering of interest rates."

Senators urge 'crime control' legislation

Lawton Chiles (D-Fla.) took the floor of the Senate on June 14 to urge speedy action on two crime-control packages sponsored by over 53 Senators.

Both bills, the Crime Control Act of 1982 (S.2543), introduced by Chiles and Sam Nunn (D-Ga.), and a bill introduced by Senate Judiciary Committee Chairman Strom Thurmond (R-S.C.) titled the Violent Crime and Drug Enforcement Improvement Act of 1982 (S.2572), have been placed directly on the Senate floor calendar, evading committee action.

Chiles warned, however, "I am deeply concerned because time is running out on this session of the Congress; there are as few as 53 legislative days left before we adjourn. If we are truly determined to fight crime and drug smuggling, we must act quickly. . ."

Chiles was assured by Majority Leader Howard Baker that, while consideration of the bills was unlikely before the July 4 recess, he would make every effort to schedule Senate consideration.

Both initiatives are a compromise effort following the failure earlier this year of an Omnibus Crime Control bill which would have substantially overhauled U.S. criminal codes. The current bills took the "least controversial aspects of the previous bill," as reported by a Senate Judiciary staff-

fer, incorporated them into new legislation in a last desperate attempt to have the 96th Congress go on record as being "tough on crime." These "least controversial aspects" include bail and sentencing reform, increase of drug crime penalties, and criminal forfeiture provisions and amendments to the Currency and Foreign Exchange Act.

The strongest sections of both bills are those which toughen the laws related to illegal drug activity.

In S.2572 under the Comprehensive Drug Penalty Amendments section anyone caught "in or on, or within 1,000 feet of an elementary or secondary school" distributing controlled substances would face increased penalties.

Finally, a criminal forfeiture section of S.2572 would provide for federal law-enforcement officials "to claim the proceeds from certain crimes," thereby ensuring that the drug-trafficking profit and infrastructure, such as planes and luxury boats, are wiped out. While many of these initiatives are helpful, they do not address Dope, Inc.'s control over large portions of the world economy.

A new kind of budget process

Behind the pitching of Rep. Ronald Mottl (D-Ohio), Congressional Democrats defeated the Republicans by a score of 7 to 5, at the 21st annual Congressional Baseball game on June 16. Earlier in the day, Republican coach Silvio Conte (R-Mass.) noted that the outcome of the game could have far-reaching implications if Congress decided to adopt as its second

concurrent budget resolution the version proposed by whichever party's team won the game. Motivating his proposal, Conte said, "We would definitely get results; and the side that loses can go home and campaign on the fact that it was not the issues, but a game that decided the outcome, so no one can be held responsible; and finally, this method makes about as much sense as our present budget process anyway."

Astute Washington observers noted, however, that the Democratic victory will be a transient one, since winning pitcher Mottl (a vociferous opponent of Federal Reserve Board chairman Paul Volcker) was recently defeated in his primary race by a liberal candidate who had the de facto backing of the Democratic National Committee. There is a lesson there somewhere for the Democratic Party.

Senate Ag Committee OKs mandatory workfare

The Senate Agriculture Committee voted June 14 to require food-stamp recipients to take jobs as menial agricultural workers or to replace municipal workers at low wages, or else lose their food stamps. The proposal was added to the Food Stamp Authorization bill by Senator Hayakawa (R-Calif.) and pushed through the Committee by its chairman, Jesse Helms (R-N.C.).

"We've got to stop giving in to the food-stamp recipients here and there, and start considering the rights of the millions of hard-working Americans who pay the bill," declared Hayakawa dema-

gogically. Hayakawa brought the head of the Fresno California Farm Bureau to the Committee to lobby for the plan, on the grounds that farmers had been having difficulty getting low-wage seasonal employees.

The bill mandates that a recipient take a job at minimum wage, regardless of the salary he might have previously earned. If the recipient has not taken one after getting food stamps for six months, his stamps would be cut off. Only the elderly and those under 18 or with small children are exempt, but the Secretary of Agriculture can waive the requirements.

The proposal was introduced in the House by Rep. Larry Craig (R-Idaho), and is being pushed by Trilateral Commission member Rep. Paul Findlay (R-Ill.).

Law of the Sea comes under fire

A panel of Congressmen opposing the Law of the Sea Treaty dominated a June 17 hearing of the House Foreign Affairs Committee, forcing a postponement of testimony by witnesses, including Elliot Richardson, who support the treaty, until after the administration makes a decision on future U.S. policy.

Led off by John Breaux (D-La.), and including Don Young (R-Ark.), and Jack Fields (R-Tex.), the panel detailed the provisions of the treaty which they find inimical to U.S. interests, including failure to provide assured access to deep-seabed minerals, questionable guarantees of navigation rights, and mandatory sharing of

technologies with other nations.

The United States recently voted against the adoption of the text of the Law of the Sea treaty at the United Nations, and the President will shortly decide whether the U.S. will continue the negotiating process in hopes of improving the treaty or reject it altogether.

While these opponents of the treaty apparently fail to recognize that the driving force behind such supranational schemes is not the Third World but such institutions as the zero-growth Club of Rome, their basic objection to abrogation of national sovereignty is sound.

As Fields stated, "The Law of the Sea treaty has been drafted so that Third World states would be empowered to compel transfers of material resources from developed states through multinational institutions and procedures. . . . [The treaty] would have the United States yield significant sovereign rights it now possesses and is fully capable of exercising; [the treaty would] provide for a review conference that would have the power to impose treaty amendments on the U.S. without its consent."

Breaux, Young, and Fields, all of whom were active in the negotiations, have urged that the President reject the treaty and begin the process of negotiating bilateral reciprocal agreements governing seabed mining and other economic activities. Despite this sound orientation, the treaty opponents are preoccupied with safeguarding critical resources for the West and keeping them out of the hands of the Third World and the Soviet bloc; they have fallen prey to the supranationalists' notion of a diminishing resource base.

National News

Peripheral Canal defeated in California

California voters defeated by a wide margin a referendum on construction of the last remaining unfinished project of California's 1960 master water resources plan, the Peripheral Canal. The canal, which can still be constructed under the original law, would divert water from the Sacramento River near San Francisco and send it to parched Southern California.

The defeat augurs a new phase of water-resource-control battles in the 1980s, which the *Wall Street Journal* recently called similar to the oil wars of the 1970s. Northern California voters sought to "protect their water" by voting in 90 percent pluralities against the proposal, a measure which would have meant economic development for the entire state.

Republican Lt.-Governor Michael Curb urged his conservative constituencies to vote against the proposal because it was "too expensive," forging a curious alliance with the Aquarian California voter-base organized by Jerry Brown's supporter Tom Hayden.

President, Congress oppose infanticide

The Commission for the Study of Ethical Problems in Behavioral and Biomedical Research attacked President Reagan at its June 10 meeting for his directive to Health and Human Services Secretary Richard Schweiker to inform hospitals that they would have their funding cut if they refused to treat handicapped newborn infants.

In February, 10 members of Congress sent a letter to Reagan and Schweiker expressing their concern over the Commission's discussions of denying life-sustaining medical care to mentally and physically handicapped newborn children. Signed by Henry Hyde (R-Ill.),

Nicholas Mavrouris (D-Mass.), Charles Dougherty (R-Pa.), Daniel Lungren (R-Calif.), Mark Siljander (R-Mich.), Bob Walker (R-Pa.), Vin Weber (R-Minn.), John Rousselot (R-Calif.), Dan Marriott (R-Utah), and William Dannemeyer (R-Calif.), the letter states, "We find it morally reprehensible that such a statement should be prepared by a government agency mandated with advising you on ethical problems in medicine . . . such a bias in favor of the destruction of newborn children warrants a thorough review of the activity of the Commission with a view toward whether during the current budgetary crisis, such 'ethical' discussions should be supported by the taxpayers."

A "useless eaters" policy toward the handicapped is in fact grounds for criminal prosecution under the Nuremberg statutes. However, it was only after an Indiana Court ruled this spring that all food could be withheld from a newborn with Downs Syndrome that Reagan sent a directive to cut off funding, and Congress moved to prevent a repeat of the "Baby Doe" case (see *EIR*, June 22). It was that directive which the Commission attacked. Testifying at the June 10 meeting, Dr. Willard Gaylin of the New York Hastings Center, a key depopulation think tank, stated, "I think [the President's action] is outrageous. It's a pure power play."

Haigspeak requires translations in Bonn

In a press briefing following President Reagan's June 10 speech to the West German parliament, Secretary of State Haig found difficulty in communicating with the European press representatives, as the following dialogue demonstrates:

Haig: In the nuclear area, he [the President] reaffirmed unequivocally the two-track decision of December 1979, and emphasized its criticality. . . .

Press: Criticality?

Haig: Its criticality.

Press: Oh.

Haig: It's a new word.

Press: Can you tell us. . . ?

Haig: And I know that Eisenhower used that word.

Press: How many stars did he have?

Dante conference develops citizens

The conference on "Dante and the Coming Renaissance in American Education" held by the Lafayette Foundation for the Arts and Sciences in Philadelphia June 11 and 12 brought over 100 persons: educators, language specialists, and regional political leaders of the National Democratic Policy Committee, into a symposium on the essential role of classical education for the development of citizens of a republic.

The city of Philadelphia, which has a large Italian population, had declared June 9 Dante Alighieri Day, as part of its Tricentennial celebration. City Councilman James Tayoun greeted the conference, followed by NDPC-backed former gubernatorial candidate Steven Douglas, whose program for economic development and the elimination of the rock-drug counterculture destruction of American youth won him 35 percent of the Philadelphia vote in the Democratic primary. Douglas spoke on the republic-building traditions of the sister cities, Florence and Philadelphia, whose leaders knew that lasting institutions had to be created to transmit republican ideas over generations of citizens.

EIR and *War on Drugs* Editor Nora Hamerman gave a slide presentation on "Getting Past Purgatory: Developing a Republican Citizenry," in which she used works of art from the Italian Golden Renaissance to illustrate the mental and moral conditions of most "little citizens" too concerned with their personal lives to take responsibility for their countries in times of national danger. Michael Minicino also spoke on this panel, describing how elements of the American Constitution—especially a citizens' militia and a bicameral government—were first

formulated by the Florentine political thinker Niccolo Machiavelli.

The afternoon presentation was key-noted by Muriel Mirak, Director of the Accademia Umanistica of Italy, who noted that Florence's decision to ban the Rolling Stones rock band proved it to be "culturally healthier than the United States."

Dr. Mirak described how poetry make it possible for new words and phrases, and thus ideas, to enter a national language. For America to rebuild its culture, it must revive its identification with great poetry.

Educators Dr. Robert Melzi and Carol White, editor of the *Young Scientist* magazine, spoke on why science must be studied from the same standpoint of developing humanity.

LaRouche warns of Reagate escalation

Lyndon LaRouche, Advisory Board Chairman of the National Democratic Policy Committee, called June 14 for the formation of a blue-ribbon panel to investigate the networks conspiring to set up a bogus Watergate-style scandal against the Reagan administration.

LaRouche stated that there is an attempt under way to create the appearance of an administration cover-up of alleged organized crime ties of Labor Secretary Donovan. Such a cover-up, as Washington, D.C. labor investigator Clark Mollenhoff told a reporter, would be seen as "far worse than organized crime, because it is a felony—obstruction of justice."

After two years of investigation, Senate Labor Committee investigator Walter Sheridan and FBI Director William Webster, a Carter appointee, have been unable to come up with any evidence against Donovan. Then, in a June 9 Washington, D.C. press conference Webster revealed that the FBI was in possession of an unconfirmed allegation that Donovan had connections to organ-

ized crime figure William Masselli, which he claimed White House Counsel Fred Fielding had directed the FBI not to investigate.

But sources close to the Donovan investigation report that it would have been impossible for Sheridan *not* to have known about this allegation previously, since he has complete access to all FBI files on Donovan.

The Jesuitical Sheridan has made a 30-year career of investigations, particularly under the patronage of Robert Kennedy's Justice Department, and more recently of Senate Labor Committee Minority Leader Ted Kennedy (D-Mass.). Sheridan played a key role in destroying New Orleans District Attorney Jim Garrison and the witnesses he had gathered in his investigation of the role of Permin-dex in the Kennedy assassination.

Sheridan intervened with Abscam Prosecutor Thomas Puccio to ensure that Leon Silverman was appointed special prosecutor in the Donovan case. It was Silverman who, with the aid of the staff of Sen. Orrin Hatch (R-Utah), chairman of the Senate Labor Committee, discovered files in the Newark, New Jersey FBI office containing allegations against Donovan which had not been aired in front of the Labor Committee, an incident used by the press to charge cover-up.

On June 17 national media began to make an issue of White House counsel Ed Meese's acknowledging on a Mutual radio interview broadcast June 16, that he knew of an FBI investigation of Donovan in January 1981, but did not consider it consequential.

Sources in Hatch's office have confirmed that he will allow Kennedy and Sheridan to air all their informants' allegations against Donovan, regardless of whether Donovan is cleared.

It is more likely, however, sources report, that Silverman will only partially clear Donovan, and that a full "White House cover-up" investigation will ensue. Liberal Rep. Toby Moffett (D-Conn.) submitted a resolution to the House June 15 demanding that all White House files on Donovan be turned over to the appropriate committee.

Briefly

● **THE OTA** recently released a report showing that the United States is now in danger of falling behind the Europeans and Japanese in commercial space technology, including satellite communications, remote sensing of earth resources, and faces strong competition to the Space Shuttle from the European Space Agency's Ariane rocket booster. The Office of Technology Assessment reports that it is NASA's withdrawal from the satellite communications field, which has allowed the U.S. to "leapfrogged."

● **HENRY KISSINGER** is now being touted by some liberal Democratic Party circles as "the man who could solve the Mideast crisis." Kissinger's June 16 op-ed in the *Washington Post* was a bid to become Mideast negotiator. The op-ed fully supports Israel's current campaign to exterminate the Palestinian population of Lebanon.

● **RUPERT MURDOCH**, the British agent who controls an increasing segment of the U.S. press, was outraged that Mexican President López Portillo had met in May with National Democratic Policy Committee leader and *EIR* founder Lyndon LaRouche. The June 21 issue of Murdoch's *New York Magazine* reported the meeting and added "the fringe politician then surprised the Mexican press—which believed he was the 'leader' of the Democratic Party—by reportedly declaring Secretary of State Haig and Henry Kissinger *non grata* in Latin America."

● **PETER McPHERSON**, administrator of the Agency for International Development (AID), has been named "Disaster Assistance Head to Lebanon" by President Reagan. Sources report that when McPherson was asked what his qualifications were for the post, he quipped, "I'm always prepared to assist in a disaster—particularly if it involves massive loss of life."

'Development is the name for peace'

Over the second week in June the U.S. press gave lavish coverage to the "peace" demonstrations in New York City, run by some of the most unpeaceable people in the world, and all but buried one of the most eloquent statements of the principles by which peace might really be guaranteed in these perilous times, Pope John Paul II's speech to President Ronald Reagan, whom he received in Rome on June 7.

We had the unpleasant experience of witnessing the "peace" movement from our New York headquarters, and verified that the crowd was being manipulated by every variety of genocidal vermin from the veteran anti-nuclear agitators of the leftist Clamshell Coalition to the neo-fascist Blue Army of Fatima, which was implicated in the recent attempt on the Pope's life in Portugal. The program of the New York rallies may be summarized in the radical slogan, "No nations, no nukes," which circulated in balloons and buttons.

It is no mere coincidence that these neo-fascists should have singled out the Pope as their enemy. His June 7 message to the United States, delivered at the moment when Israel's invasion of Lebanon was bringing the world near to thermonuclear holocaust, emphasized precisely the commitment to the tradition of sovereign nationhood and economic development through advanced technologies which alone can end the colonial backwardness that is the kindling-wood of every "hot spot" in the world today.

For that reason we reiterate here these excerpts from John Paul II's formal statement:

"In you, the President of the United States of America, I greet all the people of your great land. I still remember vividly the warm welcome that I was given by millions of your fellow citizens less than three years ago. On that occasion I was once more able to witness first hand the vitality of your nation. I was able to see again how the moral and spiritual values transmitted by your Founding Fathers find their dynamic expression in the life of modern America. . . .

"Throughout the course of their history and espe-

cially in difficult times, the American people have repeatedly risen to challenges presented to them. They have given many proofs of unselfishness, generosity, concern for others—concern for the poor, the needy, the oppressed; they have shown confidence in the great ideal of being a united people with a mission of service to perform. . . .

"Mr. President, my own greatest preoccupation is for the peace of the world, peace in our day. In many parts of the world there are centers of acute tension. This acute tension is manifested above all in the crisis in the South Atlantic, in the war between Iran and Iraq and now, in the grave crisis provoked by the new events in Lebanon. This grave crisis . . . likewise merits the attention of the world because of the danger it contains of further provocation in the Middle East with immense consequences for world peace. . . .

"Your own great nation is called to exercise this farsightedness as are all the nations of the world. This quality enables leaders to commit themselves to those concrete programs which are essential to world peace—programs of justice and development efforts to defend and protect human life as well as initiatives that favor human rights. On the contrary, anything that wounds, weakens or dishonors human dignity in any aspect imperils the cause of the human person and, at the same time, the peace of the world.

"The relations between nations are greatly affected by the development issue, which preserves its full relevance in this day of ours. Success in resolving questions in the North-South dialogue will continue to be the gauge of peaceful relations between various political communities and continue to influence the peace of the world in the years ahead. Economic and social advancement, linked to financial collaboration between peoples, remains an apt goal for the renewed efforts of the statesmen of the world. . . .

"With faith in God and belief in universal human solidarity, may America step forward at this crucial moment in history to consolidate her rightful place at the service of world peace."

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