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Executive Intelligence Review

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EIR

From the Managing Editor

You may notice that this week's Special Report is 12 pages long, instead of the 18-to 20-page Special Reports we have been publishing of late. Our plan is to obtain more space for the remainder of our coverage, and to make available upon individual request the detailed material on the Special Report topics which (even in the 20-page Special Reports) is too lengthy to be included in the weekly journal. Readers interested in ordering expanded Special Reports should write or telephone

Special Reports planned for the immediate future include the latest LaRouche-Riemann model forecast for the U.S. economy. Also coming up is an examination of the nuclear-energy programs in Argentina and Brazil, and the potential for the rest of the continent.

In South America, meanwhile, we can report that momentum is increasing for *EIR* founder Lyndon H. LaRouche's proposals to drop a "debt bomb"—i.e., force a reorganization of the major countries' quarter of a trillion dollars' worth of international debt on terms favorable to industrial development and expanded trade—and for an Ibero-American Common Market.

The President of the Argentine Committee for the Defense of the Malvinas Islands, Dimas Pettineroli, says that he has received a favorable response in Brazil as well as Argentina to his effort to secure a unified continental effort to spur economic development over the next 20 years. On the debt question, Pettineroli is quoted in the July 9 issue of the Mexican daily *Excelsior* as warning, "If Poland shook the world with certain manifestations of its inability to pay the \$27 billion it owned, then imagine what would happen if *our* governments were to say: 'We've had it. Everything must be posed from a different standpoint. . . . It will be impossible to obtain real general social well-being with current levels of interest rates.' "

Hearings begin in the U.S. House of Representatives in late July on American relations with Ibero-America. The LaRouche policy needs a full airing. The alternatives are "benign neglect" of the continent—which would thus be condemned sooner or later to the fate of a vast Iran—and the kind of debt default that would lead, not to development-gearred financial reorganization, but to monetary collapse and economic devastation.

Susan Johnson

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Correction: In our July 7 issue, the Middle East Report column, titled "The Mosaic of Father Riquet," was written by Dana Sloan, who held a Paris interview with the advocate of partitioning Lebanon. Her byline was inadvertently omitted.

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Swiss and British set to blow out the dollar

by David Goldman, Economics Editor

Evidence has now surfaced that the Reagan administration's pipeline embargo decision was a setup by British and Swiss banking circles who are counting on that move to create a Eurodollar market crash that will sink the U.S. dollar. While they were feeding Reagan the line that cancellation of pipeline licensing would cause a financial crisis for the Soviet Union, they were in fact planning to pull the plug on the Western banking system in such a way as to send Eurodollar holders scurrying to the U.S. government to redeem their paper.

Under the British-Swiss plot, the U.S. would thus be held responsible for the crash of the already tottering world financial system, down to the point of devastating European financial warfare in return.

Reagan duped

The administration, at the level of President Reagan's close advisers, gullibly swallowed a strategic perspective that reads more or less as follows: the Soviet bloc excluding Poland has roughly \$65 billion of debt, and various countries have had trouble obtaining credit for the past year following the Polish collapse. Pressure on the Soviet economy through the new pipeline sanctions and related measures will create sufficient uncertainty in banking circles to shut down lending to the Russians, cut off their access to foreign trade, force them to pay down debts, and ultimately to shift resources away from their military sector.

It won't work that way. As *EIR* has demonstrated

through a computer-based analysis of the Soviet economy employing the LaRouche-Riemann econometric model, actual levels of Soviet military spending are roughly 50 percent higher than the highest CIA estimates. (See "The Hidden Strengths of the Soviet Economy," *EIR*, March 23, 1982.) That is to say, the lowering of Soviet growth rates during the 1970s does *not* reflect the same economic malaise that characterized the West at the brink of depression, but an entirely different process: at the same time the United States gradually disarmed itself following the Vietnam War, the Soviets developed the potential to build a qualitative war-winning edge.

Now that both Eastern and Western Europe have assimilated the fact that the U.S. administration is truly committed to a potentially suicidal form of financial warfare against Eastern Europe, the first open discussion of a Polish debt moratorium has appeared in the public press. The influential Swiss daily *Neue Zürcher Zeitung* reported July 8 that debt moratorium is a possible option for Poland, indeed a likely one.

The German banks' preferred course, to reschedule the entire Polish interest and principal of \$12 billion for this year as a bloc, which the Poles have no hope of paying in any event, would set a bad precedent for other debtor countries who might demand equal treatment, the Swiss paper concluded. Meanwhile the Polish News Agency warned July 7 that "ironically, the case of Poland represents the first time in history where the creditors

have made it impossible for debtors to pay.” The Polish journal *Politika* the same week argued for a debt moratorium. With the dollar-based financial system in far worse shape than the international monetary system was immediately before the 1931 collapse, the idea of American economic warfare against the Soviets is laughable. It is promoted by those institutions in London, Switzerland, and elsewhere who are already committed to a deal with the Soviet Union over the ruins of a defeated and bankrupt United States. As Contributing Editor Lyndon H. LaRouche, Jr. documents in this issue’s Special Report, this faction anticipates the ascendancy of the Soviet Union under conditions of world chaos, but also expects to shift the internal composition of the Soviet leadership in such a fashion as to make it easier to manipulate the Soviets as well.

‘A new Constantinople’

In Thatcher government circles tied into the Washington-based Heritage Foundation, whose access to the Oval Office has grown markedly in recent months, this perspective is now quietly discussed under the code-name “Constantinople.” (In 312 A.D., the capital of the Roman Empire was moved eastward to Constantinople.) As Thatcher adjunct Tim Congdon, chief economist for London’s largest brokerage house and a contributor to the Heritage Foundation’s *Policy Review*, put it, “The United States is a new Rome and the Europeans are seeking a new Constantinople.” London, Zürich, and Basel are to play Constantinople to Washington’s crumbling Rome in this incredible plan, and the Soviets take the role of the barbarians—manipulated, as they were at the start of the 5th century A.D., by the Roman nobility.

Washington’s principal source of information on the Soviet debt situation comes from the Basel-based Bank for International Settlements (BIS), whose statistics show that more than half of total Soviet bloc indebtedness falls due during 1983, including at least \$25 billion of short-term debt.

BIS President Fritz Leutwiler, who is also President of the Swiss National Bank, has advertised his expectations of an international banking collapse in the dollar sector since a Mainz, West Germany speech this March. Leutwiler is the spokesman for a Swiss banking group which is cynically playing the “Soviet card.” That makes the BIS role as the principal source of information to Western governments, and Washington in particular, more than suspect. Since Undersecretary of Defense Fred Iklé is a principal advocate of the economic warfare strategy against the Russians, and Iklé’s cousin Max Iklé was Leutwiler’s predecessor at the Swiss National Bank, the case becomes more interesting. Also interesting is the fact that Iklé’s wife is still a paid consultant to the Swiss National Bank.

Part of the disinformation campaign poked its head up in the July 7 issue of *The New York Times*, when Carnegie Endowment staffer Karen Lissaker published a commentary warning of the consequences of a Polish, Hungarian, and Romanian debt default. Lissaker argued delphically that the consequences of such a default might, ultimately, redound upon the United States: should these countries repudiate their debts, European banks might fail, and then default on their obligations to American banks in a global chain reaction, collapsing the \$1 trillion “interbank” offshore market.

In fact, her argument boils down to the fallacy that the Europeans would be the principal victim of a fall-out in economic relations between the Soviet Union and the United States. Should the Europeans passively accept such outrages, a European banking collapse would undoubtedly be the case.

But German and Eastern European banking sources have pointed out that in the event of such a default, there is no difficulty whatever in arranging a separate financial deal with the West Germans and others who care to go into it, e.g., the Japanese. Although the German banking system would suffer, there is no reason for the institutional collapse to occur there, and not in Wall Street.

West German strategy

Lissaker did, however, bring to the surface a point of fact well known in the banking community but little discussed: the West German Bundesbank has informed the Federal Reserve that it will take no responsibility for problems in dollar offshore lending by German banks, leaving this problem to the Fed.

For their part, the West Germans are taking the position that in the event that the United States provokes a collapse of German bank subsidiaries who have lent dollars to the East bloc, they will simply let the subsidiaries go under—retreating into German mark lending exclusively. This discussion has been settled among West German bankers as of early this year. Not only the interbank market, but the Western alliance, would be up for grabs as a result of such American action and West German counter-action.

At that point the United States would have two choices: to reorganize the world monetary system on a gold-reserve basis, permitting the bankrupt Eurodollar market to disappear, and reconstruct world trade on a sound financial basis; or to treat the \$1 trillion of Eurodollar obligations outstanding as de facto liabilities of the U.S. The collapse of the creditworthiness of such liabilities would bring down the dollar rapidly, and the Bank of England is, indeed, arguing that a collapse of the dollar by about 40 percent will be necessary some time next year for precisely this reason. Below we summarize how to avoid such a catastrophe.

'U.S. not responsible for the Eurodollars'

The world's foremost economic forecaster, U.S. Democratic Party political figure Lyndon H. LaRouche, Jr. on July 8 warned European governments and central bankers that "the government of the United States has no lawful responsibility to redeem any form of U.S. dollars except lawful issues of actual currency-notes presented."

The former U.S. Democratic presidential contender referred to "a current scheme for arranging a technical, short-term default of the Polish, Hungarian and Romanian debt payments to trigger a Eurodollar-market collapse in such a way as to collapse the value of the U.S. dollar itself." He threatened the plotters: "Be forewarned that fictitious dollar-issues such as Eurodollar accounts are fully the responsibility of the financial institutions which actually issued the credits. In each such case, the denomination of these issues in bookkeeping values pegged to the U.S. dollar have been a convenience chosen by the issuers and borrowers, with no binding implications for the government of the United States."

He emphasized: "I warn certain influential European gentlemen to come to their senses in this matter. It is upon their own heads that the trillion-dollars mountain of Eurodollar paper will collapse, most assuredly, if they continue to play out the foolish scenario in which many among them are presently engaged."

The former presidential candidate warned that those governments and bankers should study the U.S. Constitution, "whose language on related matters is very clear." He emphasized that "those who imagine that U.S. constitutional law is modeled upon British law are indulging themselves in a dangerous delusion in this matter of Eurodollar accounts."

LaRouche, Advisory Committee Chairman for the fastest growing political action committee within the Democratic Party, the National Democratic Policy Committee, added that "just to be certain the U.S.

government acts according to our Constitution in this matter, our organization is launching immediately a nationwide campaign to forewarn citizens of the monstrous swindle certain European gentlemen have been attempting to organize against the United States."

"I hold an alternative out to these would-be, lecherous looters of the people of the United States," said the prospective 1984 contender for the Democratic presidential nomination. "It is time to scrap the Rambouillet and subsequent foolish agreements, and to institute quickly those measures of sweeping monetary reform I have been consistently proposing internationally since spring 1975." He referred to the 1975 campaign for a gold-reserve-based new world economic order which prompted Henry A. Kissinger to begin the campaign of international harassment against LaRouche, which Kissinger and his circle have continued down to the current month. "After August 1976, Kissinger may have succeeded in overthrowing Mrs. Bandaranaike of Sri Lanka, temporarily overthrowing Mrs. Gandhi, and successfully ordering the overthrow and killing of President Bhutto, but the ideas of Pope Paul VI's *Populorum Progressio* cannot be killed by a mere Kissinger.

"The point of monetary collapse has been reached at which the bankruptcy of Third World debtors has become the bankruptcy of the Third World's creditors, echoing the reasons for the collapse of the Bardi, Peruzzi and other Lombard usurers during the fourteenth century. In point of fact, most among the world's most powerful bankers are implicitly bankrupt at this moment.

"The time has come to shut down the International Monetary Fund and to end the grip of the Bank for International Settlements. Only a new, gold-reserve-based new world economic order can salvage a trillion dollars or so of presently unpayable debt. You gentlemen are behaving like pickpockets plying their profession among the passengers and staterooms of the sinking ocean liner *Titanic*, who seem to prefer lying rich at the bottom of the Atlantic to surviving the catastrophe you have brought largely upon yourselves."

LaRouche's reputation as the world's foremost economist developed chiefly through the success of the quarterly LaRouche-Riemann economic forecast for the U.S. economy. Since this quarterly report was issued, beginning the last quarter of 1979, it has been the only consistently accurate forecast as to trends and turning-points published by any governmental or private forecasting service anywhere in the world. He referred to this fact in concluding his warning to European governments and bankers: "If you gentlemen imagine that you have economic advice contrary to my own, be reminded that all schools of economic thinking contrary to my own have been proven consistently incompetent over each quarter of the past two and a half years to date."

The Siberian pipeline embargo: who has whom over the economic barrel?

by George Gregory, Bonn Bureau Chief

Helmut Schmidt told an audience at the Friedrich Ebert Foundation in Bonn recently that "East-West trade provides no leverage to force the Soviets to do anything. It will take time, but gradually the Americans will learn to understand this." These remarks by the West German Chancellor, whose governing Social Democratic-Free Democratic coalition has just survived a budget-negotiation crisis despite the resolve of many in London and Washington to bring down his government, reflect a certain bottom-line of reality in the melee of intra-alliance crisis in the wake of the Reagan administration's decision to embargo re-export of natural-gas compressor turbines and parts produced on U.S. license to the Soviet Union.

The bottom line is that the policy cannot succeed in achieving the strategic goals it was ostensibly designed for. A wrong policy, at the wrong time, directed against the wrong people, the pipeline embargo destroys another sphere of American influence, following Latin America and the Mideast.

The embargo, according to the President, ought to curb Soviet foreign-exchange earnings from sales of natural-gas to the West, currently about 11 billion deutchmarks, and projected to reach at least 30 billion D-marks at a peak in 1988. Yet the embargo will not stop the pipeline, nor Soviet earnings.

There are dozens of ways the Soviets can do without General Electric rotor blades for the compressor-station turbines along the new Yamal-Urengoi pipeline and still deliver their contracted 30-35 billion cubic meters of natural gas, contracted for 25 years—at a price of course. But, delay or no delay, there is no doubt they can do it. Soviet gas deliveries to Western Europe will increase in phases over already existing lines before the new pipeline is completed in late 1983. In 1981, the Soviets exported 59 billion out of a total production of 465 billion cubic meters, and this year will export (according to deliveries contracted) 65 billion out of 492 billion cubic meters produced, and continue that rate of growth while phasing in the new Yamal-Urengoi line. At this time, it is also likely that earnings on gas sales will augment, rather

than substitute for, earnings on oil exports, contrary to CIA assumptions.

"With this embargo, the U.S. is really trying to prove to the world that the Soviets are not creditworthy," noted H. A. Sieman, manager of the Association of German Exporters. The short-term consequence of the embargo is one additional measure of financial harrassment of Comecon debt-service payments for the late 1982-early 1983 period, which, were the U.S. to drive it to the brink, is far more dangerous to the U.S. and the Western banking system than to the Soviets.

It is a fact that the Soviets are currently scrambling for short-term funds to roll over their own debt, of which \$16.3 billion is due this year, covered by only \$8.7 billion in deposits with Western banks, according to the Bank for International Settlements. The East bloc as a whole owes 42 percent of \$60.8 billion within this year. The Soviets are not getting new credits for new business because of "political risks." With the last 5 billion deutchmark tranche of West German financing for the pipeline approved on both sides, credit for that project is flowing, and as Hans Friderichs of the Dresdner Bank, who pulled it through, said, "No one doubts that the Soviets *are* basically creditworthy." To finance short-term liquidity requirements, the Soviets are being forced into gold-swap arrangements with especially the Swiss, often putting up 150 percent of the value of the loans, while scattered low-volume requests for short-term funds from banks are generally getting the cold shoulder.

The world debt situation is tight, with or without economic financial warfare. The very existence of the Kasten-Moynihan amendment to the appropriations bill, which would force U.S. companies and banks to call Poland in default prior to drawing on credit-insurance funds, is supposed to be a message to West Europe that the U.S. could pull the plug on Poland if Europe does not agree to ironclad credit and trade restrictions for the indefinite future. But there is no debt-weapon or leverage of that kind: the moment the U.S. calls Poland in default, there is not one European bank that will honor cross-default clauses on syndicated loans to Poland. Europeans

will make their own arrangements with the Soviets and other East European countries. "The Bank for International Settlements," reports sources linked to the Bank of England, "are handling the Russians for Europe," such as the official bridging credit for over \$500 million for Hungary, while also issuing the short-term debt statistics which ostensibly show that such a debt-weapon exists. The Pentagon's Fred Iklé has turned up in German interviews calling for a Polish default, prompting the counter-threat from Otto Wolff, President of the German Chambers of Commerce, that the Europeans could damage U.S. banks in Latin America where the U.S. is more exposed than Europe. The counter-threat, issued to warn the U.S. against "playing with fire," and the Iklé threat are each dangerous bluffs.

Far more serious in the short-term is the political effect on the Soviets of the embargo and financial harassment. "In the Soviet Union," says U.S.S.R. economic specialist Alec Nove at Edinburgh University, "it is an increasingly attractive option to sever all links with the West, and thus also to order a Polish default. In fact, I am surprised that the Russians have not done it yet. They are being pushed into autarchy." The Soviet magazine *New Times* underlined the point in reporting on how relatively "insignificant" their trade with the West is: 1.5 percent of GNP, 5-6 percent of total Soviet imports. Another British expert, Phillip Hanson, pointed out that the "autarchist" tendency per se is not new, but it has accelerated since 1975. The Soviets have cut down their machinery purchases in the West and increased their food imports, picking up what they could wherever they could. (To really squeeze the Soviets, Hanson therefore recommends that the U.S. also declare a new grain embargo.) The U.S. embargo on turbine technology encourages this policy direction and the possibility of a reckless, adventurous Soviet leadership, which does not now exist. That is one reason why the idea of pressuring the Soviets to "liberalize" in Poland is worse than silly.

Thus, even if the Soviets used some foreign-exchange earnings from gas sales to cover debt, the U.S. achieves none of its strategic objectives. The overall restriction of trade and credits can be achieved, but the U.S. does not win any leverage with which to "tame" the Soviets on that count either.

Who gets hurt?

West German trade with the East in general is now lower than it was in 1960 as a proportion of overall trade and exports. In 1975, at the peak, the Comecon took 8.9 percent of total German exports. Now the percentage is only 5.1 percent. A shift has also occurred in the trade pattern: as far as in-depth "dependence" is concerned, the Soviets probably do more capital-intensive trade with West Germany than anyone else. But since 1978, when German agricultural exports to the

Soviets were a mere 0.5 percent of total exports there, they are now 12.5 percent and total exports to the Soviet Union represent only 1.5 percent of West German industrial goods sales. Such figures do not prove that a further contraction of East-West trade will not do severe damage to the West German and West European economies, but they do prove that the Soviets are more free to go their own way than ever before.

Some Anglo-American strategists admit that the real target of the pipeline embargo is not the U.S.S.R., but Western Europe. "We want people to get angry," said one Pentagon official involved in the pipeline decision. "We want a basic agreement on trade and credit policies, an agreement with more teeth than what we got at Versailles." To get such an agreement, "first drop the bombs . . . they can't do anything against our sanctions," and then offer deals. Even though the effect of the embargo on the pipeline is strategically nil, people like Richard Pipes at the NSC, Iklé at the Pentagon, and the British-controlled Heritage Foundation are offering to lift the embargo in exchange for ironclad restrictions, or offer to keep Poland off the brink of default if Europe agrees to cut credit for the long haul.

British behavior, after its agents pushed through the embargo, is instructive. Britain has the least objective interest in East-West trade of all Western European nations, no interest at all in Russian gas, and the smallest share of the contracts for the pipeline itself. British Trade Secretary Lord Cockfield, notwithstanding, last week invoked the "Protection of Trading Interests Act" of 1980 against the "extraterritorial" application of U.S. law against European companies, and stated the U.S. embargo is "against United Kingdom trading interests." Trade Minister Peter Rees arrived at the New York Council on Foreign Relations, and then went to Washington to see how this "good measure of bluff" (as London trade office spokesmen described it) was landing. Former Prime Minister Edward Heath told his conservative group in London that the pipeline embargo and countervailing duties on European exported steel were aspects of "the most misguided policies since the beginning of the Western alliance." Heath, who expects a U.S. financial crash early next year at the latest, "does not like the Soviet pipeline either," according to a senior aide. "But you really don't expect us to pass up a chance like this with the U.S. making such an ass of itself, do you?" Romping in to seize American positions wherever they become vacant was also Francis Pym, in Belgrade no less, who expressed his "understanding" for the pipeline embargo, but appealed to President Reagan to "reconsider the embargo decision." All of this "holier and more European than thou" British PR work is naturally earning points in Moscow too.

The world's best econometric record

by Richard Freeman

Executive Intelligence Review's LaRouche-Riemann econometric model forecast for 1982 predicted the present development in the U.S. economy with great precision, *EIR* editors announced recently.

A comparison of the model's forecasts for the physical output of the American economy with the indices of industrial production issued by the Federal Reserve Board and related indices for transportation and other activities not covered by the Federal index shows that the LaRouche-Riemann model was exactly on target. Against a 6.4 percent decline in the 1982 rate of physical goods output compared with 1981, the LaRouche-Riemann model had forecast a 7 percent decline.

In the last three years, the *EIR* has twice correctly predicted the destructive impact that Fed Chairman Paul Volcker's high interest rates would necessarily have on the U.S. economy. The *EIR's* record stands in sharp contrast to the record of the major brand name econometric forecasters, such as Chase, Wharton, and Merrill Lynch, who have stubbornly retailed the myth that high interest rates would only have a minor impact on the economy.

Volcker's mayhem predicted

Immediately after Paul Volcker shifted monetary policy into an austerity mode on Oct. 12, 1979, *EIR* predicted a major economic downturn for early the next year, and followed this prediction with a multi-sector forecast of the American economy showing rates of drop of greater than 10 percent in auto, steel, and housing output. *EIR* stated at the time that the then Carter administration might take an erratic step in monetary policy. In March, 1980, President Carter and Fed Chairman Volcker invoked credit controls. During the next four months, industrial production fell an absolute 8 percent.

By comparison, Michael K. Evans of Evans Econometrics, who founded Chase Econometrics, announced in March 1980, just as the downslide got underway: "I've called off the recession." He gave the no-recession scenario a "better than 50 percent chance." Chase Econometrics predicted a 3.7 percent drop for the second quarter of 1980 as of November 1979. In March, Chase Econometrics threw out its old forecast and

predicted that the second quarter would be virtually unchanged, with a slight decline during the third quarter.

Data Resources, the nation's largest computer consulting firm, foresaw a mere 2.5 percent drop in output during the second quarter of 1980, followed by a rapid improvement during the third quarter.

As mentioned, *EIR* predicted in October 1981, a sharp fall in industrial output for the year 1982 of 7.0 percent. While the year is not yet over, consider the 1982 full-year predictions once again of *EIR's* reputed competitors. Merrill Lynch predicted a 2.7 percent increase in industrial production—a level that will not be achieved. Chase Econometrics predicted a 3.8 percent increase; Wharton Economic Forecasting a 3.9 percent rate of increase; and Evans Econometrics a 6.3 percent rate of increase. To reach the latter value, the U.S. industrial output would have to grow between 6 and 9 percent in the second half of 1982.

In approximately half of the 29 sectors analyzed by the LaRouche-Riemann model for 1982, sectoral results also corresponded precisely to the actual economic performance.

"The model run presented as a base forecast for 1982 assumed the continuation of the Federal Reserve's monetary policy. As costs to the corporate sector of the additional interest burden were calculated in, the model showed that continued depression was inevitable. The model exercise also took into account the administration's tax and budget policies, in particular the impact of the present military procurement budget. Slower-than-expected defense investment produced lower results for transportation equipment than we expected, while vehicles and iron and steel production fell more sharply than we had predicted," commented *EIR* Economics Editor David Goldman.

EIR will soon release a LaRouche-Riemann third-quarter forecast for the U.S. economy. The *EIR* staff has already conducted computer-based econometric studies of other countries, including Mexico, Korea, the Soviet Union, India and most recently Colombia, showing alternate paths of development. Now, the *EIR* is in the process of developing a global model, which will establish scientific causal relations among energy, population size, and skill development of the labor force.

Houston commercial real-estate market: the boom is turning into a blowout

by Richard Freeman

The commercial real-estate markets of Dallas and Houston, which have been among America's biggest boom towns of the past two decades, will collapse by early 1983. The current value of the combined markets, if land values are included, is on the order of \$50 billion; the crash will convince even the stubbornest believer that "we won't have a depression here in Texas," that he indeed lives within the boundaries of the United States. It is also likely, in combination with the collapse of the giant New York City office real-estate market, to bring on a general panic.

While the high-rollers and smart-money boys of the Lone Star State are crawling out from under the wreckage, as the big banks and insurance companies buy them out at 50 cents or less on the dollar, Texans can reflect on their toleration of the man most responsible—Federal Reserve Chairman Paul Volcker.

It was Volcker's 15-20 percent interest rates which, since 1979, have sucked investors into Texas real estate. In combination with the short-lived oil deregulation boom and the "runaway corporation" phenomenon of the 1960s and 1970s, the interest-rate explosion attracted "hot money" into Dallas and Houston office building, because not much else looked like a fast way to big profits. But sooner or later, without a growing productive economic base, no "overhead" activity like office-building can be sustained.

Between January 1980 and December 1982 some 50 million square feet of Houston office space will have been erected. That is the equivalent of five of New York City's World Trade Centers—the world's biggest office building—and about one-fifth the size of the entire New York City market. Office-building rents had quadrupled from 1969 to 1981, and the streets of Houston were paved with gold.

But suddenly, in 1982, whole buildings are unfilled and landlords have taken to giving away rent-free space to attract occupancy.

Because the Houston and Dallas markets—the fourth and sixth largest in the U.S.A.—are highly

leveraged, the collapse will be swift and savage. Much of the newest construction in the Houston market was financed on a get-rich-quick speculative shoestring—in many cases by short-term bank loans tied to the prime rate. Paul A. Lynn, who owns a Houston commercial real-estate brokerage, commented recently, "If the Houston market crashes, a lot of people are going to be sucking wind"; many who came into the market for a quick 12-month turn-around are going to lose their properties.

"These properties will be repossessed by the banks," Lynn continued. "And since the banks don't want the properties, they will sell them at a reduced price. The insurance companies, like Prudential Investment Company, Equitable, and Metropolitan, will get the properties for practically nothing."

The J. R. syndrome

This type of behavior, not uncommon elsewhere in the United States, might be termed "the J. R. Ewing Syndrome." Otherwise normal people have allowed themselves to be deluded into ignoring the historic role of road-building, port development, canal-building, and river-widening, and such government-fostered activities as the aircraft industry and the space program, in promoting the industrial and agricultural growth of Texas. Instead they attribute the state's success to the "free market" ("God loves Texas") and their own greed ("As long as the government leaves me alone, I'll get rich").

In the 1970s, Heaven did indeed seem to be smiling on the Texas commercial market. Many major Northeast and West Coast firms relocated to Houston and Dallas. Texas-based companies themselves were also growing and needed larger quarters.

After the 1978-1979 increase in world oil prices from \$12 to \$26 barrel, Arab investors started to open offices in the U.S. petroleum capital of Houston. When President Carter decontrolled domestic oil prices in 1979, the boom was on. The multinational oil companies expand-

ed their Houston operations (Texaco and Shell are headquartered in Houston, and Exxon, Arco, Gulf and others have large offices there). And the era of the "independent" began, as the number of oil rigs in use doubled, and every Jack-and-Jill energy independent which went from 10 employees in 1978 to 100 or more by 1981 wanted its own building.

The office-construction boom brought with it lawyers and accountants who worked for the oil industry; prosperous banks; engineering construction firms, like Bechtel, Fluor, and Kellogg. The big insurance companies—Prudential, Equitable and Metropolitan Life—moved in, as did foreign money.

The price of a square foot of space in a Houston office building which had been approximately \$10.50 in 1978, reached \$21-\$24 by February 1982.

Volcker's reality

A component of the "J. R. Ewing Syndrome" is the view that "The rest of the country may go into a depression, but that won't affect us here in Texas." Paul Volcker has proven this wrong.

Volcker's interest rates, by closing down industry and auto purchases, have dramatically reduced oil consumption. First oil-import levels tumbled; then the domestic oil production levels suffered.

In Houston, the shake-out of oil companies, and oil field supply, service and equipment industries, has had devastating consequences. According to studies released by the Rice Center of Rice University, as of August 1981, 61 percent of all the companies renting space in Houston's central business district were energy and energy-related. In the Galleria area, the second-largest office-building concentration in Houston, 36 percent of the firms are energy-related. In Greenway, another large commercial concentration, the figure is 47 percent.

For example, Dreco Drilling Company, a company with an annual revenue of \$250 million, announced Chapter 11 bankruptcy June 25. According to Lynn, Dreco had authorized the construction of an office building of 100,000 square feet, into which it was prepared to move. The building is more than half complete, and now there is no tenant.

"There are a lot of 6- to 10-story office buildings with 100,000 to 150,000 square feet that are going to be wiped out," said Lynn. Already, in the southwest Regency district, spanking new six-story buildings are completely empty and devoid of tenants.

The second most important users of space in Houston are the engineering-construction firms, who not only do oil-related building, but worldwide construction. "But how much building is Bechtel doing in Saudi Arabia or Iran these days?" Lynn asked.

Because of the collapse of international trade, the port of Houston, one of the five largest in the United

States, has suffered a decline in volume. Then there is the downturn in the electronics industry, which has led Texas Instruments to lay off 2,800 workers this year in Dallas and Houston.

Blowout

According to Robert Barndollar of the Rotan Mosle Mortgage Company, the majority of buildings being erected in Houston are financed by unsecured, expensive construction loans. Normally, a builder attempts to pre-lease 40 to 80 percent of a building. But many developers started construction in Houston with 10 percent or less of the planned office building preleased, and with bank loans for two to five years, tied to the prime rate. Houston office developers will have built 22.9 million square feet in 1982.

"Many of these developers had bet the prime would come down, and they would make more on renting or selling the building than they paid in interest, but they bet wrong," said Lynn. "Now there is no one to buy their buildings."

After the rental price of a square foot of new office space reached \$24.42 in February of this year, it fell to \$23.10 in March and April, according to the New York-based Julien Studley Company.

Patricia Cronkright, real-estate reporter for the *Houston Business Journal*, reported on April 12 that to attract tenants, office developers are now offering between 3 and 12 months of free rent on five-year leases.

Houston broker Lynn says, "I can get people into office buildings for less than they paid three years ago and a large tenant can get for free a 10 percent equity stake in the building. This allows the tenant to write off part of the depreciation of the building. When you combine this with several months' free rent, you're knocking as much as \$4 or \$5 [per square foot] off the quoted rental price of a building."

While the vacancy rate in the central business district of Houston is still low, it is above 8 percent in other parts of Houston, more than one and a half times the national average. And it is rising fast. Lynn reports that the new Cullen office tower in central Houston, one of the city's prized new buildings, has not lined up a single tenant. "Some of the big builders, like Gerald Hines, could wind up with several million square feet of unsold office space."

In Dallas, where Olympia & York, the Canadian real-estate developer, has been building at a rapid clip, the amount of vacant space is piling up fast. The Swearingen Company, one of the city's largest builders, reported in April that of total constructed and planned office space in that city in the first quarter of 1982, 26 percent was vacant. It is only a matter of months before the "softness" in the Houston and Dallas markets gives way to collapse.

The U.S. joins the Davignon Plan: a shrunken cartel for world steel

by Leif Johnson

On Jan. 11, 1982 the U.S. International Trade Commission and the U.S. Department of Commerce's Office of Investigations received from the seven largest domestic steel producers 34 cartons of briefs and documents totaling more than 3,000,000 pages. These documents charged seven European nations plus Brazil and South Africa with massive subsidizing and "dumping" of carbon steel products on the United States market, and demanded retaliation from the federal government.

The estimated cost of this paperwork to the steel companies—not counting the processing and evaluation by the ITC and Commerce Department—was \$30 to \$50 million. This does not include the legal fees of the U.S. Steel Company house lawyers: Eugene L. Stewart, representing Bethlehem Steel; and Cravath, Swaine and Moore representing Republic, Inland, Jones & Laughlin, National, and Cyclops. Adding in similar actions by domestic steel companies since 1977, the total cost to the companies is conservatively estimated at \$120 million.

On June 10, the steel companies finally got what they wanted—or most of it: the Department of Commerce issued preliminary judgments against seven of the nine nations, finding them guilty of subsidizing, and imposed countervailing duties or penalties as high as 40 percent, as in the case of British Steel. Even with the lower penalties of 30 percent against the French Sacilor company, 18 percent against the Italian Italsidor, and 20-21 percent against the Belgian Cockerill-Sambre, practically all steel named in the Commerce Department report would be excluded from the U.S. market. We shall see what this entails.

The steel companies were very pleased. A spokesman for U.S. Steel, the largest American producer, said that the preliminary finding was "very good, but not everything we had hoped for." A spokesman for the United Steel Workers union said the union "was tickled pink with the ruling" and now American steel would begin to bounce back from current disastrous production levels. In early June the industry was operating at only 42 percent of capacity.

Although champagne bottles may be popping in steel company boardrooms and the union's leaders may be trumpeting the decisions to their hard-hit members, the truth is that the Commerce Department and the country's steel producers have signed what may be the death sentence for the industry.

The results will be the opposite of what is being advertised. From the labor standpoint, jobs will *not* be protected, because the entire steel sector of the Western world is being placed under a policy of forced contraction. Anyone interested in honestly producing steel also loses: even in the short run, using imports as a scapegoat will barely affect the domestic industry's ability to sell—and in the long run, will only further contribute to the crippling of American steel.

And perhaps the biggest loser of all is the United States as a sovereign nation. The endorsement of the producers' petition is likely to result in a trade war far beyond the bounds of duties on steel products. As we will show, the deck is being cleared for placing American output under the supranational control of an international steel cartel.

The only beneficiaries of the June 10 decision by the Commerce Department are the old anti-industrial oligarchic elite and their U.S. retainers, who have stated their intentions of shoving the United States into a "post-industrial" dark age.

The import scapegoat

Last year the United States imported just under 20 million metric tons (mt) of steel, while total American consumption of steel mill products was 104 million mt. Imports thus accounted for about 19 percent of total U.S. consumption. The Commerce Department rulings cover only 3.9 mt of carbon steel products, a mere 3.75 percent of all U.S. consumption. Even if every ounce of the steel covered by the ruling were to be completely excluded from the U.S. market, the early June capacity-operating rate of the U.S. steel industry would only move from 42.5 percent to 47 percent.

By the very nature of the rulings, it is impossible to expect that the entire 3.9 mt of "unfair" imports will be excluded. For example, although structural, plate, and hot-rolled sheet and strip steel from Belgium's Cockerill-Sambre was hit by a 20-21 percent penalty, plate and hot-rolled sheet and strip from three other Belgian producers was assessed only 2 to 6 percent penalties, leaving their selling price FOB still under that of U.S. producers' list price and possibly even below their discount prices.

Similarly, eight German producers received penalties, but six of them were for less than 1 percent. Even the most penalized company, Stahlwerke Rochling-Burbach GmbH, at 8.6 percent, is expected to be able to sell in the U.S. market at \$40-\$60 a ton less than domestic discount price in the United States. Thus, total excluded steel may amount to no more than 2.5 mt, which, if not replaced by other exports, would boost U.S. production by less than 3 percent.

Furthermore, this assumes that the American steel buyers do not switch to other foreign suppliers. The Commerce findings do not cover 80 percent of all imports, and many countries—including Canada, West Germany, Korea, and Taiwan—are presently bidding to fill the orders lost by Italy, Britain, and France. Canada alone could fill the orders, thus nullifying the entire effort of the steel companies.

What do the companies really want?

Since the seven U.S. producers certainly knew that even if the Commerce rulings granted most of their petition—which it did—they would not be much better off than before, the question remains what the companies are actually up to. Even their claim that a successful conclusion of the suits (and only the subsidization portion, not the dumping charges, has been determined) will allow domestic producers to halt the discounting of prices is untrue. Since buyers will turn to other foreign suppliers, given the existing price advantage, domestic producers will be forced to continue heavy discounting.

The steel-company actions, confirmed by Commerce, have unleashed two major processes: an evolving trade war with the European Community (EC), and a rapid movement toward a world steel cartel based on huge cutbacks in every nation's steel production. Whether a trade war with our European allies is intended, there can be no question that Commerce and the companies *had to have known that their actions would create exactly such a potential*. On the question of a world steel cartel, there is no doubt that they want such an outcome.

The steel companies took action under Section 701 of the 1930 Tariff Act, which declares that export subsidies are unfair trade and subject to penalties. The 1930 law, known as the Smoot-Hawley Tariff, is justly

blamed for ruining U.S. exports, provoking international trade war, and helping plunge the world into the first Great Depression. The June 10 Commerce Department ruling marks the first time the steel companies and the Commerce Department have pursued the legal remedies under this act to their conclusion: previous action under Smoot-Hawley, including the mammoth 1977 filing, resulted in negotiated solutions with the authorities of affected nations.

Investment deemed 'unfair'

More remarkable than the use of the Smoot-Hawley Tariff and the conspicuous unwillingness by the Commerce Department to negotiate the dispute with America's European allies is the logic of the Commerce Department findings under the law. The steel-company action did not attack export subsidies, but rather claimed that government investment in steel industries of the various nations constituted a de facto subsidy to losing companies rather than bona fide investment, and therefore should be regarded as an export subsidy, even if it was not called such. This leap in logic, grossly stretching the wording of the 1930 Tariff Act and going entirely beyond the language of the GATT agreements to which all parties are signatories, leaves the United States open to widespread retaliation—if EC members or other countries choose to do so.

For example, all federal loans to U.S. farmers, from the Commodity Credit Corporation to the Farmer Home Mortgage Administration, down through numerous agricultural support programs, could, by the logic of the steel case, be judged export subsidies and in violation of fair trade practices. So too could the U.S. aircraft industry, which depends on the foreign market for half its sales. Indeed, any company that receives government funds, including labor training or tax breaks, could be classified as subsidized and become a target of retaliation.

U.S. agriculture is the most immediate potential victim of a European backlash. As one steel analyst pointed out, even if the Europeans do not suddenly "discover" that U.S. agriculture is subsidized, they may impose an internal European tax on processing of American agricultural raw materials. "If, for example, they pass a tax on soybean refining and production of margarine, sales of U.S. soybeans to Europe will plummet, and the Europeans will be more predisposed to consume their oversupply of butter. For a long time, the Department of Agriculture has held such an internal tax to be a de facto trade barrier, but this time the Europeans could actually go through with it. They could also retaliate on textiles."

This kind of trade war would accelerate the "Fortress America" plan of the European financial oligarchs, represented by the Swiss-based Bank for International

Settlements, (and by U.S. Ambassador to West Germany Arthur Burns).

This Malthusian elite intends to reverse population growth, scientific momentum, and nationalist commitments. The "Fortress America" plan is designed to pervert nationalism, wreck international trade and force the United States into economic autarchy, as was Germany in the early 1930s, with similar political consequences.

The Europeans are aware that they were the sole targets of the U.S. steel company suit. By the logic used, every other steel exporting nation could have been found to be "subsidizing" its steel exports.

Cutting output in half

Trade war is not inconsistent with the second intended result of the steel companies' action. U.S. producers want to halve production of domestic steel over the next four years, with all companies but two—Bethlehem and Inland—diversifying into other areas usually defined as the "post-industrial sector." Bethlehem and Inland themselves will curtail operations—Bethlehem has cut its workforce from 115,000 to 78,000 and expects the final employment to be as low as 60,000, or about half the 1978 level.

In the rest of the sector—particularly U.S. Steel, which now receives only 8 percent of its revenues from steel production—the move into non-industrial areas is being accelerated. Retirement of senior U.S. Steel management over the past two years, particularly in the company's financial department, has been wholesale, clearing the way for incoming business-school graduates who know little of steel production and care less.

U.S. Steel's current scramble to sell properties to raise cash has nothing to do with the liquidation of debts incurred in the takeover of Marathon Oil in January, contrary to press reports. The company is scrounging cash for the next leap out of steel, which means, quite ironically, that if the steel union gives wage and work rule concessions to the industry, it will hasten the permanent loss of their members' jobs.

In the eyes of one strategist involved in the "rationalization," the fact that the companies cannot promise some form of permanent employment, even at reduced levels, as the auto companies have, makes labor negotiations difficult. The union will have nothing to hold out to its members; yet, according to this planner, the unions will do nothing to prevent rationalization.

Rationalizing the U.S. steel industry—if not blocked by political forces who refuse to tolerate the disappearance of American industry—will occur in two phases. The first is a fast four-year shutdown based on a continuation of the present depression. Steel capacity and employment would be chopped by 25 percent—taking

account of a possible minor recovery in production and employment from present levels in the beginning of 1983. The second stage, occurring over the remainder of the decade, is the phase-out of most integrated steel production, except for parts of Sparrows Point, some Chicago-area capacity like Burns Harbor, and the buildup of mini-mills producing mainly specialty steels from scrap and employing non-union labor at 50 percent of current union wages.

Plants scheduled for shutdown or for early closing include Lackawanna Fairfield (already shut), Braddock, Edgar Thomson, Weirton (to be shut even if the employees "purchase" it), Crucible (closed), River Rouge, Geneva, Homestead, and parts of Southworks. Three companies, McClouth, Kaiser, and Wheeling Pittsburgh, are expected to dissolve in bankruptcy (see *EIR*, July 6).

What cartelization means

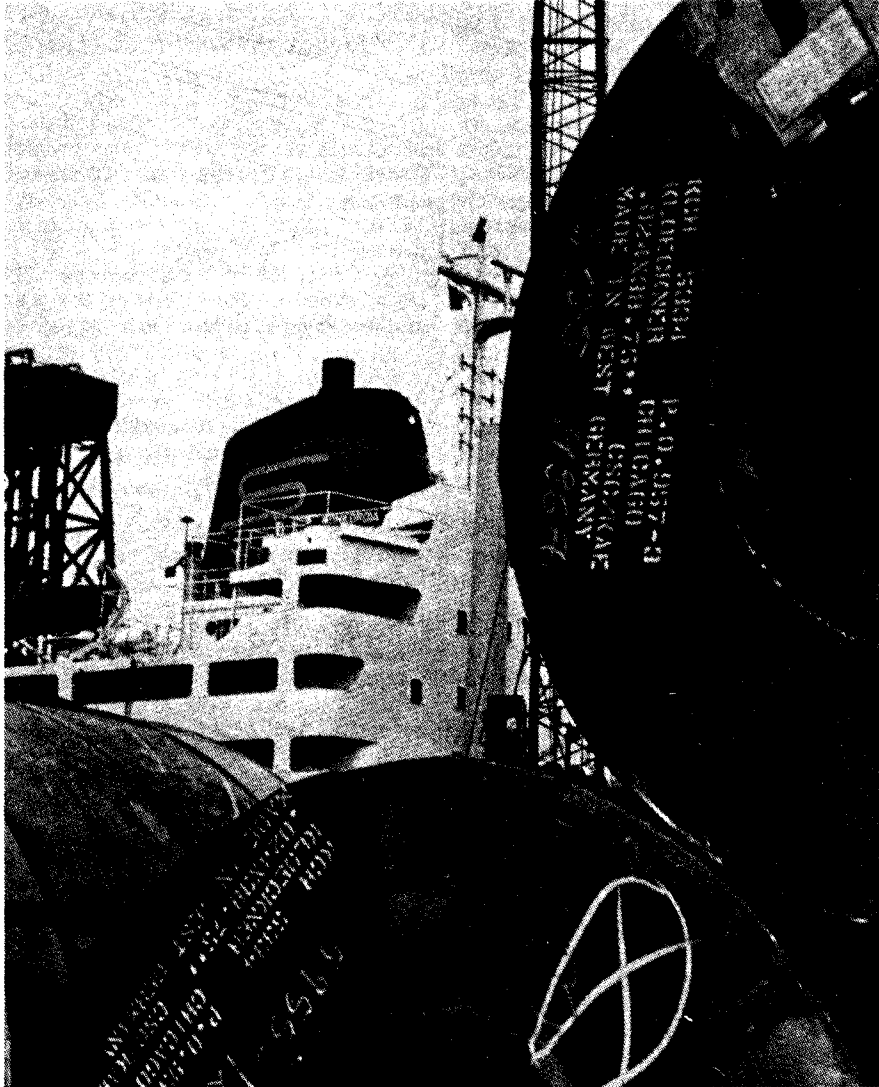
What must be emphasized is that none of these U.S. rationalization plans could be carried out unless there were consent from foreign steel makers. Not only is consent required to reduce world steel production, but also to allow the demand for steel to rise, which would, in turn, tend to increase steel production. The Jan. 11 steel suit and the Commerce Department findings are designed to force the Europeans into a world steel cartel based on cutting industrial-sector steel production by half.

American cartel planners are convinced on very good evidence that Japan will accept any terms dictated by the United States. "They would accept even a drastic cutback on the basis that half a loaf is better than none. The problem is the Europeans. Not the companies, but the governments who insist that their nation should have a steel industry."

The European nations have a well-known tradition of supporting their steel industries as the basis of their industrial growth. This tradition was strengthened after World War II when the Allies, led by the British and using America's huge production capacity, attempted to suppress the rebuilding of German, Italian, and Japanese steel. By 1960, the world steel policy of the British changed to using the growing German, Japanese, and the lesser capacities of other European nations against the American steel industry.

Now the supranational steel policy of the British and their allies in the Organization for Economic Cooperation and Development (OECD), the controlling body of NATO run by the European anti-industrialist financiers, is to dismantle steel production in all industrial countries, substituting some of the lost production with imports from the Newly Industrializing Countries (NICs).

This policy was described in the 1981 volume pub-



Sheet steel imports from West Germany: not the problem for the United States.

lished by the New York Council on Foreign Relations (CFR) entitled, *The Reform of Global Economic Organizations: Collective Management*. The CFR argues that “management” of world industry and trade must come under control of such institutions as the World Bank and International Monetary Fund, both subsidiaries of the United Nations.

“It seems safe to predict that in the decades ahead there will be important changes in the global location of industry. There will be . . . a dramatic increase in manufacturing in the LDCs by the year 2000. And there will be the actual pressure of increasing exports from the LDCs as they industrialize,” says the Council on Foreign Relations.

This will cause distress in the industrial nations, but “it is important to try to reach a more widespread understanding of the efficiency benefits all can derive from structural change. . . .” In the euphemisms of the

CFR, a “more widespread understanding” means the creation of cartels governed by the OECD, World Bank, or IMF; “structural change” is the process of de-industrialization of the advanced countries.

It was Gianni Agnelli, a leader of the Italian branch of the European financial oligarchy, who delivered the call for the creation of a world steel cartel at the International Iron and Steel Institute meeting in Rome in 1978. He told the assembled steel executives that integrated steel-making (in mills that combine every process from reduction of the iron ore to finished steel products) would be phased out in the industrial nations, and that the “Newly Industrialized Countries” would become exporters to the so-called advanced sector in a drastically reduced world market.

Assembling the puzzle

What have the steel company suit and the Commerce

Department findings to do with the creation of a steel cartel?

In 1977 Viscount Etienne Davignon, a senior representative of the feudal financiers for whom Agnelli speaks, became a commissioner of the European Community's Industrial Commission. Davignon developed a new approach to curbing Europe's industrial growth.

In contrast to the 1970 Memorandum of Industrial Policy drafted by Guido Colonna de Paliano, a member of the Colonna oligarchic banking family which traces its ancestral fortune to the Roman Empire, Davignon realized that the nations of Europe were not willing to give up industrial sovereignty to the supranational European Commission.

Davignon proposed that the nations would only do so in industries that were "distressed," such as textiles, shipbuilding, and steel. He began to establish cartel arrangements—monitoring of the steel market, investment clearance procedures for the European Community, mandatory minimum prices for reinforcing-bars, voluntary reference prices for six other products, and voluntary production quotas for individual firms. Then the Viscount sponsored negotiations with the major non-EC steel exporting countries to maintain 1976 import levels. That move was coordinated with the U.S. steel companies and the Carter administration. It resulted in a similar agreement between the United States and Japan in 1978, and in other import barriers, like the trigger-price mechanism.

Thus, while the American steel companies told the public and the steelworkers that the actions initiated against foreign producers were taken to protect domestic steel production, in fact the companies were using the general collapse of the world economy, sparked by the Kissinger oil hoax of 1973, to enforce the halving of steel production in the advanced economies of Europe, the United States, and Japan. The next major ratchet: October 1979 imposition of the U.S. Federal Reserve's insane interest rates. After one year of Volcker's rates, European steel was producing at only 55 percent of capacity; present utilization of shrunken capacity is 42 percent.

The Davignon Plan takes effect

On the U.S. side of the developing world cartel—a world Davignon Plan—the steel companies used whatever relief they obtained from import curbs to continue to diversify out of steel into energy companies, insurance, banking, and related financial operations. The important move of that period was the U.S. Steel decision to cancel its plans for building the 5-million-ton advanced technology integrated steel plant in Canneaut, Ohio.

In Europe, Davignon began accepting the subsidization of steel companies on the condition that the

European nations agree to curb production. By late 1980, the European steel market was in sufficient disarray for Viscount Davignon to invoke Article 58 of the European Coal and Steel Community, declaring a "manifest crisis," which put into effect production quotas, minimum prices, and import controls, and large fines against companies which violated the restrictions. The system worked poorly. It was replaced in June 1981 and renewed again this year, making 75 percent of European steel subject to quotas and strict price discipline.

The U.S. Commerce Department's preliminary decision on subsidization was intended to enforce the Davignon Plan decisions of 1981 and 1982. The Commerce Department found little or no subsidization against Germany and the Netherlands, the two nations that had strenuously objected to production quotas while at the same time also objecting to subsidies to domestic industries. In 1981, Germany succeeded in passing a phase-out of EC subsidies by 1985. Davignon threw in a \$200 million subsidy for the early retirement of steel workers.

Thus the only lasting effect of the 3 million pages of filings by the U.S. steel companies with the Commerce Department will be to enlarge the supranational control of European steel production, and to hasten the shutdown of European mills, preparatory to formalization of a full-blown Davignon-controlled world steel cartel.

The British were ecstatic over the Commerce Department ruling. The London *Financial Times* editorialized that now was the time to end all European subsidies and effect the kind of rationalization that Britain and Davignon had long advocated. The Thatcher government dispatched Trade Minister Peter Rees to last month's European Community foreign ministers' meeting to argue for a "unified EC position toward the U.S. steel trade actions."

British Steel Corporation also demanded a unified European position that would preclude rate-cutting and enhance a cartel agreement, first among the Europeans, then with the United States.

The British demands to the EC were part of the diplomacy the British consider themselves so clever at. Because British Steel was found to have the highest subsidization—just over 40 percent—they were thus in the best position to demand that the Europeans move quickly to reach an accord with the United States, the very cartel they had wanted from the outset.

Of course, protests against the Commerce Department ruling were in order. The June 16 London *Guardian* reported that "Trade Secretary Lord Cockfield yesterday called the U.S. Ambassador, Mr. John Louis, to the Department of Industry and asked him to relay to the U.S. government the British reaction to the findings of the Department of Commerce. . . . He said U.S. action could jeopardize the restructuring of BSC

[British Steel Corporation].” The last was a bit of British humor. No one could have jeopardized British Steel more than the policy of the British government, which made this corporation less than half as efficient as even the obsolete American producers.

The British gloated over another effect of the Commerce ruling. Coming just before the European finance ministers meeting, it caused harsh feeling against the United States, with rumblings of trade war between the Atlantic partners. At the finance ministers’ meeting, Belgian Prime Minister Wilfried Martens thundered that “We were apparently misled by the constructive climate at Versailles [the early-June summit].” The Belgian foreign minister, Leo Tindemans, announced that “It seems the world’s two biggest trading units are taking stands heading toward a conflict.” The possibility was raised of challenging U.S. federal tax advantages for U.S. companies in foreign trade.

Why should American steel companies aid the creation of a world steel cartel run by a supranational organization? Because the American steel industry is itself a cartel dominated by the Morgan banking group which in turn is a U.S. front organization for British and European financiers. The steel cartel has existed since the great trustification in the United States in the late 1880s and early 1900s.

For example, Republic Steel was created in the trustification of 42 steel producers and as many ore and coal properties by August Belmont, the American financial front man for the European Rothschilds. So was American Bridge, which was later transferred to U.S. Steel, the trust created by J. P. Morgan, the Meyers, and the Moores. The Morgans also controlled Bethlehem Steel, and have a board member on the company to this day, as they do on the U.S. Steel board. The Moores, together with the Hannas, Gilberts, Humphreys, the Swiss Batelle family, and the Mellons, created the other companies, including Inland, Wheeling-Pittsburgh, Armco, and National.

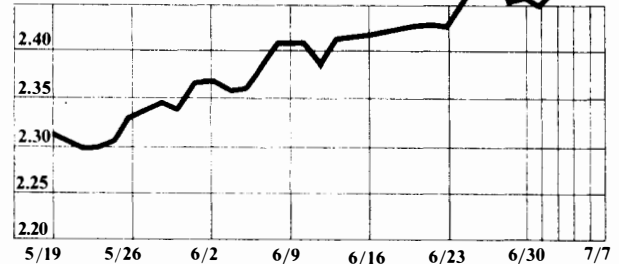
Eighty years later, the same financial group controls both American steel production through ownership and European production through the policy-making powers of the European Coal and Steel Community and the European Council.

The shutdown of steel and other industries is accelerating now because political conditions are considered favorable. The prolonged steel crisis by the oil hoax and the Volcker depression have convinced those in America and Europe who would have fought the destruction of industrial capacity that sharp production declines are inevitable. Convinced that “market forces” necessitated the cutbacks, the unions and steel company management on both continents, as well as European governments, have halted effective opposition to a world-wide Davignon Plan.

Currency Rates

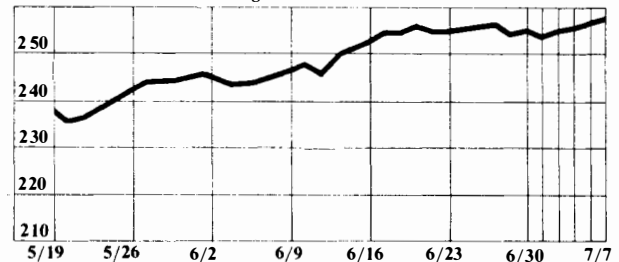
The dollar in deutschemarks

New York late afternoon fixing



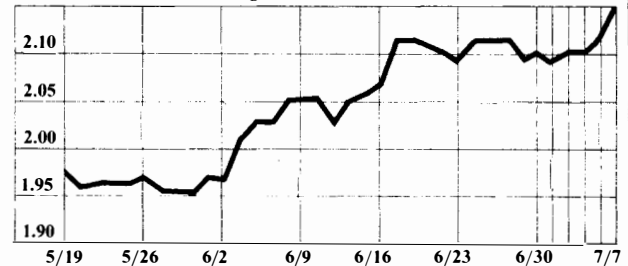
The dollar in yen

New York late afternoon fixing



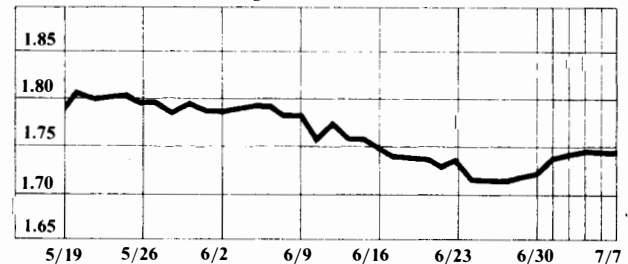
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Farm crisis bill defeated

Republicans and Democrats prove how little they know about the principles of American agriculture.

In his June 9 address to the House Agriculture Committee, U.S. Agriculture Secretary John Block provided no alternative to shrunken farm programs and sweeping bankruptcies. Block rejected the largely Democratic compromise legislation called the Farm Crisis Act of 1982, because it would "provide potential short-term relief for purely political reasons at the expense of the longer-term viability of our agricultural industry."

The bill was in fact no solution, but Block's reasoning was absolutely wrong. He and Paul Volcker will turn U.S. farms into tiny manure-using plots with the slogan "agriculture must be free to respond to market conditions," depriving the consumer of modern food production.

The Farm Crisis Act was defeated largely by the Republican members of the House Agriculture Committee on June 18 in a 21-21 tie vote.

At the beginning of the year at least 30 Democrats pulled together legislation intended to pacify their constituents. The defeated bill would have reopened the Farm Act of 1981, in order to release emergency agricultural credit under provisions of the Emergency Agricultural Credit Act of 1978, under which no disbursements have been made since 1981; and would have encouraged exports by an export credit revolving fund to be funded by \$1 billion in FY 1983. A further

provision called for increasing farm storage facilities.

This effort was a House rejoinder to Sen. John Melcher's (D-Mont.) more comprehensive bill—which is stuck in committee. That bill would not only reopen the 1981 Farm Act to restore emergency loans, but would mandate lower interest rates and a return to parity. Senate Agriculture Committee Chairman Jesse Helms has stated that similar bills will be discussed this month.

All the legislation drawn up over the past six months, with the exception of Melcher's, reinforced the lie that U.S. farmers are over-producing. The Crisis Act called for paying farmers to reduce production by keeping fields idle or growing alternate crops.

Over the long term, the bill would cripple the ability to produce excess crops for export or for sale in the United States at cheaper prices. Under normal conditions, farmers can cheapen the cost of production by increasing efficiency, and that is what most farmers want to do. But this can only happen if prices are set on the basis of parity, or something like 90 percent of the cost of production, leaving a margin of profit adequate for reinvestment and improvements.

By contrast, the Democratic Congressmen's bill would force farmers to hold a national referendum to determine whether cropland taken out of production would

be increased to 15 percent starting in 1983. If the referendum passed, commodity loan rates would be increased by 10 percent. If it failed, a voluntary acreage reduction program would go into effect when carryover stocks reached predetermined levels. In any case, farmers would have to reduce acreage to qualify for a loan rate increase.

Block accurately stated that it was "too late" this year to help anyone by this means (the 1982 wheat and feedgrain crops are already planted) and that a referendum would "leave no choice but to implement acreage-reduction programs." Block stated that the "market is signaling that a reduction in output is needed this year" but the reduction should be voluntary and at no expense to the government. Block's office explained his intent more straightforwardly: The "welfare recipients"—beneficiaries of loan rollovers from the government—must be axed, meaning some 10-15 percent of U.S. farmers.

Block sees "excess production" as a consequence of "excess farmers." His notion of the free market is to subject agriculture to the mercies of the Federal Reserve's credit dictatorship. Survival of the fittest under Paul Volcker's regime means that the medium-sized farmer, the backbone of modern U.S. agriculture, will be eliminated. As for the rest of a hungry world, Block's June 9 comment is that "the market is signaling that a reduction in output is needed this year." Block told Congress that "I do support the use of credit programs to promote agricultural exports." As acreage is cut and producers eliminated by Volcker, this is a rather perfunctory reassurance.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$390 mn.	Kuwait from Japan	Kuwait has ordered a mammoth oil-fired electrical plant from Toshiba Corp. and Mitsui and Co. Plant will have 8 generators of 300 MW capacity each, to be on line between 1986 and 1988. Largest power-plant order ever clinched by Japan in terms of both capacity and value.	Contract will be paid in Kuwaiti dinars as work progresses.
\$100 mn.	Algeria from India	Algeria has hired the Airport Authority of India to design and build airports at Batna and Setif. The Indian state agency has been active on other such projects in Arab world; this is their biggest.	South-South cooperation.
\$30 mn.	Panama from U.S.A./Japan	Feasibility study for sea-level Panama Canal agreed to by the 3 countries. Present canal suffers from 65,000 dwt ship size limit, which excludes the supercarriers of up to 250,000 dwt, which are most cost-efficient way to move freight. Panama Canal, which has waiting list even with present depressed world trade, will be bottleneck to economic revival. U.S. expected to pay for study.	Several alternative canal sites in Panama and Colombia urgently need evaluation.
	Saudi Arabia from Japan	Japanese and Saudi govts. have agreed to build largest cancer center in developing world in Jiddah, Saudi Arabia. Japan will provide technical cooperation on preliminary design, but Saudis will have last word.	Japan previously helped organize the Saudi center for diagnosis of diseases of the alimentary canal.
	Spain from Japan	Spain's steel industry "rehabilitation" is being designed by Japanese producers. Daido Steel, Japan's largest special steelmaker, just signed a contract with Spanish govt. to consult on modernizing and reducing operating costs of the electric arc furnaces which produced almost 7 mn. tons last year. Kawasaki has been working on similar rehab plan for the integrated steel mill operations which produced another 6 mn. tons.	Spain is joining the European Community just as European steel industry is being triaged under Viscount Davignon's plan. Rehab plans apparently designed to permit survival of part of Spanish industry in small, competitive market.
\$40 mn.	Indonesia from South Korea	1,300 freight cars for carrying coal on Sumatra will be made in South Korea by Hyundai or Daewoo.	South Koreans underbid (by 30 percent) Japanese companies—which traditionally dominate Indonesian market.
\$6 mn.	U.S.S.R. from U.K.	Wilkinson Sword is opening a factory to make single and twin blade razors in Leningrad.	
CANCELLED DEALS			
\$780 mn.	Argentina from ?	YPF, Argentina's state-run oil company, has informed bidders that it is shelving all plans for expanding capacity of its 2 oil refineries. Lummis and Kellogg of U.S.A., JGC and C. Itoh of Japan and Davy of England were seeking the job.	Argentina is holding all growth plans in abeyance.

Business Briefs

International Trade

Japan to go ahead with Soviet project

In an unprecedented rejection of U.S. attempts to sabotage Japanese economic cooperation with the Soviet Union, Tokyo has reportedly decided to press ahead with its cooperative venture with Moscow for the development of the rich fossil fuel deposits of Sakhalin Island. According to Japanese wire services, the Japanese public and private sectors have resolved to circumvent the Washington-imposed ban on the use of U.S. equipment in the multi-billion dollar project by developing their own technological capabilities to continue the venture.

JJI press agency reports that the government-backed private Japanese company involved in the project, whose representatives are now in Moscow, has reached a provisional agreement to go ahead with portions of the project early next year with an eye to completing the entire project without U.S. technology if necessary. A Japanese embassy official close to the project said that in his country "there is no view to discontinuing the Sakhalin project. . . . It has to proceed." At the same time, Japanese government officials are trying to persuade Washington to reconsider its action.

Agriculture

Texas floods threaten the cotton farmers

Senator Lloyd Bentsen (D-Tex.) has asked Agriculture Secretary John Block to authorize economic emergency disaster payments to West Texas farmers hard hit by bad weather. Predictions are that 50 percent of the cotton crop has been wiped out by tornados, hail storms, and dust storms. Farmers are now mopping up and trying to plant another crop of sunflowers or soybeans so that they can

recoup some of their lost earnings.

West Texas grows some 4 million acres of cotton, of which, according to the USDA task force that visited the area, about 2 million acres have been destroyed. Disease brought on by cool, wet weather has added to the losses. An informal estimate from USDA is that 30 to 40 percent of the farmers might be driven out of business.

Bentsen, in his letter to Block, said "many farmers were already in dire economic straits, and the many problems associated with the Federal Crop Insurance program resulted in very few farmers taking this coverage. This disaster could not have come at a worse time, and it threatens to wipe out large numbers of farmers."

Comecon Policy

Soviet mobilization: do without East-West trade

The Soviet Union has moved from denouncing the Reagan administration sanctions against trade with the Soviet Union to a mass mobilization of the population to get along without the West. The prevailing theme is: "build Fortress Russia."

Soviet newspapers are displaying on their front pages pledges from factory workers at Leningrad's Nevskii Zavod machinery plant and elsewhere to produce turbines for the Siberia-West Europe pipeline to replace any machinery whose delivery is blocked or slowed by the sanctions. *Pravda* invoked the memory of the blockade against Soviet Russia in its first years as the precedent for this mobilization.

In the trade-union daily *Trud* July 3, Academician Oleg Bogomolov of the think tank on Eastern European economies declared that the Soviet Union should now be developing technologies to replace imports from the West. "In the past decade," wrote Bogomolov, socialist countries "have frequently obtained

in the West expensive technology, which could have been gotten quite well domestically. . . ." But "fundamental innovations have been introduced in domestic technology precisely at those times when a ban on supplying technology to us was particularly stringent."

U.S. Labor

Industrial collapse spurs workforce disintegration

Inland Steel has laid off an additional 2,200 workers at its Indiana Harbor plant. The facility, one of the largest steelworks in the nation, already had 2,200 hourly workers on layoff out of a total production force of 18,000, plus 5,200 on short work-weeks. The *Wall Street Journal* portrayed Inland—in past years the most efficient and profitable of the major steelmakers—as the "big loser" in the present industry shake-out due to its failure to follow U.S. Steel and others in diversifying into non-manufacturing, i.e., speculative, areas.

The bid by Cyclops Steel Company to acquire the Alloy Division of Crucible Steel in Midland, Pennsylvania, is stalled by the inability to reach agreement on a package of concessions with the United Steelworkers of America. The firm was demanding total labor-cost reductions of \$3 per hour, including a bailout of \$1.80 per hour in loans to the company at 5 percent interest.

Meanwhile cutbacks in federal support for extended benefits for the unemployed have already abruptly terminated coverage for some 73,000 Americans in New Jersey, Massachusetts, Missouri, Maine, and Arkansas.

Indications are that the disappearance of skilled jobs, with only low-wage service employment taking up any of the slack, is leading to the "recycling" of the labor force into jobs at lower rates of pay and skill in mainly non-productive industries. For example, Michigan's unemployment commission reports that 55

percent of the people it placed in jobs in April started at the minimum wage of \$3.35, compared to only 22 percent in April of last year. A check of the equivalent figures for Ohio confirmed that trend. The implication is the destruction of the skilled industrial workforce.

International Credit

'Time for an association of debtor countries'

Mario Guzman Galarza, economic commentator for the Mexican newspaper *El Dia*, published a July 7 policy statement on the Third World debt crisis. His thinking was in the direct line of economist Lyndon LaRouche's call for a full-scale debt reorganization in Ibero-America, in tandem with the formation of an Ibero-American Common Market.

Guzman notes that any one of dozens of insolvent countries around the world could destroy the international debt balance "upon which rests \$500 billion of international bank loans. . . . If that is the worry of the international banks, I think the time has arrived for the countries of the Third World, particularly those which find themselves trapped in the power of the international banking system, to make their interests concrete in the form of an association of debtor countries, as the only way to confront the pressures and avoid strangulation of their national economies."

The international banking system knows that if it shuts us out of the advanced sector markets, and collapses the prices of raw materials, we developing countries will have nothing to pay the debt with, Guzman continued. "Therefore, either they help us without conditions which limit our sovereignty, or we don't pay. . . . If the oppressed, dependent and marginalized countries of the Third World unite, they can face down the maneuvers of the powerful countries. If they stay divided, they will continue in backwardness and stagnation."

Polish Debt

'Don't be surprised if the bear bites'

The latest issue of the Polish weekly *Polityka* carries a full-page discussion on the proposal for Poland to declare a moratorium on the \$27 billion in debt it owes to Western banks. An Austrian specialist on East bloc affairs commented on the item, "Right now, a debt moratorium is the talk of all the ruling circles in Warsaw. It is very openly discussed."

Considered one of Europe's leading specialists on Soviet bloc affairs, the Austrian observed in connection with the Reagan administration's sanctions against East bloc trade, "The Pentagon is very foolish to precipitate a liquidity crisis [in the East] which would mean a return to the cold war, with grave political repercussions. . . . The Soviet Union was bled dry by World War II; then in the postwar period, the West embargoed them. In 1957, the Americans woke up to Sputnik. . . . It is exceptionally dangerous to play with the debt, as the United States is presently doing."

The arguments which manipulated the Reagan administration to adopt its recent sanctions policies were laid out in a private discussion with a leading German member of *Le Cercle*, one of the oligarchical clubs that bring together the black nobility of Europe and Anglo-American forces. "Over the next five years, the shortage of liquidity of the Russians will be continuous," he said. "The aim is not to bankrupt the U.S.S.R., that would never happen. But, we have a chance to impose a cash-and-carry basis for trade. This forces them to short-circuit military spending," which is some 42 percent of the Soviet budget. Such a policy, he added, is the underlying basis for disarmament negotiations.

Top French sources reached by the *Executive Intelligence Review* called this viewpoint insane, saying the Soviet military economy will not be affected by the obstacles to Western trade.

Briefly

● **PAUL VOLCKER** told a delegation from Japan's ruling Liberal Democratic Party early this month that he has no intention of bringing down U.S. interest rates, according to the leader of the delegation, Ichiro Sato, who chairs the LDP's Research Commission on Monetary Problems.

● **THE ENVIRONMENTAL** Protection Agency and the Federal Aviation Administration have denied a request by the Friends of the Earth to restrict aerial application of pesticides. The group had proposed buffer zones of several hundred feet around roads and creeks, as well as mandatory notice to all persons adjacent to the spraying area. "You'd end up being able to spray just a little strip in the middle in a lot of areas," said an Oklahoma Agriculture Department entomologist.

● **THE BUILDING** and Construction Trades Department of the AFL-CIO has filed suit in federal court to block implementation of new regulations governing the Davis-Bacon Act, slated to take effect July 27. The act requires that locally prevailing wages be paid on federally supported construction projects. The new rules, according to the Washington, D.C. lawsuit, substantially dilute several key provisions of the law, including definition of prevailing wages and regulation of semiskilled helpers, contradicting the legislation's intent.

● **THE U.S. LABOR** Department has announced that as of April, employment in the consumer, financial, and service sectors exceeds the job total in production industries for the first time in American history.

Separatist terror: old Nazis play the Soviet card

by Lyndon H. LaRouche, Jr.

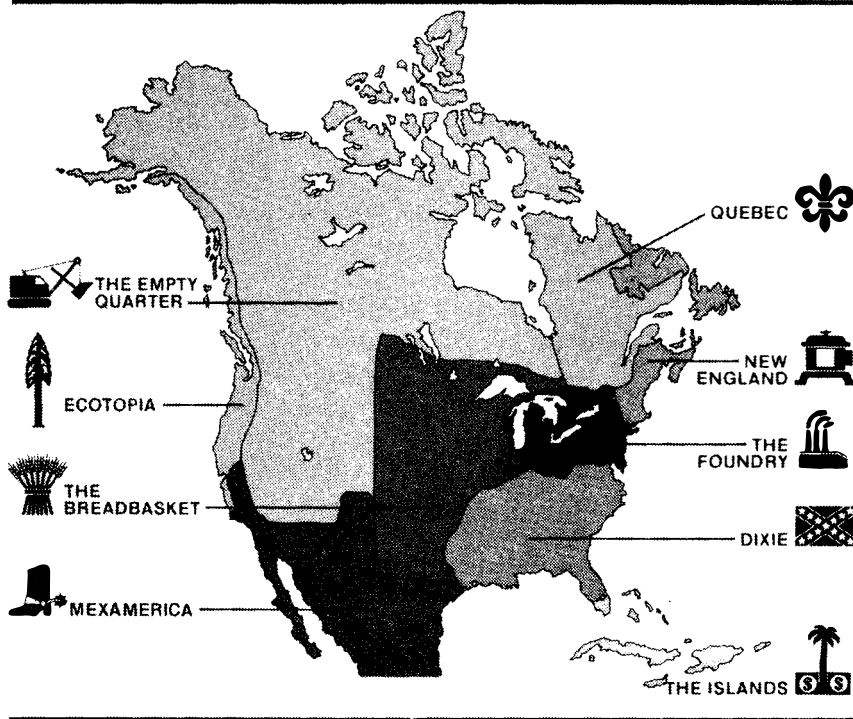
This article was written by Mr. LaRouche on June 20, 1982.

A very powerful and dangerous network operating as the Nazi international is presently a conduit deploying the greatest terrorist capability in history, in Europe, the United States, and elsewhere. The cover for this Nazi operation is a network of so-called “separatist movements,” the new, expanded cover for international terrorism. These Nazis, together with the powerful aristocratic and financier forces behind them, are simultaneously playing a monstrously clever and dangerous game: attempting, in one British view of this matter, to “play the Soviet Card.”

The objective of the powerful forces behind the deployment of this anthropologists’ nightmare of “separatist movements” is to generate throughout the planet a protracted condition of chaos—economic depression, regional wars, dionysiac orgies of assassination, rioting and insurrection in many nations. This process is intended to obliterate the institution of the sovereign nation-state and to bring forth out of chaos a Malthusian world-federalist order. The model of ideological reference for this fascist design is the utopian doctrine of the founder of Hapsburg’s Pan-European Union, Count Coudenhove-Kalergi.

These schemers are visibly embarked on an effort to lure elements of the Warsaw Pact into certain limited forms of collaboration with their world-federalist project. Sensible of Moscow’s lately increased desire that “the West destroy itself from within,” they have dragged even elements of the Soviet KGB into support of projects which some KGB officials in Western Europe have described as “controlled by right-wing forces.”¹ Naturally, the schemers are obsessed with their conviction that the dionysiac forces being unleashed in the West can be made to spill over rapidly into the countries of the Warsaw Pact.

Reference to this Nazi operation slipped in, in an indirect but irrefutable fashion, to yesterday’s televised half-hour press-conference with Israel’s Prime Minister Menachem Begin.² The relevant leak by Prime Minister Begin occurred in the content of an otherwise arrogantly absurd answer, appropriately directed to a journalist’s silly question.



This 1981 scenario for the balkanization of the United States is a rewrite of Idols of the Tribe, the 1974 book by MIT Professor Harold Issacs, a dean of those anthropologists now engaged in the Nazi-linked organizations coordinating separatist movements internationally. In Washington Post editor Joel Garreau's version, the United States is slated to break up in "the Foundry," the declining nation of the Northeast; the emerging nation of "Dixie"; the northern Pacific rim, or "Ecotopia"; "Mexamerica," including the Southwest and Mexico; the "Breakbasket," "Quebec," "the Empty Quarter," the money-laundering "Islands," and "New England."

Begin's allusion to the Nazi plot

In response to a journalist's almost ritual challenge to Mr. Begin concerning the rights of Palestinians in the West Bank and Gaza, the Prime Minister made the following, extraordinary comparison of Palestinians with several presently simmering, terrorist-linked separatist movements. He reported that he had told the Foreign Minister of France that Israel treated these Palestinians better than France treated its Corsicans, that he had told the Foreign Minister of Italy of Italy's oppression of Tyroleans, and the Foreign Minister of Belgium of his nation's oppression of Walloons.

In what lunatic anthropologist's fantasies are Palastinians, Basques, Bretons, Alsatian nationalists, Walloons, Corsican terrorists, Sardinian nationalists, Tyrolean fascists, Sicilian Mafioso nationalists, Kalistan terrorists, Armenian terrorists, and native-American insurgency movements in the Western Hemisphere comparable in the sense Begin implied? There is only one organization in the world whose assorted forces are being "oppressed" by anti-terrorist forces of the governments typical of those Mr. Begin listed. That is a front-organization, staffed prominently by anthropologists as well as others, which is deployed by the Nazi international.

Mr. Begin's government is well aware of the Swiss-based Nazi international, and the degree of protection it enjoys by the Swiss government. There was the Breguet case in Israel, some years back, for example. Mr. Begin's government is well informed of the connections between the Nazi international and the separatist-

terrorist network. He is also informed of the network of aristocratic and financier interests behind this Nazi network, including some of the same elements which created Organization Consul and the Thule Society, and created both Adolf Hitler's Nazis and the political careers of the Strasser brothers in Bavaria during the 1920s.

So that we may focus on the main point to be considered here, and put the Palestinian Question to one side in this connection, there are a few relevant things one ought to know concerning Mr. Begin and his world outlook. If the TV journalist had not been a silly journalist, he would have known the Prime Minister better than to put such a question in such a fruitless form.

It is the principle implicit in the doctrine of "Greater Israel" that any Arab continuing to reside on the indicated real estate is a trespasser, who brings upon himself any misfortunes imposed upon him by the rightful owner.

Many Israelis disagree with this doctrine of Eretz Israel. They desire nothing but a secure homeland, away from ages of European anti-Semitism and pogroms, that culminated in millions of Jewish deaths either by outright murder or in the slave-labor camps of Hitler's Albert Speer. Many Israelis prefer a way to peace with their Arab neighbors, but nearly all Israelis, including those who view Mr. Begin as no better than a "lesser evil" to Alexander Haig's accomplice, Ariel Sharon, would agree on the image of the heroism of the Warsaw Ghetto fighters.

Until the day the superpowers come to their senses, and place a credible steel shield of perpetual security around Israel's borders, or until Israel is destroyed by the lunatic strategic follies of miscalculation of a madman like Sharon, Israel's peace factions will be repeatedly outflanked by the warhawks on the appearance of each new perceived threat to Israel's existence. Durable peace is possible, but not as long as a Kissinger, a Vance or Haig is running amok as U.S. Secretary of State.

There is a second, extremely important feature of Mr. Begin's policy. Whether he is aware of this connection or not, Menachem Begin is a consummate follower of the political doctrine of the German sociologist Max Weber. If one does not understand the implications of this, one understands almost nothing about his statecraft.

Max Weber was one of a long stream of German romantics flowing out of the salon of Lausanne's Madame de Staël, through Arthur Schopenhauer, and into Friedrich Nietzsche, Rudolf Steiner, and the existentialists Karl Jaspers, Martin Heidegger, and Martin Buber. By romanticism one means essentially philosophical irrationalism, a rejection of the notion of a knowable higher lawfulness in the proper ordering of society or the universe generally. The individual's "inner psychological needs" are decreed the impulse he must satisfy, no matter how arbitrary, irrational, or even destructive those desires may be. To discover, adopt and stimulate a "feeling-state" in oneself which produces the desired existential state is everything, as Kierkegaard and the evil *Steppenwolf* of Hermann Hesse illustrate this. Weber, like his contemporary fellow-irrationalist Rudolf Steiner, was among those who attempted to make a complete system of this irrationalistic doctrine. Weber's doctrine is called "sociology."

Weber together with the American pragmatists William James and John Dewey are generally cited as the putative fathers of a political-sociological-psychological doctrine called "pluralism." What William James's *Varieties of Religious Experience* was to theology, Weber's dogma was to politics. Weber focused not only upon the individual's irrational "needs," but upon the irrational "needs" of entire groups within the political processes of society at large.³

No higher rationality can determine what is right in politics, Weber insisted. Political parties based on a rationalistic world-outlook (*Weltanschauung*) must be destroyed, to be replaced by pluralist parties. In the political process, society must be divided into groups, such that each group adopts an irrational set of principles of perceived self-interests and goals ("ideology"), and limits the rational powers of the mind to devising means by which to impose demands flowing from that ideology upon society as a whole.

Today's rampaging anti-nuclear hooligans and terrorist groups generally are consistent with Weberian doctrine. The Nazi "Triumph of the Will" was a Nietzschean existentialist doctrine also fully consistent on this point with Weber's doctrine, just as Weber's student and collaborator embraced Mussolini's fascism on the same methodological premises. Sorel's doctrine of the fascist *mythos* is consistent with Weber's principles of pluralism.

Mr. Begin's policy is that he is accountable to nothing but what he perceives to be Jewish-Israeli self-interests and goals. Questions of universal morality, of interests of other peoples, nations, and so forth are matters of philosophical irrelevance to him. His policy of practice is that he and Israel must be clever enough, make themselves sufficiently strong, to find pathways to impose Israel's policies on the rest of the world by *fait accompli*.

According to Mr. Begin's Weberian logic of statecraft, Israel's policy can be changed from the outside only by demonstrating that vital Israeli interests, as his ideology defines those interests, would be more or less surely injured if a certain course of action is pursued by him or by Israel.

The political practice of Mr. Begin, like that of numerous other leading Israeli figures, is informed by embossed memory of Hitler's early successes in diplomacy, and the contemptible indecisiveness of sweaty-palmed foreign diplomats and their governments today. He gauges carefully the behavior of the governments of the superpowers and other governments, and bluffs (usually successfully) on the basis of well-informed and keen insight into the governments upon whom he is about to impose yet another *fait accompli*.

Israel has by no means the degree of independent capabilities which the record admittedly does suggest. Israel is a key pawn in a Middle East game, in which both the Israeli and Arab side have been rigged from the beginning by a combination of British forces with continental circles best summarily described as "Venetian." The archives show that the principal Arab Nazis of the 1930s and 1940s—including the Grand Mufti of Jerusalem and the Falange—were fed to Admiral Canaris's Second Division of the Abwehr by British SIS's Arab Bureau, and that both Canaris and the German foreign office knew this to be the case at that time. On the Israeli side there was Britain's Orde Wingate, and Ariel Sharon is a de facto agent of a former British governor of Cyprus, Lord Caradon. Britain is playing a "great game" in the Middle East, a game modeled directly on the manner in which Venice ran the inside of the Ottoman Empire and the Balkans from the middle of the 15th century through the Balkan Wars which triggered World War I. Britain will tolerate Israel to run loose as long as the British monarchy considers

these antics either useful or merely amusing. Meanwhile, until Britain pulls the string, Israel plays its assigned "living theater"—part with vigor. Israel commands the realm within the goldfish-bowl, but the British are holding the bowl, and might drop it almost when they please.

As for Israel's current invasion of Lebanon, Begin's argument is rudimentary: "Haig has cost the United States its last friends among the Arabs. Wonderful! If the Soviets should, unexpectedly, intervene against us in this affair, the United States will have to save us as its only remaining option in the Middle East."

If Menachem Begin thought at all later about the silly journalist who asked the question during the TV broadcast, Begin might have heard himself thinking: "What a schlemiel"—which is Yiddish for a nebbish who reads the *New York Times*.

As for the meaning of Begin's reply, read it as follows: "You governments who are criticizing my troubles with the Palestinians: you will be soon enough up to your ears in the locust-horde of separatist-terrorists some Nazis are about to unleash upon you."

Nazis, then and now

One of the principal reasons neo-Nazi networks have been able to build up their power under the noses of governments is the wide acceptance of the Hollywood myth of the Nazi as a Prussian officer with a swastika-brassard, brought to power by an evil cabal of German industrialists. In fact, the typical Nazi inner base was recruited into the Nazi Party from the Weimar "environmentalist" counterculture, often by way of Gregor Strasser's Youth Movement. Strip away the uniform and the paramilitary posturing, and he was a 1920s version of the 1965-1982 rock-drug-sex counterculture now storming about in anti-nuclear mass-rallies in the United States or Europe.

The significance of the uniform and paramilitary posturing were reflections of what the popular image of raw power was during the 1920s and 1930s. Today, the corresponding image is that of a guerrilla-fighter whose automatic pistol or assault-rifle one might imagine only temporarily out of sight.

In general, the Nazis hated the Prussian elite, hated the culture of modern industry, and hated the rationalism of German science. They were not nationalists in the 19th-century meaning of the term; they were fanatically Anglo-Saxon racialists, who required the otherwise hated instruments of German science and industry, and the Prussian professional officer-corps they wished to destroy, to enable them to reduce drastically the non-Anglo-Saxon racial stock of Eastern Europe and Russia, to make room for agrarian settlements of fecund Anglo-Saxon settlers upon the occupied territories.

Otherwise, the oligarchical forces which created the

Nazis under the influence of the Thule Society saw the Hitler form as a temporary phase in a succession of movements flowing out of the ideology of Friedrich Nietzsche and Aleister Crowley. These sponsors detached themselves from their Hitler-creation at various points in the process, and in the end negotiated with the British and Americans such as Allen Dulles to save selected Nazi assets for the work of preparing the successor-phase.

A few highlights of Nietzschean ideology, as underlined by Armin Mohler's *The Conservative Revolution*,⁴ are sufficient for our purposes here.

Nietzsche, like Crowley,⁵ centered his fascist program around the theme: "God is dead; the Age of Aquarius (Dionysos) must terminate the Age of Pisces (Christ)." Nietzsche based his program on the Manichean model: the age of rationality must be destroyed by the weapons of Chaos to produce Chaos; out of Chaos will emerge the new dionysian man for whom neither Good nor Evil are distinguishable.

The Nazis were to promote fascism and to bring Chaos into being, but Hitler's specific objectives were not entirely those of the overlapping, powerful mixture of aristocratic and rentier-financier interests behind the Nazi projects then and now.

The immediate objective of these feudalistic oligarchists is to destroy every institution brought into being by the 15th-century Golden Renaissance, most emphatically the modern sovereign nation-state, and to build a new world societal form referenced to the feudalistic order of the early 14th century, as John Ruskin's Pre-Raphaelite Brotherhood had proposed in Britain.⁶ The kind of world-order these oligarchist backers of Nazism sought, then and now, is broadly indicated by Richard Count Coudenhove-Kalergi's design of the utopian ideology of Hapsburg's Pan-European Union: a one-world model constituted as a federation of regional satrapies, resembling the form of the Persian Empire under the Achaemenids.⁷

The function of successive fascist movements, in the intent of these oligarchists, was to obliterate the roots of the institutions of Judeo-Christian civilization—including rationalist science and the nation-state form. The means proposed was an unleashing of combined physical and moral chaos such as must eradicate memory of those republican institutions from the memory of future generations. Out of this chaos, the new form of oligarchical society would emerge. It was to be made possible by a "total revolution," or, in other words, "universal fascism."

It was the portion of Nazi cadre attuned to the kind of universal fascism preferred by the Siemens Stiftung's Armin Mohler⁸ which were preferred assets to be rescued with aid of the British and Americans such as Allen Dulles.

Perhaps Adolf Hitler took seriously the idea of a final Nazi redoubt to resist the military forces of the Allies in southern Germany, western Austria, the Tyrol, and so forth. The oligarchs generally never took it seriously *in that form*. There was to be a redoubt in these and adjoining regions, but not a redoubt to be transformed into rubble of futile military resistance. It was to be the “heartland” of the “universal SS” salvaged from the remains of Hitler’s defeat, a redoubt centered in Switzerland, where the universal-SS spider would build its power patiently for the next, different form of assault against civilization.

This was never hidden from the ruling British oligarchy, or from complicit oligarchical families such as the Morgans, Moores, Harrimans or Fields in the United States. Like the Morgans’ Dulleses, the Rockefeller Foundation, the Ford Foundation of Robert Hutchins and McGeorge Bundy, the Tavistock authors and controllers of the RAND Corporation, and the circles behind the Aspen Institute, the forces who had been decisive in bringing Hitler into power and supporting him into 1938, were the Anglo-American component of the same forces as the Venetian-Hapsburg oligarchy of southern portions of Europe.

Who used the capabilities of the Socialist International to bring SDS into being in coordinated fashion on both sides of the Atlantic? Who sponsored the pilot-projects of the 1950s—around Aldous Huxley, Gregory Bateson, Margaret Mead, and others—which experimented in psychedelics and synthetic cults, and launched the nationwide rock-drug-sex counterculture out of places such as Palo Alto beginning approximately 1963? Who directed the Johnson administration to begin tearing down the U.S. aerospace research and development capability during 1966-67? Who ordered Henry Kissinger to establish Malthusian policy-making institutions in the National Security Council, State Department, and in NATO’s Committee on Challenges of Modern Society beginning 1969? Who orchestrated the coordinated launching of the international “environmentalist” movement out of nothing but the relics of the “New Left” beginning Autumn 1969? Who funds the world-federalist projects, population-reduction lobbies, anti-nuclear lobbies, lobbies for legalization of dangerous “recreational substances,” “right to die” lobbies, and anthropology and legal projects fostering separatist-terror groups among selected “particularist” groups? Who creates and funds “peace movements” intended to shift NATO military policy to “conventional warfare” against the nations and populations of Ibero-America, Africa and Asia? What interests have been promoting Anglo-Saxon racialism in the guise of “eugenics” out of such precincts as New York City’s American Museum of Natural History, where support for Hitler’s racial doctrines was rallied by Mary Harriman and others in 1932?

In the overlays of the answers to those questions one has conclusive proof of which aristocratic and allied financier interests are behind the “universal fascist” projects of today.

The separatist-terrorism scenario

The best-known of the scenarios of chaos intended to bring the Malthusian world-federalist order into being, is the so-called Bernard Lewis Plan, sometimes known as Zbigniew Brzezinski’s “Arc of Crisis” policy.⁹

Bernard Lewis was a protégé of the Arab Bureau of British SIS. He was seconded to the United States, to conduit the British plan for the “Arc of Crisis” through the auspices of the British Petroleum-linked Aspen Institute. The conduited British design was dragged into the State Department by Henry A. Kissinger, and the plan’s putative designer, Lewis, is now situated at Princeton, where he heads up an academic task-force, including Ramsey Clark-ally Richard Falk, specializing in destabilization of those Islamic nations presently surviving the Khomeini tragedy.

The plan prescribed the destruction of all of the existing nation-states of the “Arc of Crisis.” A complex of separatist movements was to serve as the means for dividing existing nations among a proliferation of tiny semi-autonomous political entities, who would perpetuate the endemic warfare by which they have been brought into existence, efficiently sending the region back into a dark age of, predominantly, bloodily competing varieties of rabid Asharism,¹⁰ thus depopulating the region savagely.

This was only a pilot-model for the same sort of separatist projects on a world-wide scale. The United States was not to escape the same general sort of treatment currently in progress in Iran. Recently, a former editor of the *Washington Post*, and therefore doubtless influenced by the obvious depravity of such associations, published a book entitled *The Nine Nations of North America*. The book is essentially a rewrite of a 1974 book by an MIT professor, Harold Isaacs, *The Idols of the Tribe*; Isaacs is a dean among the anthropologists now engaged in the Nazi-linked organizations coordinating separatist movements.¹¹

Almost every obscure sort of criterion is dredged up by anthropologists as pretext for separation of some obscure grouplet from an existing nation-state. Each little such group enjoys the blessing of some anthropologists, sociologists or missionaries of the World Council of Churches varieties, attached to it as a social-work controllership. Through networks of complicit anthropologists, divinity schools and relief organizations, the lines of control are linked back to one or another of the nest of “indigenous-culture-preservation associations” linked jointly to the Nazi international and the higher orbit of the World Wildlife Fund.

by want of modern technology, education, modern

medicine and hygiene, or because of a life crushed by combined burdens of ignorance, superstitions and the fragile subsistence of labor-intensive toil. Exactly the contrary: ignorance, superstition, brutish local customs, and wretched subsistence are now ranked as a biologically-determined "ethnic heritage," which must not be tainted by hint of change, lest the would-be innovator be charged with "attempted ethnocide." On behalf of the preservation of such "genetically determined" cultural values, the small tribes "threatened" by modern knowledge's intrusions must arm themselves to establish their "own nation." Thus, we witness in political practice the intrinsic implications of British—or better, *Brutish*—anthropology's racist dogma of "cultural relativism."

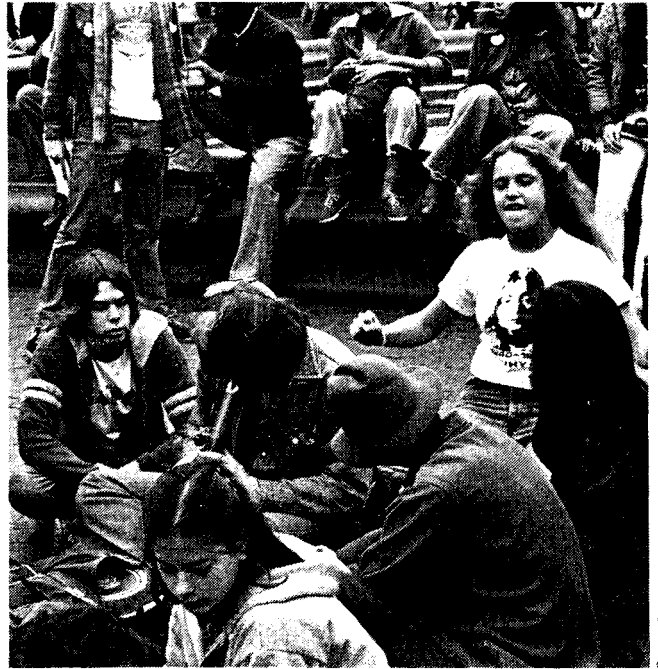
The world is to be transformed into a bloody—quite literally, bloody—anthropologist's zoo!¹²

The Soviet role

According to certain Spanish sources, Franco's Blue Division, assigned to aid the Wehrmacht in "Operation Barbarossa," turned up a document in the Ukraine residence of an official of the Soviet state security service, ostensibly a post-conviction interrogation of Christian Rakovsky in his cell in Moscow's Lubyanka prison. This was published as the *Rakovsky Protocol*, purporting to have Rakovsky revealing his knowledge of an international bankers' plot directing the section of the Soviet opposition to which Rakovsky was attached.

Either the document is a clever concoction, or Rakovsky was either lying or in reduced mental capacity at the time of the interview. By pedigree, Rakovsky had been complicit in a pre-1919 banker-run plot, as a sub-agent of Alexander Helphand (Parvus). Parvus had been, in turn, the agent of Venice's Volpi di Misurata, the latter the controller of Benito Mussolini's rise to power, and earlier the coordinator of the anarchist operations in the Balkans which triggered World War I. Bukharin and Radek, among a number of leading Bolsheviks of the 1920s, had been Parvus sub-agents, Bukharin himself also under the influence of Hapsburg intelligence services. Although Rakovsky purportedly admits to a banker-linked plot, the purported transcript of the interrogation cites none of the knowledge of the actual plot directly known by name, date and place to the actual Rakovsky.

This is cited to illustrate an unresolved problem of the writer. Although this writer has knowledge that former SIS agents Maclean and KGB General Philby were planted in Moscow as "triple agents" of the British monarchical household, knows the connections of Robert Swann through the Romanian Uniate Church, and knows other things of that sort, including penetration of the Russian State Church through such routes as Antioch, the extent of a deep-agent network left over from the Parvus apparatus is not known with certainty.



Stuart Lewis/NSIPS

The counterculture was deliberately created.

The importance of that ambiguity for this subject at hand is that it becomes difficult, because of this very ambiguity, to assess to what degree Moscow does certain things out of admiration of its own imagined cleverness, and to which degree deep moles of the Parvus variety might be influencing Moscow's policy for reason of affinities to the cause of the oligarchists behind separatist and related terrorist operations.

When a Robert Moss or Menachem Begin asserts that international terrorism is a Moscow creation, I know that they are lying shamelessly. It would be, relatively, far more accurate, if not precise, to say that international terrorism is coordinated through the apparatus under Jonkheer Joseph Luns, the General Secretary of NATO. (Just because it's NATO does not mean that it is necessarily on the same side as the United States! NATO, sold to the United States as purely a military general staff of allied nations, has been transformed by degrees into something radically different than the original intention, establishing a very meddlesome and large approximation of a supranational government under the wing of the Political Secretariat.)¹³

As we have indicated, both the old and emerging phase of post-1968 international terrorism are known to be coordinated chiefly out of the same location as late 19th-century terrorism and the assassin who traveled through Emma Goldman's New York Henry Street Settlement House to assassinate President William McKinley: Switzerland. In Switzerland, it is the Nazi-international cut-out which chiefly coordinates international terrorism. This Begin and Moss know as well as

they should know the British government's role in deploying international terrorists.

To report that Moss and Begin are liars on this question is quite a different matter than to attempt to answer with a simple "Yes" or "No" whether or not the East bloc is or has been involved in international terrorism—as distinct from the ordinary sort of assassination which is the common practice of most nations today. The best answer is that Moscow did not create and does not control the international-terrorist apparatus existing today, but that whether Moscow's agents penetrate this apparatus and sometimes make use of its facilities for one purpose or another, I would have to estimate: "Broadly speaking, they do."

The best illustration of the point is afforded by examining Moscow's substantial backing for the "nuclear freeze" and "peace movement." The present "peace movement" is run out of NATO, with rather different purposes in mind than all but a handful of the peace-marchers would suspect,¹⁴ and with the Nazi international significantly involved. On the U.S.A. side, the corollary movement is run by the Harriman-centered circles, which also provide some of the coordination for Petra Kelly's operations in Europe. Moscow is aware, in significant degree, of who runs this bit of political street-theater. Nonetheless, since to support this movement is to support those British and Harrimanite circles who are disposed to consider cancelling Henry Kissinger's 1979 order to deploy U.S. Euromissiles into Germany, Moscow is disposed to support the movement massively, if pragmatically. Which is not to imply that the Warsaw Pact is disposed to tolerate the same peace movement for a single day in its own territories!—as approximately a dozen arrests and temporary detentions in Moscow underline.

On terrorism, this must be said. Moscow's standing policy is to strike a posture of support for whatever it certifies as a "national liberation movement," including the Palestine Liberation Organization. This policy sometimes places Moscow in the curious position of affecting support for entities such as the Polisario, but the view of such matters in Moscow appears to be, "Better an occasionally embarrassing mistake under a generally sound policy than scrap the policy." Since some of these liberation movements have terrorist arms, appropriate conclusions either do or at least appear to follow.

What, then, if some of the powerful forces behind the Nazi international and interlinked assets make an attractive offer to Moscow, at a time Moscow's rage against the United States is more intense than at any time in recent memory? Even if Moscow knew this were a bunch of Nazis, with which it might have made certain expedient accommodations in the past, as do certain Israeli circles, how would Moscow react?

This must be considered against the background of Lord Carrington's "New Yalta" project. Carrington's game was to isolate the United States, pushing Washington into a sulking, "Fortress United States" retreat from its former responsibilities of international leadership. Under conditions of crisis, Britain would then offer to Moscow a recarving of the world, including what might appear substantial concessions in real-estate to the Moscow side: the alliance of Croatian and Albanian forces for the dismemberment of Yugoslavia and increased Soviet spheres of influence in the Middle East must be watched from this standpoint of reference.

In such a drift of the strategic situation, would Moscow's pragmatic support of the peace movement and implicit support of nastier aspects of national-liberation movements be extendable to manifestations such as a Nazi-international-linked deployment of separatist forms of terrorist-edged "national liberation movements"? In the case of the destabilization of Iran, the answer was, in effect, "Yes."

Would it do so, if it did, merely pragmatically, or would what Moscow intended to be a pragmatic posture create conditions favorable to more overt deployment by deeply planted Warsaw Pact networks allied to the same oligarchy which runs the Nazi international? This is an area of ambiguity pregnant with the potential of thermonuclear war.

We have knowledge such an offer toward Moscow is being developed. So far, we have not seen documents showing intent, but the kind of deployments consistent with such an intent are under way. We can only say at the moment: Watch Czechoslovakia; the seeds of World War III might just be brewing there, if not also elsewhere, during the present period.

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1. This was the expression volunteered by a well-known, Western-Europe-based KGB controller to undercover operatives penetrating one destabilization operation in which that particular gentleman turned up, not altogether to the astonishment of the investigators.
 2. (CBS-TV, "Meet the Press," June 20, 1982).
 3. The analysis of Weber's work was developed by Dr. Helmut Böttiger of Germany.
 4. Stuttgart, Vorwerk, 1950. Published treatments of Mohler and the implications of his doctrine have been given by Helga Zepp-LaRouche in several locations, including *Neue Solidarität*, Jan. 1982 "The Historical Roots of German Fascism," *New Solidarity*, Jan. 25 and 28, Feb. 1, 1982.
 5. Aleister Crowley was nominally Madame Blavatsky's successor in leadership of the Theosophist movement, and the superior of Germany's Rudolf Steiner up to the point Steiner spun off his anthroposophic branch of Theosophy to keep matters within bounds tolerable to Steiner's Social-Democratic and other patrons. Steiner's principal angel became Waldorf of the Astor-Waldorf alliance: hence, Waldorf Schools. Crowley was chief priest of the Isis-Urania Temple of the Hermeticist cult of the Golden Dawn, with branches in Edinburgh and Paris, as well as

London. It was into this order that Crowley inducted H.G. Wells' protégés Julian and Aldous Huxley, the latter a key figure of the Palo Alto, California cult-synthesizing and LSD-25 pilot-projects of the 1950s.

6. Cf. Carol White, *The New Dark Ages*, New York, 1980, passim.
7. This was also the doctrine adopted and promoted by the Chicago-based founder of the Anti-Defamation League, a key U.S. asset of British intelligence services. On Coudenhove-Kalergi and the Pan-European Union, an intensive report has been published in Germany, *Spuren und Motiv*, May and June, 1982.
8. Mohler, consistent with this fascist doctrine, is a defender of the anti-nuclear movement. This seems merely curious, when one notes that the Siemens firm has moved into virtual monopoly of policy-control over Germany's nuclear industry. It becomes something more than merely a curiosity, when Mohler's propaganda produced at the Siemens Stiftung was circulated to the public through offices of the Siemens firm itself. Mohler was a Swiss Nazi who volunteered for service with Hitler's SS during the war. His text defending his own version of Nazi ideology was originally completed under the supervision of Professor Karl Jaspers in 1949, and has been reissued in updated editions since.
9. Cf. Robert Dreyfuss, *Hostage to Khomeini* New York, 1980. This non-fiction best-seller details the Lewis Plan and its role in the rise of Khomeini to power.
10. The variety of irrationalist theology typified by Ruhollah Khomeini's sodomic-scatalogical text in theology falls under a category best known in the Islamic world as Asharism, after the predecessor of the book-burner al-Ghazali, al-Ashari. It was the promotion of Ashrism by al-Ghazali, himself an agent of the Seljuk Turks, which virtually destroyed the civilization of the Arab Renaissance from within. The British, since their initial psychological-warfare profiling of Islamic populations in Calcutta, decided that their fostering of Asharism represented the easiest way in which to assure that Islamic nations could be kept in the pliable condition the British required. Khomeini is one of the products of the British intelligence services' operations based on this tactic.
11. Isaacs, now retired, was reported by influential figures of the Nazi-linked anthropology network to be regarded as a prominent contributor to their continuing work.
12. After the writer's wife had attacked Aurelio Peccei's circle as proposing Nuremberg-Code-prohibited genocide, at the 1974 Bucharest conference organized by John D. Rockefeller III, Dame Margaret Mead, self-avowed, subsequently deceased Isis-priestess, attempted to assault my wife with the great, horned, Isis-priestess staff with which she used to thump her surly, evil way about the corridors of the American Museum of Natural History. Mead, whose former husband, Gregory Bateson, was deeply implicated in MK-Ultra and the Anglican Church's cult-designing operations at Lindisfarne, was one of the nastiest figures in anthropology since the 1930s. A collaborator of Robert Hutchins and Bertrand Russell, Mead supported Club of Rome genocidal doctrines and was among the nastier exponents of the cultural relativist ideology now associated with the Nazi-linked anthropology operations.
13. Cf. Laurent Murawiec, "How NATO Created Environmentalism and the Peace Movement," *EIR*, Vol. 9, No. 23, June 15, 1982.
14. Cf. L. H. LaRouche, Jr. "Report to the May 19 Washington, D.C. EIR Conference," *EIR*, June 1, 1982.

Case Study

Separatist mayhem for Central America

by Gretchen Small

From an ongoing investigation by a research team in Europe, Ibero-America, and the United States.

Central America is being readied for a yet worsened phase of fighting and bloodshed. Indian "separatist" uprisings against the governments of Nicaragua, Guatemala, Mexico, and Panama are likely over the next several months, and it is likely that they will be met with bloody suppression. The rallying cry around which the separatists are being organized is armed defense of "traditional ways of life" against industry and other modern advances, and the destruction of any government which might attempt to "impose" development upon these peoples.

The separatist movements are neither native nor indigenous to the region. Running the Indian revolts "on the ground" in Central America is an international network of anthropologists financed by leading members of Europe's "black nobility" including Count Otto von Hapsburg, agents of the British Crown, associates of eugenicist W. Averell Harriman in the U.S. State Department and intelligence apparatus, and operatives in the United Nations and the Organization of American States. British Prime Minister Margaret Thatcher's otherwise ludicrous pledge of British support for the principle of "self-determination" for all "peoples" over governments (as in the case of the 1,800 employees of the Falkland Islands Company who live in the Malvinas Islands) signals the British Crown's upgraded support for these movements.

Central America, where the governments are weak and vulnerable, is prime territory for such movements. British policy makers are predicting separatist outbreaks in the region; Lord Cecil of Schroeders Bank recently reported that British interests are now looking for "turmoil" in Central America to follow the British campaign in the Falklands. The ongoing "left" versus "right" battles which have given Central America the lead in the London *Economist's* "modern mass murder sweepstakes" two months ago will look like a preliminary

skirmish in the oligarchy's war to bury civilization in carnage and barbarism.

From Central America, Indian rebellions are planned to spread south into the stronger nations of the Americas, and to erupt northward in both Mexico and the United States itself. Poised at this moment on the edge of violent uprising are the Guayami Indians of Panama, the Misikitu of Nicaragua, the Panamanian Cunas, and Indian groups based in the state of Chiapas, Mexico. These rebellions in the Americas are to be combined with a wave of separatist and autonomist uprisings in Europe by Basques, Corsicans, Sicilians, Croats, and other ethnic groups—uprisings directed in many cases by the same people running the Central American Indian movements.

'Universal fascists'

The activists of two interlocked groups of anthropologists demonstrate the direct overlap between the personnel running neo-Nazi separatist movements in Europe and those controlling "radical" Indian movements of Central America: the *Society for Endangered Peoples* based in Hamburg, West Germany, and its Boston-based affiliate, *Cultural Survival*.

The Society for Endangered Peoples, founded in 1968, calls itself a "human rights" organization dedicated to protecting and "advancing the struggles" of "indigenous peoples" and "ethnic minorities." The Society's members serve as the lawyers, strategists and controllers of separatist movements around the globe, as the work of just a few members of the Society's board of directors shows:

- **Prof. Karl Schlesier** teaches anthropology and environmentalism at Wichita State University in Kansas, and played a leading role in the funding of the terrorist American Indian Movement.

- **Dr. Ismet Cherif Vanly**, another board member based in Lausanne and Geneva, Switzerland, directs the Kurdish Separatist Movement, extending into Iran, Iraq, Syria, Turkey, and the Soviet Union.

- **Carl Amery** is a director of the Munich-based E. F. Schumacher Institute, from which the fascist "Green" movement in Bavaria, West Germany, is coordinated.

- **Tillan Zuelch**, the President of the Endangered Peoples group and editor of its bimonthly magazine, *Pogrom*, is a professor at the University of Göttingen. Zuelch, like others in the Society, claims as his mentor **Prof. Henning Eichberg**. Eichberg, now at the University of Copenhagen, began his political career as an activist in the neo-Nazi "national revolutionary" sects of the West German "New Right" movement of the late 1960s. Eichberg describes himself as an "universal fascist" in outlook, and explains that one of his primary tasks today is to forge a unity of "right" and "left"

around a program of separatism and environmentalism. With funding from Libya's Colonel Qaddafi, Eichberg publishes for this effort a magazine called *Wir Selbst: "We Ourselves: A Magazine for National Identity,"* which promotes terrorist groups such as the Basque ETA, the Irish Republican Provisionals (IRA), and the American Indian Movement.

A regular contributor to the Endangered Peoples Society's *Pogrom* is Count Otto von Hapsburg, the pretender to the throne of the defunct Austro-Hungarian Empire who heads the feudalist Pan-European Union, one of the primary sponsors of European separatist movements.

Indian 'nationalists'

Cultural Survival, the Boston-based corresponding organization to the Endangered Peoples Society, was set up in 1972 by the dean of British anthropology, David Mayberry Lewis, who for years headed Harvard's Anthropology Department as well. An international group of 33,500 anthropologists sporting Her Majesty's Queen Margarethe of Denmark as an honorary member, Cultural Survival sponsors projects to train "indigenous peoples" and other ethnic minorities in organizational skills needed to "resist the onslaught of modern civilization" and combat governmental "bureaucracies." According to their publications, Cultural Survival's "defense campaigns" boil down to organizing opposition to the provision of pesticides, modern medicine, irrigation and electrification systems, or even reading and writing skills for Indian populations.

Exemplary of how Cultural Survival operates is the current campaign led by anthropologists and their lawyer friends on behalf of Guayami Indian's "land rights" in Panama. The anthropologists are opposing the construction of a major hydroelectric power project in the Guayami area of Panama, planned by the government to power a mining project for the Cerro Colorado copper deposits, some of the largest in the world. Meanwhile, the Guayami Indians continue toiling on United Brand's banana plantations, as their primary source of income—their "traditional" way of life.

At least one member of Cultural Survival is esconced at the World Bank, one of the primary international financial institutions dictating credit terms to developing countries. This is anthropologist Robert Godland, now the World Bank's chief environmentalist, who proudly asserts that he is the author of the bank's policy requiring that governments which request aid demonstrate that no funds will be used for projects which "harm" indigenous peoples and their life styles.

Free to travel internationally, well-funded, and insinuated among Indian communities under the cover of their "fieldwork," (called "participant-observer" methodology), these anthropologists already direct several of

the guerrilla movements in Central America and are now trying to put together a region-wide, armed Indian "self-defense" movement.

Sheldon Sairs, a member of Cultural Survival who is located at the Anthropology Resource Center in Boston, is the world's leading "expert" on the Guatemalan Indian and guerrilla movements. "Mack" Chapin directs the Cuna Indians of Panama from his post at the U.S.-taxpayer-funded Interamerican Foundation in Washington. A nexus of Survivalists in Washington, D.C. and Boston provide "counseling" to various factions of Nicaragua's Miskitu Indians. Another associate of the group, Joane Rappoport, runs Chicago operations for CISPES, the U.S. support apparatus for El Salvador's guerrilla movement. (El Salvador presented a problem for the anthropologist, as the Indian population has been fully assimilated into the rest of the population. A recent issue of Cultural Survival's Quarterly, describes how researchers from the country's national museum, working with Jesuits at the University of Central America in San Salvador, set out to teach a few Indian descendants an Indian language they had never spoken in order to create an "Indian" movement!)

The Miskitu operation

The much-publicized case of the Miskitu Indians in Nicaragua and Honduras is the test case for shifting the conflict in Central America from battles between political bands of "rightists" and "leftists" into racial wars, another staff member in Boston indicated late in June. "Indian movements on the whole continent are watching" the outcome of the Miskitu dispute with the Sandinista government, and will decide their relationships with other "left-wing" groups accordingly.

The Miskitu Indians have been used as a political football in the past few months—and Cultural Survival and its associated anthropologists are running all factions—revolutionaries, and "apolitical" separatists. Claims by the Miskitu Indians of mistreatment and "cultural oppression" at the hands of the radical Sandinista government became the "cause célèbre" of sections of the Reagan administration last winter. The crisis began when several thousand Miskitus fled across the border to Honduras in May 1981. Following charges that the Sandinista government had carried out a massacre of Miskitus, United Nations Ambassador Jeane Kirkpatrick, the Heritage Foundation, and the Social Democrats' Freedom House in New York, jumped to the Miskitus' defense.

Settled in refugee camps lining the Honduras-Nicaragua border, many of the Indians have been armed and given paramilitary training as part of a so-called anti-communist "covert action" plan for the area. Indians under the command of Miskitu leader Steadman Fagoth first joined the commando forces of the former Somoza

guardsmen in running raids into Nicaragua from their camps on the northern border. In the past few months, however, some of the Miskitu commandos have been passed over to former Sandinista Commander "Zero," Eden Pastora. Pastora, who receives funding from the Socialist International, Colonel Quadafi, the CIA, and undoubtedly from drug-trade interests, plans to invade Nicaragua and trigger an international uprising. Historically the Miskitus have been an asset of the British Crown, from the 1630s when British "buccaneers" began using the Misquito Coast of Nicaragua and Honduras as a base for slave-trading and piracy in the Caribbean.

Supplied with arms by the British, the Miskitus became the dominant group in the area, capturing and selling members of other Indian tribes as slaves to the British pirates. In 1687, the British Crown appointed one of the Miskitus "king," and for the next 200 years, a succession of British-appointed kings ruled the tribe. This special relationship with the British ensured the preservation of the Miskitus' "traditional" way of life. Miskitu settlements to this day have never seen water, electricity, decent housing, or other basic necessities. Their main economic activity is still contraband, smuggling arms and drugs in Central America's huge black market.

Now some 10,000 to 12,000 Indians have been herded into refugee camps in Honduras. Visitors wishing access to the camps must get clearance from Diana Villiers-Negroponete, the wife of the U.S. Ambassador to Honduras. Villiers-Negroponete, who comes from one of Scotland's oldest aristocratic families, played a prominent role in running foreign policy for the British Conservative Party in the mid-1970s. Her husband, U.S. Ambassador John Negroponete, is an oligarch in his own right. Negroponete's personal career within the U.S. foreign service followed that of Averell Harriman.

Every faction within Nicaragua now claims Miskitus as their supporters, including the Jesuit-run Sandinista government which has established its own Indian networks in the area. Working with other associates of Cultural Survival, Nicaragua's Ministry of Culture has begun work on the establishment of an "Indigenous University" for the Atlantic Coast, which is to provide training for "community leaders" of Indian groups from all of Ibero-America in "traditional medicine," "cultural politics," and Indian crafts and languages they may have forgotten by joining modern society.

Indians are becoming fed up with being political pawns, Cultural Survivalists point out, and are likely to use their training in their own defense—not someone else's campaign. Socialist governments, just like capitalist ones, have to learn that they cannot "impose" their ideas upon "the peoples," explained one of the anarchist anthropologists.

Panama's Cunas

Central American experts at Freedom House report that "Indians have been calling in" since that organization took up the Miskitu cause publicly earlier this year. Particularly interested, they say, are leaders of the Cuna Indians in Panama.

Described by Cultural Survival's associates as the "best-organized movement on the continent," anthropologists claim the 40,000-strong Cunas can be organized "in five minutes" if an order goes out from the leadership, a capability which every Panamanian government over the past decades has kept well in mind. In the 1920s, under the direction of American missionaries, an Indian uprising demanded the establishment of an independent "Republic of Tule," and raised a flag embossed with their symbol—the swastika.

As in the case of the Miskitus, smuggling is the primary economic activity of the Cuna Indians, whose "trade routes" extend into neighboring Colombia. Kept on "their" lands on the San Blas Islands near the Canal Zone, the Cuna Indians are a leading tourist attraction, visited in their huts like zoo animals on display by tens of thousands of tourists a year. The Cuna Indians are now "dissatisfied" with the Panamanian government, an anthropologist at Freedom House explained this month, and have been "flirting" with Colombian guerrilla movements, the Colombian government, or anyone else in the area for new alliances against that government. Panamanian opposition groups, including both the "right-wing" Panamenista Party led by former president Arnulfo Arias (a backer of Hitler during World War II), and the Christian Democrats, have been proposing to the Cunas that they join the opposition in "violent actions" against the government. The many Cuna Indians employed in the Canal Zone as maintenance workers are viewed as a useful threat if they can be won over to the violence perspective.

A big Cuna "pow-wow" in June was held to decide whether the Indians will line up with Colombians, Panamanian opposition groups, or strike out for another attempt at an independent republic, the Freedom House expert stated, adding that he was waiting for a report on the "pow-wow" from "a friend" attending the meeting.

The Chiapas Project

Guatemala and the south of Mexico are the main strategic goal of the neo-Nazi networks. With some 4 million of Guatemala's 7 million people still maintaining an Indian identity, an outbreak of Indian trouble will have immediate political repercussions for the whole region, the same Freedom House anthropologist reported. War and rebellion in Mexico, the strongest nation in the area with 60 years of stable republican governing institutions, is an immediate aim of these

networks, who talk now of establishing an independent Indian "nation" in Chiapas.

Guatemala has become an anthropologist's playground. American anthropologists, along with a number of foreign priests (from Spain, Ireland, the United States, and Belgium), have built up guerrilla groups like the Guerrilla Army of the Poor (EGP) over the past few years by "counseling" traditionally apolitical Indians to join the guerrillas as their only means of "self-defense" against army counterinsurgency campaigns. For the past year, Guatemalan Indians have been forced over the border into the south of Mexico to escape the regular massacres by the battling guerrilla movements and army "scorched-earth" campaigns. Whole villages have been forced over the border en masse when Guatemalan army planes and helicopters systematically strafed areas along the border. Up to 70,000 Guatemalans have sought refuge in southern Mexico over the past year, creating a pool of displaced people which radical anthropologists and priests are trying to herd into guerrilla movements inside Mexico itself.

With the ascension of "born-again" fundamentalist Gen. Rios Montt to the Guatemalan presidency last February in a bloodless coup, a turning point in the escalating fighting in Guatemala was reached. "Right-wing" fundamentalist missionaries from Rios Montt's California-based cult, Church of the Word, began pouring into Guatemala, organizing their own Indian Ecumenical Congress to counter left-wing Indian operations. These "missionaries" are trained in the same "anthropological" methods and beliefs that the "traditional" poverty of the Indians must not be disturbed by progress, as their "left-wing" counterparts.

At the beginning of June, Rios Montt announced that the army will begin shooting "guerrillas" who had not turned in their guns by the end of the month in the center squares of Guatemalan towns and villages. A massive army campaign in the countryside to capture armed guerrillas is expected.

Conditions in Guatemala are not the main danger to Mexico, however, but the extensive anthropological networks, built up in Chiapas over decades. These anthropologists have been directed that now is the time to capitalize on their work, and begin organizing for a separate "Chiapas" state. Chiapas is both a stronghold of the renegade Catholic Jesuit order, and is the chosen site for Harvard University's Anthropology Department's graduate "training" courses. Early in July, anthropologists from all over the world are expected to pour into San Cristobal de las Casas in South Mexico, to celebrate the 25th Anniversary of Harvard's "Chiapas Project." If the Mexican government denied entrance, on national-security grounds, to these neo-Nazis, separatist plans across the globe would receive the rude jolt nation-states must apply to survive.

Otto von Hapsburg's bestiary

by Herb Strong

In early June of this year Libyan dictator Muammar Qaddafi sponsored a conference in Tripoli which gathered together 200 representatives of separatist and autonomy movements from across the globe. The conference established "an international center for combatting imperialism, colonialism, and Zionism," according to several sources who reported minimal details on the semi-secret assembly.

This conference should be seen as the founding convention of the new "Action Anthropology" terrorism, much as the 1968 Tri-Continental Congress in Havana, Cuba launched the political activist phase of the 1960s and 1970s, characterized by the terrorism of transnational groups.

Qaddafi's career and training is a product of Nazis of the Hitler period. Today, Qaddafi is an operative of the Swiss banking families which control the terrorist command structure known as the Black International and Count Otto von Hapsburg, the pretender to the Austrian throne who still directs Austrian political life, as is indicated by Chancellor Bruno Kreisky's recent sponsorship of Qaddafi's activities.

The most active of the separatist groups include:

The Basques' ETA: The ETA functions as the umbrella group for the separatist-terrorists of Spain. Originally founded in the late 1950s by Jesuit priests at Deusto University, the ETA developed momentum in the late 1960s: From 1968 through June 1982, it murdered 349 people, and injured an additional 492.

In recent years, the ETA terrorists and their support apparatus have integrated activities with Spain's environmentalist movement. A primary target has been the Lemoniz Central Nuclear Facility. Last year, the chief engineer of the power plant was assassinated by the ETA. Separatist ideologues like Prof. Henning Eichberg and environmentalist leaders point to the ETA/environmentalist collaboration as a model for emulation.

According to a spokesman for the government of Spain, the ETA perpetrates a terrorist act on an average of every four days. The government's ability to contain its activities is hampered by the refuge offered to the ETA leadership by the government of France.

American Indian Movement: The AIM is a broad coalition of some 90-plus Indian tribes which proposes that the United States should be broken up into tens of separate nations. Through the International Indian Treaty Council, headed by William and Russell Means, the AIM operates diplomatic couriers for separatist movements internationally. Under cover of its status as

a United Nations Non-Governmental Organization (NGO), the Treaty Council uses international forums to undermine the legal basis of the nation-state and push for the codification of international law that would legitimize separatist movements.

Although the AIM has been publicly identified with only two deaths—those of two federal law enforcement officials at the famous "Wounded Knee" incident in the mid 1970s—it maintains very active relations with terrorist groups and their support apparatus. Since the late 1970s, representatives of different tribes have met with and communicate with the Basque separatists. AIM representatives also maintain relations with the Green Party of West Germany, the Palestine Liberation Organization, and, through the Treaty Council, with the Sandinista government of Nicaragua.

The Croats: At the beginning of July of this year six Croatian terrorists were sentenced to a combined period of 160 years in prison by a federal court in New York City. FBI spokesmen have characterized the Croats as the "most dangerous" terrorists operating in the United States. On July 4, a travel agency owned by a Yugoslav national was bombed in Queens, New York. The same day a bomb was found at the door of the offices of the Yugoslav Airlines, JAT, on Fifth Avenue before it was detonated. Law enforcement officials believe that the two incidents were the work of Croatian terrorists in retaliation for the jailing of their comrades.

The OTPOR is the umbrella organization for the Croats, an ethnic minority seeking independence from Yugoslavia. The Croatian National Council is the above-ground support organization for the OTPOR although its leader, Prof. Matthew Mastrovic, distances himself from the "armed struggle."

The Armenians: On June 4 of this year the administrative attaché of the Turkish embassy in Lisbon, Portugal was assassinated, and his wife critically wounded. In May of this year, the Turkish consul in Boston was shot through the head as he stopped his car a few blocks from his home. On Jan. 28, 1982, the consul general of Turkey in Los Angeles was assassinated.

These murders have been claimed by the "Justice Commandos." The commandos are the direct descendants of the DASNAG (Armenian Revolutionary Federation) which worked with Hitler during World War II. The commandos coordinate their activities with the Armenian Secret Army Organization, the left wing of the Armenian terrorists run by the KGB and the Russian Orthodox Church.

How Sharon moved to wreck U.S. Lebanon plan

by Robert Dreyfuss, Middle East Editor

As Israeli troops and armored personnel carriers rumbled northward toward Beirut this week, a foreign correspondent in Lebanon asked an Israeli soldier if Israeli forces intended to enter the Lebanese capital. Referring to Defense Minister Ariel Sharon, the soldier responded, "Go ask the crazy fat man."

The soldier's comment reflected the reality of the crisis in Lebanon, in which, after a campaign of barbaric atrocities that has left 37,000 Palestinians and Lebanese killed or wounded, eight Israeli armored divisions and the Israeli navy and air force remain poised as we go to press to carry out a genocidal strike into the city of Beirut. Sharon, the architect of the slaughter in Lebanon, is reported—despite intense American pressures and regardless of the risk of U.S.-Soviet confrontation—to be bent on his Final Solution, the destruction of the Lebanese capital.

However, with the firing of Sharon's ally Alexander Haig, the Reagan administration has begun to develop a tentative policy for stabilizing the crisis in Lebanon and reversing the consequences of Israel's invasion. Further, there are some indications that the White House is considering a broader strategy aimed at resolving "once and for all"—as Mr. Reagan said June 30—the Palestinian issue, possibly in the context of an accord between the United States and the Soviet Union.

That is precisely what Sharon and the British are committed to preventing.

The war in Lebanon began on June 6 as a jointly run project of the Israeli government, Haig's Department of State, and the London Foreign Office. As *EIR* has

documented (see Special Report, June 29), the object of the war was not to destroy the Palestine Liberation Organization (although the genocide against the PLO and the Palestinians is intentional), but to eliminate American influence in the Middle East and replace it with a neo-colonial Anglo-French presence. Part of the deal would be to establish some sort of understanding between Moscow and the Anglo-French forces toward a "New Yalta" in the area.

With every mile the Israeli forces advanced, the prestige and credibility of the United States eroded. As the battle of Beirut neared, and as Haig seemingly endorsed each new Israeli atrocity, international and domestic pressure built against Haig.

Within minutes of Haig's resignation, Israel had agreed to a ceasefire in Lebanon. The White House began to take direct charge of Middle East policy. By July 2, President Reagan had decided to offer to send a brigade of U.S. marines to Lebanon's capital as part of a complex and highly sensitive plan for resolving the crisis. In several world capitals, American diplomats worked out details of the arrangement, whose central feature seemed to be to evacuate the PLO's fighters under an American military umbrella.

Sharon leak undermines U.S. proposals

But on July 6, Israeli radio suddenly leaked the details of the top-secret U.S. proposal, reportedly basing their information in part on the work of deep-cover espionage agents inside the White House communications system. Furthermore, according to CIA sources,

the British Foreign Office was also enraged that Washington had not consulted with London.

The Israeli leak, masterminded by Sharon, had the calculated effect of undermining the delicate talks and forcing PLO Chairman Yasser Arafat to denounce publicly a plan that he had accepted privately. At the same time, Israeli troops tightened their stranglehold over Beirut, cutting off supplies of food, fuel, medicine, water, and electricity to over 600,000 civilians. And, in a move designed to provoke Moscow to take action against the American plan, Israeli artillery heavily damaged the Soviet Embassy in Beirut on July 7.

According to the *Jerusalem Post*, Sharon leaked the details of the American plan "hoping to scuttle talks on the package deal." Saab Salam, the former Lebanese Prime Minister who is representing the PLO in the negotiations, added, "Sharon is totally intent on his military plan. He wants the extermination of the PLO and thousands of people in Beirut." Many times, Salam said, Sharon has sabotaged the talks by adding extraneous conditions.

But, in the opinion of many sources, the Reagan plan "would represent a total defeat for Sharon's objectives in Lebanon." Not only would it preserve the political character of the PLO, but it would go a long way toward restoring American credibility in the region.

Although the American government has issued what most observers report to be a near-ultimatum to the Israelis not to enter Beirut, many analysts are convinced that Sharon, Menachem Begin, and Israel's military are crazed enough to risk everything by an attack on the city. Such an attack would have catastrophic consequences for the Arab world, including a possible overthrow of the Saudi Arabian government, and leading almost certainly to a U.S.-Soviet showdown in which Moscow would hold most of the cards.

On the other hand, unless Israel is prepared to take that ultimate gamble, it may soon find itself in an untenable situation in Lebanon. Its expenses in maintaining 100,000 troops there are enormous, given Israel's budget, and without entering Beirut Israel cannot obtain its primary objectives. As a result, said a White House official, "You might say that it is not the PLO that is trapped, but the Israelis. They might need our help just to get out of Lebanon." Such a debacle, in fact, might lead to a political crisis in Israel that could at least force the ouster of the fascist Sharon.

Concerning the American plan for Lebanon, Caspar Weinberger, the Secretary of Defense, said that the idea of sending American troops to Lebanon is "only one of 12 or 25 pieces of a very delicate agreement," which would include assistance to the 6,000 or so PLO guerrillas that would leave Lebanon. Weinberger also declared that Israel was wrong in invading Lebanon and had damaged U.S. interests, and he condemned the casual-

ties caused by Israel's attack. And, in a hint that the U.S. government might support a move to topple Begin, Weinberger said that the U.S. government makes a distinction between the state of Israel and any particular government.

Moscow and the Vatican

Two important elements of the crisis which have not been fully evaluated are the roles of the Soviet Union and Pope John Paul II's Vatican.

The Soviet Union has played, throughout the entire war, a behind-the-scenes role that has not been of a single mind. On the one hand, Moscow has seemed to be seeking to take advantage of the precipitous decline in American influence among the Arabs, with political support against Israel and military backing for Syria. Arab leaders such as King Hussein of Jordan and the PLO's Farouq Kaddoumi have been in Moscow, and the U.S.S.R. has also given support to the Arab radicals such as Libya and the PLO's terrorist wing. In addition, at least 30 Soviet transport planes and six cargo ships have moved into Syria's Latakia port with tanks and other heavy equipment.

On the other hand, however, the Soviet Union has been careful not to respond to Israeli provocations in a way that would preclude the possibility of some sort of U.S.-Soviet entente over the Middle East. A letter to Reagan from Soviet President Leonid Brezhnev on July 8, according to TASS, while warning Reagan that any use of American troops in Lebanon would mean that the U.S.S.R. "would build its policy with due consideration of this fact," did not attack the U.S. policy. Instead, it urged Reagan to do "everything . . . to end the bloodshed in Lebanon, to halt the barbaric extermination by the Israeli troops of the Lebanese and Palestinian" people, in face of which "not a single honorable person on earth can remain indifferent."

According to some sources, the use of American forces in Lebanon might be balanced by the dispatch of a Soviet military brigade to Syria, as the basis for a U.S.-Soviet accord. A Washington analyst said that while the State Department is supporting the Israeli position and the Defense Department seeks to build up a U.S.-Arab military alliance, the White House instead is considering the possibility of a joint approach with the U.S.S.R. In a July 6 interview, Arafat called for the restoration of the 1977 U.S.-Soviet joint statement on the Middle East.

The Vatican role is also growing in Lebanon. In an article in *L'Unità*, an Italian Communist daily, it was reported that the Vatican had increased its cooperation with the Reagan administration concerning the war in Lebanon, supporting a plan to maintain the integrity of Lebanon under a sovereign government to be led by moderate Christian Raymond Eddé, a longtime opponent of both Israel and Syria, who now lives in Paris.



General Gur: 'Ariel Sharon misled Israelis about the Lebanon war'

EIR's Mark Burdman interviewed Israeli Gen. Mordechai Gur from West Germany on July 4. Gur, a former Chief of Staff, is part of the Labour Party leadership, and a member of the Knesset, or parliament.

Burdman: We have noted with interest your criticisms of Mr. Sharon's thinking and strategy. Could you specify exactly what you have in mind in respect to Mr. Sharon and the Lebanon war?

Gur: All during the last year, there were talks in the government about the theory of *casus belli*, and they mentioned some "Red Lines" that might be used as *casus belli* for us to get into war. I have been against that principle, as a principle, for the entire past year.

The government also said that terrorism must eventually cause a war. I don't agree with this. Terrorism causes damage and bloodshed, but there is no absolute necessity that it must cause a full-scale war.

Third, I don't like the very exaggerated announcements of knocking out Syrian missiles. I want the Syrian missiles out, but the talk was too high. In the same way, I have been against the talk of a "Christian holocaust" in Lebanon, in principle. If the talk is too high, it obliges us to have to do something about it, we *must* do something about it.

I object to this. I am in favor of open options for Israel, for the government to react to circumstances, not to prior principles and obligations. Acting in this way on our part might prevent unnecessary military developments.

I have been against and am still against the use of power to solve political problems. We in Israel have built a wonderful defense system in order to *prevent* war, and to give the government as many options as possible. This to me is a basic principle that should not be violated.

Burdman: You have also said that Mr. Sharon lied to the country about the actual nature of the current military operation.

Gur: The Prime Minister and Sharon knew of the whole plan all along. As the majority and as the government, they had the right to launch the war. But too many

people were misled on the scale and size of the war and I don't like it. There has been a lot of criticism of this war.

It could have been enough to push the terrorists beyond the 40 kilometer line. We were against the war with the Syrians and the push to the north. This has created too high casualties and too much damage on both sides of the conflict. I think political issues should be solved politically.

Burdman: Are you thinking that the backlash against the war could lead to Sharon's resignation? Are you in favor of him resigning?

Gur: I don't know exactly about resignation. There are a lot of Israelis who don't like such a policy, and this should be expressed by a lot of people. Sharon's resignation might be actual. But the basic question is a matter of principle: what kind of wars are we fighting for what kind of purposes?

We think, and I agree, that after all our military achievements in Lebanon, we should try to do our utmost to reach maximum political achievements vis-à-vis the PLO in Lebanon, without renewal of military operations.

Burdman: So you are against a major military move into West Beirut?

Gur: I am against such a move. We can achieve a lot politically. There is no reason for the resumption of military activities. We can use our continued military presence to achieve what is right.

Burdman: How do you think matters will proceed after today's Israeli cabinet meeting?

Gur: I don't have inside information, but I think that basically there is enough room for political negotiations.

Burdman: When you say that there should be more criticism of the war, are you associating yourself with the "peace now" demonstrators.

Gur: That is only part of it; I hope people in *all* political parties, who didn't like this war, will say so. When the war will be over, people will feel more open to express their feelings about it.

Burdman: Do you think a Commission of Inquiry will be formed after the war to investigate how Sharon acted?

Gur: I don't know.

Burdman: Our founding editor, Mr. LaRouche, has asserted that Lebanon is becoming Israel's Vietnam, the wrong war at the wrong time, and so on. What do you think of this assessment?

Gur: I hope not. But there is no doubt that *if* we stay too much and too long, things *can* deteriorate. We would like that our stay in Lebanon will be as short as possible. We want the PLO out of West Beirut, but we shouldn't be getting involved in putting together a sovereign government for Lebanon and forcing the withdrawal of the Syrians. We should not over-involve ourselves in this.

Burdman: How do you see Israeli-Palestinian relations evolving at this point? There are many people who think, ironically, that the PLO emerges out of this situation in a strengthened political position, and that the whole Sharon strategy in that sense will backfire.

Gur: We suggested, and I suggested in an article that I in fact wrote today, that as a result of our military victory, we should be more open and generous to discuss with Palestinians that are *not* the PLO, to negotiate with Israel on the basis of our right to exist, without there being terrorist activities. This would involve real autonomy talks and a political arrangement with Jordan that would be more tempting to the Palestinian Arabs. We should put an end to the PLO's political activity by political means.

Burdman: Under certain conditions, might not Israel be able to negotiate with Arafat, under the conditions that now exist in the region, and him representing a pro-negotiations tendency in the PLO, against the extremists?

Gur: The problem is that Arafat raises among many Israelis many "anti" feelings. If the PLO changes its platform, recognizes Israel, and refrains from terrorism, it would no longer be the PLO. We should negotiate with *any* Palestinian organization that is willing to do this. But for the PLO leadership to take such a step is very difficult, but for others, in the West Bank, including those that I know, they could be courageous and step forward at this time. We on our side must replace military courage with political courage.

Burdman: It was Mr. LaRouche's view that the whole military operation in the first place could have been prevented if the U.S., after the British manipulated the Argov assassination attempt, had interposed military forces unilaterally between Israel and Palestinian forces. Do you think such an action might have neutralized the impulse toward Mr. Sharon launching the war?

Gur: This is all too speculative, and this is a question for

the United States to answer. The question is, is America willing to act in this way or not? But we prefer that things between us and our neighbors be on a bilateral basis, to deal with concrete facts and decisions.

Burdman: How do you think American-Israeli relations will evolve after the Haig resignation?

Gur: The behavior of the U.S. government during this crisis has been unbelievable. I think nothing is going to change with Haig out. There won't be any considerable changes.

Burdman: What do you mean by unbelievable?

Gur: We had almost total freedom of action, and we never had that before from the United States. I'm a military leader and I go to the President, and he's the one responsible for things like this.

Burdman: Getting back to the subject of Sharon, is it your assessment that the *a priori* policy of obligations and red lines could lead Israel unnecessarily into further wars in the future?

Gur: Any responsible Israeli should take that threat seriously. I hope more people will come out and speak out. We can be more political and less military. Sharon is a man who believes in power, and this belief is an exaggerated one. In our view, it is not good. It is important to be strong militarily and to be open politically.

Burdman: And you would reiterate that Sharon lied to the nation about this war?

Gur: The Prime Minister and Sharon had in their minds the whole plan for a long time. As an Israeli who did participate in many wars, that is not what I believe an Israeli government should do.

Burdman: You are saying that the Sharon policy is destabilizing for the whole Mideast region?

Gur: The destabilization in the region comes from the Arabs, but we shouldn't be adding to it.

Burdman: Then you would be against the Sharon policy of Israel arming and working with Khomeini in the Iran-Iraq war?

Gur: Israel should not be involved in matters not *directly* concerned with its own security. This is why I am against the memo of understanding that Sharon worked out with the United States. It commits us to an anti-Soviet pact, and while I certainly am against the Soviets, I don't think Israel should be formally integrated into a pact against the Soviet Union. For the same reason, I am against arming Iran. It's not our business. We should stick to our own interests, and not get involved in things that don't directly apply to our immediate military and security interests.

Venezuela poses real development strategy

by Gretchen Small

In the aftermath of the Malvinas war, profound changes in the inter-American system are now at the center of deliberations throughout the Western Hemisphere. Almost every government in the region has ordered a background review of where the inter-American system failed, what its goals should be, and the best means for reform. The multilateral and bilateral diplomacy to put together a unified agenda which the South American countries will present to the United States is extensive.

Haig's ignominious passage from the corridors of Washington merely meets the minimum requirement for discussions to resume between the United States and its southern neighbors after what was universally viewed as an American betrayal of its historic interests and its treaty obligations with Ibero-America when it decided to provide material and political support to Britain. It is just beginning to dawn on Washington, however, that statements of good will and perhaps a little money flowing here and there are not sufficient to restore good relations with South America. Fundamental policy changes are required.

Venezuela's Ambassador to the Organization of American States (OAS), Hilarion Cardozo, in a groundbreaking speech before that body on July 1, identified what is the central issue now on the agenda: the guarantee of sovereign economic development of every nation in the area, the issue which the United States must address. Cardozo outlined the role of international financial institutions like the International Monetary Fund in imposing intolerable obstacles to economic development upon the majority of nations in the world, and warned that, as Alexander Haig himself wrote in his article on "NATO in the Decade of the 1980s", NATO "out of area" deployments are no defense of freedom, but the primary force today behind enforcement of the IMF's "conditionalities."

The set of proposals for economic self-defense outlined by Cardozo in his speech, excerpted below, pick up the recommendations of *EIR* founder Lyndon H. LaRouche, Jr., that Ibero-America establish a Common Market to coordinate regional development and force a rational reorganization of the foreign debts of the countries in the region. LaRouche circulated these proposals

at the end of May during a visit to Mexico City, and *EIR* Ibero-America Editor Dennis Small discussed them during his June visit to Argentina.

Cardozo proposed that the governments of the area decide upon four, five or six areas of major concern as issues to be negotiated jointly by the South American nations, not bilaterally. In the Ambassador's view, debts that block the rights of development would clearly be one of those areas.

As Cardozo has reiterated in a series of speeches in Washington in the past month, motion towards a unified Ibero-American bloc is not being carried out as an attack upon the United States, nor are most countries talking of splitting from the U.S.-dominated Organization of American States. Cardozo's suggestions for the establishment of some form of Ibero-American caucus within the OAS to develop a unified negotiating position within that organization seem to be the general point of agreement within the continent at this moment.

Cardozo delivered his speech at the inaugural session of his three-month term as presiding officer of the Permanent Council of the OAS, from which post, he made clear, he plans to lead the efforts to reconstruct the inter-American system. His speech is being circulated to member governments as a basic discussion document for those reforms, and the Ambassador himself urged the governments to study the proposals and prepare counter-proposals and back-up documents within the next two to three weeks, after which a meeting of foreign ministers or heads of state in Ibero-America may be convened.

A July 19 meeting of government representatives to SELA (the Latin American Economic System), an economic grouping of Ibero-American nations set up in 1975 to coordinate economic development planning in the area, could make an important contribution. SELA head Carlos Alzamora warned several weeks ago that Britain, the United States, and Europe are "playing with fire," if they continue to try to impose further austerity on developing nations "which owe them the astronomical sum of \$500 billion." A group of SELA's economists has prepared a policy document for the July 19 meeting which calls on the nations of the continent to "formulate and adopt a strategy to enable Latin America to defend its economic security and independence, thereby strengthening the potential for joint action and reciprocal support to deal with economic coercion by third countries."

Policy is being thrashed out on a more informal basis as well. Argentina has just sent a mission to Brazil, Venezuela and Mexico to coordinate strategy on the continuing state of war between Britain and Argentina, and Venezuelan government officials announced that President Herrera Campins will soon visit Argentina to meet personally with Argentine President Bignone.

Cardozo: 'We need unity against IMF'

Excerpts from a speech delivered by the Venezuelan Ambassador to the Organization of American States, Hilarion Cardozo, on July 1, upon assuming the presidency of the OAS Permanent Council:

We are prepared to unite all the forces of the West to defend liberty, we are prepared to unite all the forces of the West to defend the dignity of the human person, we are prepared to unite all the forces of the West to defend the basic principles of Christian civilization; but it disgusts us, and makes us indignant, to unite the forces of America to defend colonialism, oppression, or totalitarianism in any part of the world.

General Alexander Haig, in an article called "NATO in the decade of the 1980s" stated "... NATO is not just a military organization, but a political alliance. The current danger for economic security lies in the great dependence on energy from the volatile Persian Gulf zone. . ."

Doesn't this continent—whose countries today are asking for loans, not just for their development programs, but many of them also to pay foreign debt service—perhaps have to reflect on what the attitude of the European Community means, when it takes sanctions against a Latin American country [Argentina] in order to impose political decisions upon it? Will the sanctions applied in the case of the Malvinas be an isolated event, or will the decision of the European Community be a precedent which can be applied to other instances tomorrow?

If some country, declared in default, could not meet the requirement of its international commitments, would we once again return to witnessing the degrading spectacle of using gunboats to collect the debt? Will the force of cannon replace the force of sanctions, to stifle and destroy the possibility of development for the nations of the Third World? These are reflections our continent must make; because if the alliance of the North Atlantic is a military and political alliance, not only to defend itself from aggression, but one which, at any given moment, can unify itself to impose sanctions on any country which should rebel against its designs in political or economic areas, it becomes necessary for us to study what General Haig indicated for the Mideast, in its possible consequences for Latin America and the Third World, with special and urgent consideration to make the most viable political decisions. . . .

For this reason we must forge our own strategy, determine our own situation. . . . I am absolutely certain that the thinking of the other nations of the world regarding this continent would be different, if we were able to sit down at one table, all of us of the continent, and begin to say how much energy we have: this much. How much do we need: this much. Sell the surplus. How much do we have in grains: this much. How much do we consume: this much. Sell the surplus. The day that the nations of the world feel that we are capable of making our 30 weaknesses into one single unity of force and power, that day we will be able—as President [George] Washington said to his country—to make our neutrality respected and to be able to speak with our own voice on war and peace. . . .

In the economic sphere

We are dependent, and where this dependency most demeans us, and where it wounds us most, is in the economic sphere. There is no possibility of strengthening our democratic political systems, nor of strengthening our democratic social systems, nor of achieving autonomous and independent development, without a strong and powerful economy. His Holiness John Paul II has already said it: "What can be the liberty of nations whose existence, aspirations, and relations are conditioned by fear instead of mutual confidence, by oppression and the free search for the common good?"

Any effort to give Latin America a basis for development must be carried out in the context of strengthening each and every one of the economies of our countries. Because it is here that they tighten the noose when they want to hang us. It is here that our sovereignty comes under fire time after time. In every instance that the International Monetary Fund or any other international agency, obeying technical considerations, imposes measures on a government which eliminates social programs, it is introducing a choice between leaving the population without social attention, and possibly generating immense convulsions; or, on the other hand, breaking with the Fund and other agencies, and in consequence placing itself outside the system of cooperation and failing to receive credits and aid.

We always say, in a theoretical sense, that it falls to sovereign states to determine programs and their priorities. But how many states in our continent cannot do that, because in general they take their projects and ask for loans, they wear down the carpets of the international agencies asking for loans, and these agencies say to them: for this project, yes, for that one, no; for this I give something, for that, no. And at the end, what happens? The government cannot do what it wanted, but it has to launch those programs for which the

international agencies, controlled by the industrialized countries, have provided financing. Then come imposed conditions in the area of administration, and later the compulsory payment of debt.

Latin America and the Caribbean, or better, South America, must sit down to consider whether it is capable of generating, through the countries which have resources, some objective, real possibility of creating an autonomous capital market which is our own, to effectively develop it, and offer the small countries the possibility of not submitting to the domination of the agencies and countries which control the sources of financing; or will it continue as now, subjugated to models and the investment of industrialized countries which limit and distort their possibilities of development.

Obviously we need foreign capital, but we must demand a clear definition of international guidelines in terms of ethical and political conduct. Yes, we must give such capital security, and a fair return on investment. But we must eliminate its speculative character. I believe we have to confront this aspect immediately, just as we immediately must confront the problem of unity among ourselves.

My government believes that we can start to take the first steps. Which? Let us start by separating out from bilateral relations, four, five, six areas, and reserve them for multilateral treatment. Let us declare that in these areas Latin America will only negotiate multilaterally; possibly with its various voices, but with one single orientation, in search of the same goals, and guided by the continental interest. Thus we will begin to show some concrete unity.

I have heard U.S. pundits say that the Malvinas issue was not serious, that the current declarations are emotional questions, that they will pass quickly because economic exigencies will force Latin America to prostrate itself before the United States. I have rejected such assertions with indignation, as offensive and contrary to the dignity of our nations, and likewise I reject the assertion that Venezuela [in its defense of Argentina] is moved by its interest in its own border claim [on the Esequibo region of Guyana].

We have supported the Argentine Republic in its just claim, in the first place out of gratitude: because in 1902, when our coasts were threatened by European gunboats, our sister republic, despite its tradition of close links with England, found the force to oppose England and go with Venezuela in the reserves of its nationality. Thus the Drago Doctrine was established as a symbol of solidarity and dignity, enriching American international law. [It is] a debt which, in the passage of time, my country has wished to pay, and link with our unbreakable position of fighting without quarter against colonialism and oppression.

Indochina

Vietnam to withdraw Cambodian troops

by Daniel Sneider, Asia Editor

The three Indochinese states—Vietnam, Cambodia, and Laos—concluded a foreign minister-level meeting in Ho Chi Minh City July 7 with the announcement that Vietnam will unilaterally withdraw some of the troops it has deployed in Cambodia since it intervened to overthrow the genocidal Khmer Rouge regime led by Pol Pot in January 1979. The partial withdrawal of Vietnamese troops is part of “an act of good will” aimed at overcoming the tensions in Southeast Asia created by China and its Khmer Rouge puppets—which it continues to deploy against Cambodian territory from camps on the border of Thailand and Cambodia.

The Indochinese states also proposed the establishment of a “safety zone” along the border patrolled solely by Cambodian and Thai troops. In response to the withdrawal of all Vietnamese troops from the Cambodian side of the “safety zone” the Pol Pot troops would have to be expelled from the Thai side. The Indochinese proposed “international supervision” of this zone.

The Indochinese states concluded their communiqué by affirming their proposal for an International Conference on Southeast Asia with the participation of the three Indochinese states, the five members of the Association of South-East Asian Nations (ASEAN—Thailand, Singapore, Philippines, Malaysia, and Indonesia), the United States, the Soviet Union, France, China, Great Britain, and India.

The new Khmer Rouge front

The proposals by the Indochinese states occurred two weeks after the formation of a “coalition government” of the three anti-Vietnamese Cambodian groups, ceremoniously announced immediately following a meeting of the Foreign Ministers of ASEAN. The Malaysian Foreign Minister did the honors, introducing the leaders of the three groups—Khieu Samphan, representing the deposed Pol Pot regime which was responsible for murdering between two and three million Cambodians during its bloody four year reign of terror; Prince Sihanouk, who sat in Phnom Penh during all those years and has continued to play his role as a front



Victims of the Khmer Rouge.

man for the Chinese; and Son Sann, a former Prime Minister of Cambodia who portrays himself as a “nationalist.”

The coalition is widely recognized as an effort to put a more acceptable face—that of Prince Sihanouk—on the butchers of Pol Pot. The Cambodian news agency SPK termed it “only cosmetic surgery to make up the face of the Peking Dracula.” A senior State Department official privately told *EIR* that “we know that the Khmer Rouge [Pol Pot] will eat up the other two groups” and that “the Chinese want to put Pol Pot back into power.” Nonetheless, State Department Assistant Secretary Walter Stoessel, who attended the ASEAN meeting, was quick to hail the coalition agreement as “excellent news” and indicated that the United States was ready to give “economic and humanitarian aid” to the group.

Sihanouk himself admitted that the coalition is a diplomatic front for Pol Pot. The Prince, members of whose own family were slaughtered by his Pol Pot allies, told the Malaysian news agency Bernama that since the coalition declaration there has been a “change of heart and spirit” among Cambodians, claiming that the Khmer Rouge was gaining support: “More and more people realize that they have to accept the Khmer Rouge,” he lied. He added that he would have no role in running the “government,” which would be left to the Khmer Rouge, but “I will take on my role as the spokesman and diplomat.”

Efforts to form this coalition have been going on for a year, with backing from ASEAN, the Chinese and the U.S. State Department, but the tiny Sihanouk and Son Sann groupings had resisted an arrangement which would subordinate them to the bloodstained Pol Potists. The new agreement reflected important concessions by Son Sann in particular, under pressure from ASEAN circles and the United States.

The U.N. question

That pressure mounted in recent weeks, when it became clear that the deposed Khmer Rouge were in

danger of losing the only real asset they have left—the continued possession of Cambodia’s seat in the United Nations in the name of “Democratic Kampuchea.” ASEAN diplomatic sources had reported before their ministerial meeting that U.N. members were increasingly disposed to make the seat “empty,” at the least, and votes for keeping Pol Pot in the U.N. were eroding, particularly among Latin American nations after the Malvinas crisis.

The “coalition” is designed to last until the September U.N. General Assembly session to ensure the vote to keep Pol Pot there, although there are doubts in some diplomatic circles that it will hold together that long. The coalition agreement, observers point out, looks like it was written by Harry Houdini—it has an escape clause for every point of agreement, including one which specifies that if it falls apart, the U.N. seat, and all the other international pseudo-legitimacy that goes with it, will return to the Pol Potists alone. It also gives the Pol Potists control over the diplomatic affairs of the “coalition” including their U.N. representation, for the next six months, indicating about how long they expect it to last.

The point was voiced without niceties in a Vietnamese Communist Party daily *Nhan Dan* article: “No perfidy can reverse the situation in Cambodia. A corpse is a corpse, no matter how it is dressed up.”

The shift in the U.N. was also reflected in divisions within ASEAN over Cambodia policy. While the regime in Thailand, Singapore, and, to a lesser extent, Malaysia favor a continued hard line against Vietnam and the Vietnamese-backed Heng Samrin government in Phnom Penh, the governments of Indonesia and the Philippines have indicated their frustration with China’s plan to reimpose the Khmer Rouge on Cambodia through military attacks and their increased willingness to reach a political settlement with the Indochinese countries of Vietnam, Cambodia, and Laos. Peking and the U.S. State Department have been worried about ASEAN’s drift toward a settlement with the Vietnamese, and pressures from that direction to form the nominal coalition are clearly aimed at driving a wedge between ASEAN and Indochina and maintaining the fiction of Democratic Kampuchea in the U.N.

Vietnamese initiatives toward a political settlement have further disconcerted Peking and the State Department. Vietnamese Foreign Minister Nguyen Co Thach is scheduled to make a diplomatic tour of the ASEAN countries in July and August, a tour that will be premised on the new Indochinese proposals. Even before the ASEAN summit, a high-level Vietnamese Foreign Ministry official told *EIR*, the new offers had been conveyed in a meeting at the U.N. between Indonesian Foreign Minister Mochtar and the number-two Foreign Ministry official, Vietnamese Vo Dong Giang.

Hanoi's party leaders gear up for economic recovery

by Daniel Sneider, Asia Editor

"Our shortcomings and mistakes lie in bureaucratism, divorce from realities, lack of sensitivity to life, conservatism, slackness, lack of responsibility in economic and social management." That statement by party General Secretary Le Duan sums up the theme of the Fifth Congress of the Vietnamese Communist Party (VCP) held in Hanoi in late March.

The picture of Vietnam which emerges from the speeches before the party congress is a sober one. As I witnessed during my August 1981 trip there, when I held discussions with many senior leaders, Vietnam has acute economic difficulties, a product of decades of war and colonialism, which are compounded by problems of mismanagement and poor planning; Vietnam faces a Chinese enemy "in collusion" with the U.S., threatening large-scale aggression and carrying out "subversion" and "psychological warfare" within Vietnam; and the nation's aging leaders are struggling with problems of corruption, "decadence," and a slackening of "revolutionary will" among their party cadre.

At the congress, the Vietnamese spoke with candor. Some observers may find solace in the admission of these problems, finding confirmation of numerous reports of the hardships prevailing in socialist Vietnam. But such solace is illusory. Such harsh Vietnamese "self-criticism" reveals a deep-going determination, the hallmark of Vietnam's leadership, to confront their difficulties and make real changes in policy necessary to solve them.

Party Secretary Le Duan, in the report of the Central Committee of the VCP, the conference's major policy speech, described what he called the "two strategic tasks" facing the party: "to build socialism successfully," principally, to transform the country's rural, small-scale production; and "to stand combat-ready, to defend the socialist Vietnamese fatherland effectively," foremost against Peking.

The economic battleground

The economy was the major subject of discussion at the congress. The starting point of discussion was the manifest failure of the last Five-Year Plan, during which

China invaded Vietnam and the Vietnamese-backed overthrow of the murderous Pol Pot regime in Cambodia took place (with the resulting military and economic burdens on Vietnam). Le Duan's description of "acute problems" is worth quoting:

"The results of the implementation of the economic plans in the five years 1976-80 have not reduced the serious imbalances in our national economy. Production rises slowly. The national product is not in a position to meet the needs of social consumption; part of social consumption must be taken from loans and aid, and the economy is unable to accumulate reserves. There are shortages of food, clothing materials, and other essential consumer goods. Great tensions exist in the supply of energy and materials, in communications and transport. . . . There are still great disparities between financial revenues and expenditures, goods and money, exports and imports. Markets and prices are unstable. Large numbers of working people remain unemployed. The livelihood of working people, especially workers, public servants, and peasants in areas affected by natural disasters or enemy destruction, is fraught with difficulties."

The Vietnamese cite the continued burden of defense requirements, on top of the effects of prolonged war, and the damage to agricultural output from weather, including numerous natural disasters. Almost as important, they asserted, are errors in economic planning and management. The last plan set targets which were later shown to be unattainable and distorted economic priorities. As Le Duan described it: "We have shown subjectiveness and hastiness in setting a number of targets too large-scale and too rapid concerning capital construction and production development. . . . Hastiness is also apparent in our organizing excessively large cooperative farms in some regions."

The new policy line, which was already being discussed during this writer's earlier visit to Vietnam last year, attempts to respond to these problems. The priority of the new Five-Year Plan is firmly on 1) improving agriculture; 2) meeting essential needs for clothing,

housing, medical care, and education; and 3) boosting exports to deal with a tremendous trade deficit and payments imbalance (mostly with the Comecon nations). There has also been an effort to liberalize certain areas of the economy, as witness the campaign against "bureaucratism" and "conservatism" in management. Material incentives for peasants and increases in the state purchase price of their surplus rice have been introduced. Such incentives, along with good weather, are credited with producing a record harvest of 15 million tons of food grains in 1981, particularly a 600,000-ton increase in the north.

The liberalization policy is reflected in changes in the party leadership. The former chairman of the State Planning Commission, Le Thanh Nghi, who was Vietnam's leading economic planner, has been removed from the Political Bureau of the VCP. Vo Van Kiet, party secretary in Ho Chi Minh City and a Politburo member, is said by Vietnamese sources to have a major role in the new policy, reflecting the view that southern agriculture—which is less collectivized than in the north—should not undergo "excessive" collectivization. Politburo member Vo Chi Cong, said to be an advocate of liberalization of agriculture and a leading spokesman from the south, has been made a member of the Central Committee Secretariat, the 10-member body which oversees actual implementation of party decisions.

The continued differentiation of economic structure in the north and the south was reaffirmed as policy at the congress. The government will encourage the formation of agricultural cooperatives (not collectives) in the south, including marketing and credit cooperatives. Le Duan attacks "sluggishness, hesitation, and inaction" in pushing the cooperatives, while counseling party cadres to "avoid hastiness, oversimplification, and massive and formal undertakings." Existing private capital in the south will be maintained, except for foreign trade, where "the capitalist component is to be radically eliminated," a move aimed above all at ethnic Chinese merchants. "Thus," Le Duan said, "during a definite period of time, there are three economic components in the north—state-run, collective, and individual, and five in the south—state-run, collective, joint state-private, individual and private-capitalist."

Can Vietnam industrialize?

The priority given to agriculture and basic consumer-goods production is not an anti-industrial policy. It is a product of necessity—without solving food problems, industrialization will be impossible. It is also a simple fact that there is no surplus available in the economy for capital investment; and the level of outside capital aid, including aid from the Soviet Union and other Comecon countries, severely restricts industrialization plans. The regime intends "to make preparations for a more vigorous development of heavy industry in

the next state" and to emphasize new efforts to build up the communications and transportation infrastructure so heavily damaged in the U.S. war against Vietnam. Energy also has priority, particularly the search for offshore oil near the Mekong Delta in the south.

There is also an emphasis on stepping up work on science and technology—"the scientific and technological revolution" is considered the "kingpin." It should be recalled that the Vietnamese fought for their independence, not as peasant Jacobins, but as nationalists with a proud and ancient city-building heritage and an admiration for the Western humanist tradition. "Nowadays" Le Duan said, "high scientific and technological standards, particularly a speedy application of scientific achievements, the creation of high technologies in production, constitute one of the factors determining the economic might of a country." Le Duan called for cooperation with other countries in this field, including countries "outside the socialist community."

Ultimately Vietnam will be unable to achieve rapid economic growth without inputs from abroad. This is understood in Hanoi, although Le Duan is quick to caution against "any tendency to wait for and rely upon external aid." The bulk of aid now comes from Comecon; some comes from multilateral agencies like the World Bank and U.S. agencies, and some from Western countries like France and Sweden. Le Duan wants "to widen in an appropriate way our economic relations with countries outside the socialist community."

The Chinese threat

The party congress issued strong warnings to party cadre to increase their "vigilance" concerning Chinese activities and correct "laxness" in this area. The formulations followed an important article by Truong Chinh, the second-ranking member of the Politburo and President of the Council of State, which appeared in the party daily *Nhan Dan* on Feb. 17, 1982, the third anniversary of the Chinese 1979 war against Vietnam, and was given great emphasis for study.

The party congress also specified a campaign against "Maoism," defined by Truong Chinh in his article as "expansionism and Great Han hegemonism," a "feudalist ideology" which aims "to make China the center of the world, lording over the whole planet." "Today," Truong Chinh writes, "they [Peking] are unblushingly following the tracks of the 'sons of Heaven' in ancient China."

At the party congress, and in the Vietnamese media, Chinese anti-Vietnamese activities were explained in detail. The Vietnamese have emphasized not only Chinese preparations for another large-scale war against Vietnam, an ever-present threat, but also Chinese subversion and sabotage activities inside the country. This and other evidence suggests that the Peking regime has been at least partially successful on this front. Truong

Chinh described the Chinese as “now engaged in a type of sabotage war against Vietnam in many fields in the hope of causing our collapse without having to resort to a major war, according to the ancient Chinese military theory of ‘victory without battle.’”

Along with continued small-scale fighting along the border, “the enemy is trying to sap our economic strength.” The Vietnamese are not impressed by the so-called de-Maoization of China; they describe it as “post-Mao Maoism.” Truong Chinh’s assessment of the current situation in China is interestingly different from more positive statements now emanating from the Soviet Union about the internal processes in China. Chinh says the Chinese are using the United States and the West to carry out a “modernization” policy which aims “at making China a superpower by the end of the century to achieve global hegemony.”

This “modernization,” Chinh asserts, “is causing a gradual degeneration of the socialist factors in Chinese society, from the superstructure to the infrastructure.” “Capitalism” is being restored, he says, causing conflicts within China and “leading to infighting and purges among the authorities at different levels.” Chinh makes the provocative statement that “Nobody can dismiss the possibility of the new China becoming a new-style colony of the imperialist countries like the China of the recent past, which became a new-style colony dismembered by various imperialist forces.” Truong Chinh’s rallying cry: “We should make no mistake that the dangerous and immediate enemy of our people at present is the reactionary Maoist group in the ruling circles of China.”

Leadership shakeups

The fifth VCP Congress was clearly intended to convey the determination of the party leadership to overcome past mistakes and to convince the party membership, and in turn the population, that the will to do so exists. The party’s rank and file has suffered from sagging morale, corruption, and other afflictions. The question of party building was addressed in a tough speech by Politburo member Le Duc Tho (formerly Vietnam’s chief negotiator in Paris) at the Congress:

“Diminishing quality and decreasing militant will in a segment of responsible cadres at various echelons and sectors from top to bottom, and in a number of party members, is creating a great adverse effect on our party. Many people, proceeding from errors in their activities and bureaucratic behavior, have changed their way of life and degenerated politically. These elements have not been completely screened out.”

Vietnamese sources point to the remains of the consumption-centered, semi-pornographic American presence in Ho Chi Minh City (formerly Saigon) as a lingering influence on party cadres. After 15 years of war in the jungle, soldiers and cadre alike are naturally

wary of austerity. There is still a vivid contrast between the austere life in Hanoi and the rest of the north, and Ho Chi Minh City, where rock music can still be heard in the cafés, and a thriving black market offering Western consumer goods operates openly.

Le Duc Tho was no doubt primarily referring to the situation in the south when he inveighed against the “decadence” appearing among certain party cadres. . . . they have engaged in profitable dealings and have indulged in exploitative and corrupt activities, in demanding bribes, in misappropriating public funds, in acting in complicity with dishonest merchants, in debaucheries and so forth.”

The VCP had already shaken up its membership lists before the party congress, and further efforts would clearly be made to clean out the “decadent” elements. But a determination to consolidate new leadership was evident at the highest levels of the party. The changes in the Politburo, where six members lost their positions, attracted much of the attention in the Western press, although predictions of a replacement for General Secretary and at the very top level proved false.

Though Western observers refused to accept the obvious, a very highly placed Vietnamese party leader told me after the party congress that the idea was to bring younger people into the leadership, because the party is led today by men in their 70s who were with Ho Chi Minh in the beginning of the independence fight. At the same time, the party leader said, it was necessary to maintain the continuity of party leadership. The six Politburo members removed included General Vo Nguyen Giap, probably the most famous Vietnamese leader next to Ho Chi Minh. It also included former Foreign Minister Nguyen Duy Trinh, who is known to be very ill, and Le Thanh Nghi, the economic planner. Vietnamese sources insist that these men are not only quite old, but in some cases, including that of the 72-year-old Giap, not in good health and no longer able to carry out the duties of Politburo members.

The Vietnamese account of the leadership changes is borne out by the fact that all retain their respective Central Committee membership and rank (Giap is sixth), and in some cases positions such as Giap’s Vice-Premiership and chairmanship of the State Committee on Science and Technology. Since the congress, Giap has been reported in the Vietnamese media to be active in these areas. There is no indication that these men have been disgraced in any way. The top five Central Committee members retain their Politburo membership—party secretary general Le Duan (age 75), state council chairman Truong Chinh (75), Premier Pham Van Dong (76), Minister of the Interior Pham Hung (70), and Le Duc Tho (72).

Speculation in the West about splits and factional battles in the Vietnamese leadership is not new. Throughout the Vietnam war American analysts en-

gaged in similar speculation, almost all of which turned out to be wrong. As the senior Vietnamese leader laughingly put it to me, "They don't understand the collegiality of our leadership," a characteristic of the VCP established by the style of Ho Chi Minh and much in contrast to that of other communist parties.

At the Central Committee level, however, almost a third of the members are new, and 39 Central Committee members were removed in an effort to restore confidence in the party's leadership and to bring new blood in. At the Politburo level three new members were added; the size of the Politburo was reduced from 17 to 13. Le Duc Anh, an Army general said to command the Vietnamese forces in Cambodia, was added. There are also two new alternate Politburo members: Nguyen Co Thach, Vietnam's sophisticated and relatively young Foreign Minister, and Army gen-

eral Dong Si Nguyen.

My Vietnamese sources report a generally positive response in the population to the Congress's results. While some were upset at changes in the leadership, particularly regarding the popular General Giap, people were hopeful, those sources say, that progress will result, particularly on the economic front.

After 35 years of almost uninterrupted war and terrible privation, there is no denying the sense of weariness a visitor encounters in Vietnam. The Chinese and people in Washington believe they can "bleed Vietnam dry" with a continued campaign of a war of attrition and semi-blockade. Such strategists may selectively read the proceedings of the fifth VCP congress as evidence that this strategy is succeeding. A view taking account of the toughness of the Vietnamese people and their leadership will come to the opposite conclusion.

U.S. veterans make some progress in Hanoi talks

The second visit of a group of American veterans of the Vietnam war to Hanoi in early June made some headway in healing the wounds still left from the war. Since their first visit in December 1981, the veterans, representing the Vietnam Veterans of America (VVA), a nationwide veterans' group, have established a process of negotiations, parallel to U.S. government efforts, on the issues of Americans missing in action (MIAs), the effects of the use of the defoliant Agent Orange, and the status of Amerasian children fathered by Americans during the war.

Greg Kane, a Marine veteran and a member of the delegation, told *EIR* that "what was most important is the establishment of a friendly, cooperative dialogue [with the Vietnamese government] and the continuance of that." During their week-long visit to Vietnam, the veterans met with senior government officials including Foreign Minister Nguyen Co Thach and with Ngo Minh, the chairman of the Committee to Investigate Americans Missing in Action.

Kane described the results of a "lengthy period of discussion" on the MIA issue. Information was provided on recently discovered remains of American soldiers, including one full set of identified remains and material evidence (identity cards) of three others, and remains of four others which have not been identified. Most significant, Kane emphasized, was the agreement of the Vietnamese to review one by one the

names on the list of American MIAs in what is called Category I. This is a new concession by the Vietnamese which Kane felt could lead toward the goal of a reasonable "final accounting" of MIAs. The VVA is cooperating with the administration on this issue, and Kane reported that American officials in Bangkok dealing with this question were pleased with what the veterans had accomplished.

The Agent Orange issue is of great concern to American veterans who claim serious medical effects were inflicted by the use of the toxic defoliant during the war. Vietnamese scientists and doctors report effects including a high incidence of birth defects in areas where the defoliant was heavily used. So far veterans have not been able to receive veterans' benefits for Agent Orange-related problems.

The talks in Hanoi aim toward a study on the Agent Orange effects, combining efforts of the Vietnam Science Council and scientists in the United States and Europe who have done work on this question. On the issue of children of Amerasian parentage, the veterans discussed the streamlining of procedures on both ends for providing exit visas for children, particularly those who want to join fathers who are willing to accept them. The veterans also discussed possibilities for cultural exchanges with Vietnam; one proposal is a concert tour of the United States by the Vietnamese pianist who recently won the international Chopin competition in Warsaw. The Vietnamese are open to this proposal, but the State Department has officially refused a visa to the pianist.

The VVA will send another delegation within some months to continue talks with the Vietnamese on these issues.

New budget reinforces depression

Despite palliatives, economic events are bound to catch up with Trudeau's "slow-motion collapse" policy.

The conclusion to be drawn from the new federal budget submitted to Parliament June 28, the second that Finance Minister Allan MacEachen had to draft in eight months, is that under the pressure of economic collapse, Trudeau is scrambling for time. MacEachen returned to mandatory wage controls for the 500,000 federal civil servants, by freezing their salary increases to 6 percent over the next 12 months and to 5 percent for the following year, although the wage and price controls imposed by Trudeau from 1975 through 1978 proved to be a complete disaster. Considering that the maximum of 6 percent is half of the current annual inflation rate, the proposed budget is a provocation that will produce labor unrest.

This is "much more than a wage restraint program," said Treasury Board president Don Johnson, after he introduced the new bill to the Commons, "It is a crusade." Pointing to the fact that it "suspends the right to strike and the right to bargain effectively," he added that the government decided to restrain wages and not prices because "wages are the major problem in keeping the inflation rate high." This, he said, a lot of trade union leaders "simply do not understand."

Predicting a series of work-rule campaigns, disruptions of government services, and illegal strikes, the President of the Public Service

Alliance of Canada, Pierre Samson, called the bill a "War Measures Act for the federal public service." The President of the 2 million-member Canadian Labor Congress (CLC), Dennis McDermott, said he was getting the CLC unions ready to battle the "cancerous wage controls." At the recent national convention of the CLC in Winnipeg, McDermott made a call for "a general strike if controls are imposed by federal or provincial governments."

Trudeau held an emergency meeting on June 30 with the premiers of the 10 provinces and sold them his austerity package, now expected to be implemented at the provincial level as well. Although agreement was not reached on the 6 percent limit, there was no "fed-bashing," not even from Quebec Premier Levesque, as all favored public-sector "restraint." As to why Trudeau was seeking the agreement of the provinces Don McGillivray, financial columnist of the *Montreal Gazette*, commented: "Perhaps for some kind of inflation control that requires a surrender of provincial powers."

If the municipalities also back Trudeau, the measures would affect more than 1.2 million employees, or 10 percent of the total Canadian workforce. July 1, Trudeau made it clear in a nationally televised broadcast that if the measures proved ineffective, he would impose "emergency measures" on

both public and private sectors.

Meanwhile as a result of the budget, on June 29 the dollar took a dive and the Toronto Stock Exchange (TSE) dropped by 45 points, with paper losses amounting to C\$2.86 billion. The value of TSE equities listed has plunged by 40 percent in the last 12 months. The federal budget deficit is now reaching C\$20 billion, double the estimate for the previous budget (and, on a comparable basis, twice as large as the U.S. deficit).

The president of the Montreal Board of Trade, Bob Harrison, reported to the *Gazette* that he is alarmed by the fact that "at \$20 billion, it's running about 33 percent of the Ottawa government's revenues." The fundamental reality, however, is that Canada has so little industrial base to fall back on; one-third of its capacity has already been shut down.

The five major Canadian banks have run so dry, reported the London *Times* on July 6, that they are rapidly losing their ability to provide funds for any recovery.

Under the guise of stimulating investments and housing construction, MacEachen will bail out bankrupted construction firms and various small- and medium-sized enterprises. As another stopgap, farms and the fishing industry will also get token subsidies.

Thus, for the time being, Trudeau has avoided the sudden-death option of reflating and imposing exchange controls. But as high interest-rates continue to ravage the world economy, the drastic possibility that he will cut Canada's ties with the American economy is still much alive. Meanwhile, all MacEachen is doing is rearranging the deck chairs on the Titanic.

Brandt backs 'Greens' against Schmidt

The Chancellor and his coalition have survived, but the conspiracy to oust him is still on the offensive.

Since West Germany's ruling coalition partners, the Social Democratic Party (SPD) and Free Democratic Party (FDP), reached an eleventh-hour compromise June 30 on the federal budget, preventing a break-up of the Bonn government, the left wing of the Social Democrats has surfaced publicly to demand an SPD alliance with the Green Party. Chancellor Helmut Schmidt, who opposes any such coalition with the pot-smoking, anti-nuclear and violence-prone Greens, has been unable or unwilling to silence these new demands.

The SPD left's promotion of the Greens will destabilize the Bonn coalition further, tending to propel FDP chairman Hans-Dietrich Genscher toward a break with Schmidt and a coalition with the Christian Democratic Union (CDU). Despite the urgings of anti-Schmidt forces in Washington and London (see Special Report, July 6), Genscher pulled back from splitting the coalition, fearful that it would mean suicide for his own dwindling party. The next big test for the coalition will come Sept. 26 in the state of Hesse, where the FDP has decided to campaign in alliance with the Christian Democrats rather than with Schmidt's party.

The SPD left, under the protection of party chairman Willy Brandt, has every intention of toppling Schmidt and installing a CDU government in Bonn. They hope thereby to "strengthen" the

SPD—driving out all conservative, pro-Schmidt factions. If their strategy succeeds, the Federal Republic will be polarized between such a "green" fascist Opposition and a Christian Democratic government under incompetent Helmut Kohl (run from behind the scenes by Bavarian strongman Franz Josef Strauss).

The worsening of the economic crisis gives Schmidt less maneuvering room than ever before. Unemployment in the country is the highest since 1950, and is expected to top 2 million by the year's end. AEG-Telefunken, the nation's 13th-largest firm, is on the verge of bankruptcy, and the Bonn Cabinet is currently putting together a bailout package. The budget compromise which gave Schmidt a brief respite included, at the insistence of the FDP free marketeers, cuts in social services and unemployment insurance.

The overture toward the Greens was signaled by former Chancellor Willy Brandt, who declared in a speech in Munich July 4 that "many of the Greens have good intentions and sometimes also good proposals," and therefore that a coalition government with them after the 1984 federal elections should not be ruled out.

This line was picked up throughout the Federal Republic:

- In **Hamburg**, where the Greens made substantial electoral gains last month, the SPD and

Green Alternative List are meeting regularly to discuss the basis for an informal coalition to govern the city. No party or coalition now has a majority there.

- In **Hesse**, the scene of the crucial upcoming election, the pro-Schmidt wing of the party has been virtually silenced and no attacks against the Greens can be heard—in the state where thousands of Green-organized demonstrators rioted last fall.

- In **West Berlin**, SPD chairman Hans-Jochen Vogel rejected a call by the association of small businessmen to suspend from the city parliament all deputies of the Alternative List (the local Green affiliate). The AL had organized a violent demonstration against President Reagan in June.

- In the **Saarland**, SPD chief Oskar Lafontaine called for the SPD to open its doors to the Greens.

- In **Baden-Württemberg**, SPD chairman Ulrich Lang endorsed Brandt's pro-Green statement.

- In **Schleswig Holstein**, SPD executive committee member Egon Bahr advised the Hamburg SPD to try for a coalition with the Greens just a few hours after election returns came July 6 vote.

Chancellor Schmidt, in an interview published July 5 in *Der Spiegel* magazine, warned that anyone who votes for the FDP or the Greens in the Hesse elections is really voting to bring Strauss-crony Alfred Dregger into the governor's office. The left wing of Schmidt's party may have already achieved that. Unless SPD policy is quickly reversed by Schmidt and his supporters, demoralized voters cannot be expected to turn out to support the Chancellor's party.

Too much rope, too few tugs

With Haig out, the Israeli opposition to war in Lebanon looks to Washington to curb Sharon and Begin.

Unless Washington does something in the coming days and weeks to curtail Israel's military adventure in Lebanon, the growing opposition inside Israel to Begin and Sharon will remain not much more than a good-sized, angrily vocal, but relatively powerless force.

Israeli sources confirm that a strong stance by the Reagan administration against Israel's genocide in Lebanon would lend leverage to the peace forces and to the Labour Party opposition.

"The behavior of the U.S. government during this crisis has been unbelievable," commented former Israeli Chief of Staff Gen. Mordechai Gur in an exclusive interview with *EIR* (see page 36). A Labour Party member of the Israeli Knesset, Gur has emerged as one of the more prominent figures in Israeli public life opposing the war.

"We had almost total freedom of action, and we never had that before from the United States," Gur said.

Gur's statements reflect the prevailing opinion in the Labour Party that it was Alexander Haig who connived with Sharon to push the Israeli armed forces into Lebanon. With Haig now out, Labour Party leaders are said to be looking impatiently to Washington to rein in Begin and Sharon.

Many Israelis fear that the carnage in Lebanon will leave an indelible mark of shame on the nation.

Others think Israel has gotten in over its head, and blame Sharon for lying to the Israeli population and government.

"There is a real breakdown of morale in Israel, both in the general population and the military," an aide to Begin recently stated. "People just don't like this war. Unlike past wars, it is not a defensive war, fought to ensure Israel's survival. It is also a bloody war. Those pictures of blown-up Lebanese kids have had a real effect on the Israeli psyche.

"Many, many Israelis, particularly in the north of the country [the area of Israel on whose behalf the war is supposedly being fought—N.C.] think the war has gone too far. Whole sections of reservists now on duty in Lebanon oppose the war, which is causing big problems. There is now a move to restore these people to civilian life," he said.

In the *Jerusalem Post*, military correspondent Hirsh Goodman reported on the disaffection among the 100,000 Israeli troops now stationed in Lebanon. "There are men and officers who no longer understand the war's goals," Goodman wrote. Government propaganda about the war is not believed by the soldiers, who listen to Radio Lebanon for news. "The army spokesman is less credible than ever before," Goodman noted.

According to a poll just commissioned by the *Jerusalem Post*,

while the majority of Israelis still supports the war—albeit many of them with reservations—most of the protests are coming from soldiers who, as witnesses to the holocaust in Lebanon, have not fallen for the lies about the war printed in the censored Israeli press.

On June 28, 30 officers on leave from the fighting held a demonstration in front of Begin's office in Jerusalem against Israel's butchery in Lebanon. Sgt. Eyal Ehrlich, the organizer of the demonstration, said the group represented the sentiments of "about 90 percent" of Israel's soldiers fighting in Lebanon. Another spokesman for the group, Capt. Ronen Bar-Shera, called Israel's slaughter of Lebanon's Palestinians "disgusting."

On July 3, 100,000 Israelis (according to police estimates; the *New York Times* claimed only 7,000) demonstrated in Tel Aviv, denouncing the war and demanding Sharon's resignation. It was one of the largest anti-war protests in Israel's history, and the first to take place during wartime.

From outside Israel, three leaders of the international Jewish community have thrown their weight behind the peace forces in Israel. In a statement issued July 3, Nahum Goldmann, former head of the World Jewish Congress; Philip Klutznick, former U.S. Secretary of Commerce and honorary president of the World Jewish Congress; and former French Prime Minister Pierre Mendes-France, called for Israel to end the Lebanon war and for mutual recognition by Israel and the PLO.

PLO leader Yasser Arafat greeted the statement as a "positive initiative toward a just and durable peace in the Middle East."

Some surprises in the elections

The mammoth voter turnout was a move to support the Mexican presidential system itself.

As July 4 approached, commentators around the world were predicting the early collapse of the Mexican political system in the general elections that day. A myriad of small radical parties would leave the PRI ruling party with a small margin of victory. Mexican voters proved the opposite. They went to the voting booths in record numbers to give the PRI ruling party's presidential candidate, Miguel de la Madrid, an overwhelming 75 percent of the vote.

Eighty percent of the 31.5 million registered voters cast their votes for President, congressmen, senators and other local posts—compared with the 50 percent turnout of the 1976 general elections.

The excitement this heavy turnout has provoked among PRI and government officials greatly contrasts with the Anglophile press coverage in the United States. The *New York Times's* depressed mood has one reason: the Mexican political system, with its strong executive power, came out strengthened.

The highly centralized presidential system has been the backbone of the PRI and a key vehicle for the economic growth and political stability which Mexico has enjoyed since the 1930s. Voters saw a strong executive power as the best instrument to defend the country from the enormous economic pressures to which it is being subjected.

Despite the fact that the PRI has

been traditionally identified with Mexico's economic progress, the mandate for de la Madrid was not precisely a vote for the PRI. In many parts of the country, the PRI had put aside its pro-growth commitment to make deals with oligarchic groups such as the Acapulco tourism-pornography circles of former President Miguel Alemán. These rampant *Realpolitik* tactics have led to wide popular disillusionment with the PRI.

The party that most capitalized on this was the National Action Party (PAN), a "right-wing" front for the oligarchy. While final results in the congressional elections are still not available, in the presidential elections the PAN got 14 percent. The leftist PSUM alliance came third with 5.8 percent. A surprisingly high 2 percent went to the Trotskyist Revolutionary Workers Party (PRT). Two other splinter groups, the Falangist "Cristero" PDM and the ultra-left Socialist Workers Party (PST) barely reached the limit of 1.5 percent which the law requires to maintain the status of a political party. The greenie Social Democrat Party (PSD), got only 0.3 percent, and has therefore lost its party status.

Another surprise was pulled by the Mexican Labor Party (PLM). Preliminary results indicate that the PLM came in third in the key race for the mayoralty of Ciudad Obregón, the capital of the northwestern

state of Sonora. Since it is not a registered party yet, the PLM did not even appear on the ballot. Nonetheless voters responded to the PLM's independent campaign to make of the Ciudad Obregón area, a rich agriculture center, a pole of industrial development by writing in a PLM vote.

Nationalist forces in the PRI are sending signals that they will launch an internal housecleaning. On July 4, former President Luis Echeverría shocked political circles when, in an interview published in several dailies, he denounced former Interior Minister Jesús Reyes Heróles as a "traitor," a "liar," and an "alcoholic." "When Reyes Heróles . . . began surreptitiously to circulate stories that he was the author of the political reform, he was committing an act of treason," Echeverría said.

Echeverría described how Reyes Heróles tried to take control of the political reform originally proposed by President López Portillo. Reyes Heróles, he said, "plotted persecutions against his enemies," Echeverría among them.

Since their appearance July 5, the former President's remarks have been the topic of commentary in every important political column here. The main complaint is that he "broke the rules" of the compromise-ridden political system.

But there is no doubt that this is precisely what Echeverría's faction has in mind. They have announced they will fight to redirect the PRI toward its pro-growth orientation. And the message is directed at incoming President de la Madrid. The PRI, Echeverría said, "is a nationalist front . . . [and] I think the domestic oligarchy should not be part of it."

International Intelligence

Sovereignty issue central to Spain-U.S. treaty

After weeks of delay, the governments of Spain and the United States renewed a bilateral friendship treaty, which under Spanish pressure, was rewritten to strongly guarantee Spanish sovereignty as a principle governing relations between the two countries.

Originally, the treaty had been scheduled for renewal during a May trip to Europe by U.S. Secretary of State Alexander Haig. The Haig visit coincided with the British war against Argentina in the South Atlantic, during which Spain, unlike the United States, took an anti-colonialist stand. With very little public explanation at that time, the Spanish government canceled Haig's stopover in Madrid, and took the unprecedented course of allowing the treaty to expire.

A press release from Madrid now indicates that there were disagreements between the Spanish government and Haig-dominated Washington over the terms of the treaty, which governs the status of 10,000 U.S. troops stationed on Spanish bases. The new treaty specifies unequivocal Spanish sovereignty over those American-utilized bases. According to the release, "Spain holds veto power over U.S. base use in conflicts involving countries with whom Spain maintains friendly relations." In addition, the treaty calls for the United States to provide \$400 million a year in loans, below market interest-rate levels, for Spanish purchase of U.S. military equipment.

Henry 'kiss of death' travels to Spain

When *EIR* inquired in Spain as to what Henry Kissinger had been doing during his recent trip to that country, a well-informed Spanish editor replied: "Every time Kissinger comes to this country something bad happens. He is a bird of evil. In fact, I would describe Kissinger as the kiss of death. Ten years ago he

came here and kissed one of our top generals. The next day, the general was in the hospital with phlebitis.

"The next year Kissinger came back and kissed [Spanish prime minister] Carrero Blanco. The next day, Carrero Blanco was assassinated.

"I don't know what Kissinger is doing here now, but I am sure of one thing. It is bad for us."

So far, *EIR* has learned, Kissinger has met with Juan Carlos, Spain's king; Manuel Fraga Iribarne, who is the leader of the neo-Francoist Alianza Popular; Felipe González, head of the Spanish Socialist Party; Spanish prime minister Calvo Sotelo; Adolfo Suarez, the former prime minister of Spain; López Rodo, a former planning minister under Generalissimo Franco and member of Opus Dei; and Garrigues Walker, a member of the Trilateral Commission.

From the crystal ball of Claire Sterling

Claire Sterling, a British intelligence "specialist" on terrorism and the author of the best-selling coverup, *The Terror Network*, has predicted an unprecedented outbreak of international terrorism and anti-Semitism as the likely aftermath of Israel's invasion of Lebanon.

In an article which appeared July 5 in the *Washington Post*, "After Lebanon: A Wave of Anti-Semitism and Terrorism," Sterling describes the "curious brotherhood" which exists between left and right terrorist groups, which, "under the stress of Lebanese events," will foment anti-Semitism throughout the globe.

Sterling predicts a humiliated PLO will become more radical and Yasser Arafat might be killed by his own followers. Sterling quotes Walid Jumblatt, Lebanon's Druze leader, as saying that one sole course remains: "To mount a terrorist assault on every country in the West," starting with the United States. Such a terror outbreak will have "a savagery unequaled so far."

The new center of terrorism, Sterling says, will be Aden, the capital of South

Yemen. According to intelligence sources, George Habash, leader of the terrorist Popular Front for the Liberation of Palestine, is expected to relocate his base of operations to Aden.

Chile takes a leaf from Aspen Institute

The country currently leading up opposition to the adoption of Lyndon LaRouche's proposals for the establishment of a Common Market and debt rescheduling in Ibero-America is the Schachtian dictatorship of Gen. Augusto Pinochet in Chile.

Chile is now circulating a proposal to "reorient" the Inter-American System that is taken straight from the pages of the Aspen Institute's just-released report on "Governance in the Western Hemisphere." Chile's Foreign Minister Rojas proposed that a new treaty should be signed, which would establish an "obligatory system for the peaceful solution of conflicts" which arise between countries of the region—exactly the formulation of the Aspen Report.

James Theberge, a Kissinger associate who holds the post of U.S. Ambassador to Chile, stated during a public ceremony July 2 that the Chilean proposal would be an excellent way to repair the damage to the Inter-American system.

Peccei named in ongoing P-2 revelations

As a result of continuing investigation on two continents into the murder of fugitive Banco Ambrosiano head Roberto Calvi in London in June, the name of the man who is probably the world's best known genocidalist, Aurelio Peccei, chairman of the Club of Rome, has come up in connection with the Propaganda-2 (P-2) Freemasonic Lodge scandal which brought down the government of Italy a year ago and in which Calvi was a central figure.

Briefly

The P-2 lodge was shown to be at the center of a subversive network which ran the banking end of both narcotics and terrorist operations. Calvi is thought to have been murdered because he was about to spill the beans on the relationship of P-2 to the Grand Mother Lodge in London.

The Italian secret services have delivered a dossier to the Propaganda-2 parliamentary inquiry committee identifying a secret Freemasonic lodge in Montecarlo, known as the "Montecarlo Committee." This lodge, which includes P-2 head Licio Gelli and several other P-2 leaders as members, also has on its roster Aurelio Peccei. It is the first time Peccei has been directly implicated in the P-2 scandal.

EIR calls Maggie to account for Calvi death

EIR's Rome bureau chief, Leonardo Servadio, confronted British Prime Minister Margaret Thatcher July 7 at a press conference with the evidence concerning British Freemasonry's involvement—going right up to the Royal family—in the recent assassination of Italian banker Roberto Calvi.

Servadio intervened at the joint press conference held by Thatcher and Prime Minister Spadolini which capped the British leader's visit. It is thought that Thatcher intended to pressure Italian authorities into stopping their investigations into the role of the Grand Lodge of London and the City in recycling dirty money coming from criminal activities centered in Italy.

Opening the press conference, Spadolini invited EIR's Servadio to pose the first question; he immediately succeeded in changing the grin on Thatcher's face into a grimace of outrage. "Over the past days, the Italian press has indicated that there are connections between the violent death of Calvi in London and an international financial center based in the City of London, a center used for laundering dirty mafia money. This center is also connected to the Grand Mother Lodge

of England headed by the Duke of Kent, the Queen's cousin. It is also known that Italian police are investigating this issue given the direct connection with Italian organized crime. . . ."

As Thatcher's face began to change colors, British journalists began screaming. Servadio inquired "is this the issue which Spadolini is going to discuss with Thatcher?"

Thatcher consulted her diplomatic adviser, presumably to find out whether the EIR question had been a well designed trap set up by Spadolini. After preventing the interpreter from translating the question into Italian, the Iron Lady shrieked, "My answer is: absolutely no!"

The European Labor Party's Fiorella Operto has formally requested that the magistrate in charge of the Calvi dossier investigate the role of the Grand Mother Lodge of London.

Develop the Third World, says Greek conservative

Greek opposition leader Evangelos Averof has issued a call for Third World development as the only way to stop global economic collapse. At an early July meeting of the European Democratic Union in Paris, attended by representatives of Europe's conservative parties, such as the Christian Democratic Union from Germany and the Gaullist RPR from France. Averof, leader of Greece's New Democracy Party, stated that the greatest menace facing the world is economic decline. "Many economists say that the current protracted recession is a result of the fact that the post-World War II program of reconstruction has come to an end. That program of reconstruction was promoted by the Alliance and was responsible for the growth of prosperity in the ensuing years. I propose that we undertake a worldwide program for the industrialization of the underdeveloped sector. Such a program would act as a motor for the economy of the entire world."

● 'SOVIET Active Measures' is the title of a State Department report issued July 8, which accuses the U.S.S.R. of, among other things, producing forged U.S. government documents. Evidence presented to reporters included the fact that a statement allegedly by Alexander Haig was a grammatical absurdity. Some of the assembled press found this far from conclusive.

● JACQUES CHEMINADE, the Secretary-General of the Parti Ouvrière Européen (POE), announced at a congress of his party on July 3 that he intends to run for Mayor of Paris. Cheminade, whose POE organizes for Lyndon LaRouche's policies in France, blasted the plan of the ruling French Socialists to chop Paris into 20 independent municipalities. The Socialist Party plan, he pointed out, had been written by Howard Perlmutter of the Wharton School in Pennsylvania.

● HELGA ZEPP-LAROCHE had a short discussion with Pope John Paul II during his regular Wednesday public audience on June 30. Mrs. Zepp-LaRouche, who chairs the European Labor Party, had been in Rome meeting with Church and political figures, as part of her effort to establish a "Club of Life" to defeat the Global 2000 depopulation drive.

● 'PROMETHEUS BOUND', written almost 2,500 years ago by the great Greek poet and soldier Aeschylus, was performed at the beginning of July by the theater ensemble of the Humanist Academy in Wiesbaden, West Germany—the first performance of the play in that country in more than 20 years. The drama was introduced to the audience by George Gregory, who is EIR's Bonn correspondent.

Why President Reagan gave Haig the axe

by Richard Cohen, Washington Bureau Chief

President Reagan has declined to tell the American people and the world the real reasons why the traitorous Secretary of State Alexander Haig was axed. My White House sources say the decision to have the President “stonewall” all questions relating to Haig’s sudden departure, and to cover up the fact that Haig did not resign but had in fact been fired, was made at a June 30 morning meeting at the White House, where White House Communications Director David Gergen and White House Chief of Staff James Baker III argued fervently for that tactic. The language concocted at the morning meeting and later delivered by the President read, “If I thought that there was something involved in this [the Haig matter] that the American people needed to know, with regard to their own welfare, then I would be frank with the American people and tell them”; and later, “I don’t think there’s anything that in any way would benefit the people to know or that will in any way affect their good judgment.”

What the President, under strong pressure from senior White House advisers, has kept from the American people is the fact that Haig was fired, and that Haig’s firing was immediately triggered by mounting hard evidence supplied to Mr. Reagan proving that Haig was involved in a series of clandestine relationships with a number of foreign governments and key individuals in those governments without the knowledge of the President.

Documentation of treason

Further, the evidence which came into the White

House’s possession during the week of Haig’s ouster is said to show that Haig’s secret associates were actively plotting against official presidential policy. In short, what the White House has suppressed is evidence that the former Secretary of State had been caught red-handed in a number of cases of outright treason against the U.S. government.

This journal had previously exposed Haig’s acts of treason, and through other channels, *EIR* founder Lyndon H. LaRouche, Jr. had repeatedly warned the White House of Haig’s criminal activity. It is noteworthy that Michael Ledeen, a Haig confidante and intermediary to the seditious Propaganda-2 Freemasonic lodge based in Italy, is reported to have quit the Reagan administration in early June on the basis of foreknowledge of a move against his master. Starting in mid-1981, *EIR* exposed Haig’s and Ledeen’s clandestine links to P-2.

Haig’s conspiracies went beyond this connection. White House sources and Washington intelligence sources have told me that the clincher for Haig came only a few days before the final June 24 meeting between Haig and the President. According to these sources, it was at that time that the President and his senior advisers, most notably National Security Adviser William Clark, were presented with “hard documentation” proving that the Secretary was involved in a covert relationship with sections of the high command of the Israeli military. Reportedly, Haig had established an elaborate coded-communications channel to a wing of the Israeli military allied to Defense Minister Ariel

Sharon prior to Israel's invasion of Lebanon.

These sources further report that the "hard evidence" proved that Haig had withheld from the President and White House special envoy Philip Habib critical information obtained through these covert channels which identified Israel's plans to invade Lebanon.

While it is not clear whether the President was offered further evidence on the nature of the secret Haig-Sharon relationship, intelligence sources in Washington now insist that Haig had used this channel to report "classified activities" of highly placed U.S. officials, along with personal profiles identifying the state of thinking of influential U.S. cabinet members—replete with suggestions for Israeli political and diplomatic maneuvers to control opponents of the Lebanon invasion within the Reagan administration. These sources are convinced that, using this secured channel, Haig actively promoted the Israeli invasion tactic, in connivance with Sharon.

At about the same time the President received this information, leading Senators and Congressmen headed by Sen. Barry Goldwater (R-Ariz.) and Sen. S. I. Hayakawa (R-Calif.) informed the President that they were in possession of evidence showing that Haig had also entered into clandestine relations with the leadership of the People's Republic of China (PRC). The following day, June 24, the President dispatched Clark to Capitol Hill to meet with 13 of the Goldwater-led congressional group. At that meeting, Clark was reportedly told that Haig, operating through conduits unknown to the White House, had informed the PRC leadership, contrary to Presidential policy, that he would secure a cancellation of future U.S. arms sales to Taiwan. According to Capitol Hill sources, the congressional group told Clark that Haig was supplying the PRC with important "in-house" information and personal profiles to aid their White House lobbying effort.

Finally, on June 23, after attending a meeting between Mr. Reagan and British Prime Minister Margaret Thatcher, Haig announced to the White House press corps that the U.S. government now sides with the British legal claim to the Malvinas-Falkland Islands—undercutting attempts authored by Clark at repairing relations with Ibero-America. The following day the State Department was forced to retract the Secretary's "misstatement." According to intelligence sources, Mr. Reagan was also being informed of the existence of five Argentine peace proposals given to Haig by the Buenos Aires government during his "peace shuttle" but never delivered to the President.

Thus, between the time of President Reagan's June 21 meeting with Israeli Prime Minister Menachem Begin and his June 24 meeting with Haig, proof had come into the hands of the White House demonstrating criminal actions by Haig with respect to the Israeli

invasion of Lebanon, the Malvinas crisis, and the U.S. relationship with Taiwan. Sources familiar with the evidence told me that Haig's tactical proficiency in setting up clandestine operations well beyond the law were developed when Haig served under Kissinger at the National Security Council. Haig rose in the Kissinger hierarchy not least because of his role in running Henry's secret liaisons with Israelis, the PRC, and leading figures in the Socialist International such as Egon Bahr of West Germany.

The May-June buildup

While Haig's ouster was precipitated by these revelations, the environment for his exit had been developing over the period from May through June, the period of overlapping crises in the South Atlantic and the Middle East. The major reason, according to the same source, is that Haig's secret empire had come under increasing policy challenge from Clark during the May-June period. Friction had developed early over Haig's insistence that he have day-to-day control over U.S. policy in the Malvinas crisis. Clark and Reagan were reportedly alarmed by Haig's wild anglophilic attacks on U.N. Ambassador Jeane Kirkpatrick during Malvinas negotiations; Clark was further outraged when, during the June presidential tour of Europe, Haig embarrassed the President and again insulted Kirkpatrick around a U.N. vote on the Malvinas. Then, when Israel invaded Lebanon, Clark ordered Haig not to go to Jerusalem. Upon return from Europe an enraged Haig is reported to have demanded outright control over the handling of the Lebanon crisis.

On June 23, a frantic Haig telephoned Clark to threaten to resign because, without Haig's knowledge, the National Security Adviser had entered into high level negotiations with the Saudis in order to outflank Haig's pro-war policy.

Clark had been dragged into the administration by Reagan and a number of the President's California intimates for the express purpose of watchdogging Haig. His final break with Haig thus represented a decision by the President and his closest associates to axe the Secretary. The many leaks suggesting that the equally anglophilic Bush clique in the White House, or New Right Heritage Foundation representatives, were responsible for anglo-agent Haig's departure are false. While these groupings have had knives out for Haig, they have never been able to oust him. Haig's firing was a Reagan decision.

While foreign policy moves into the hands of the White House, it is unfortunate for the nation that their first action was to hide the real reasons for Haig's ouster. As one familiar with the evidence told me, "Haig shouldn't have been fired, he should have been tried for treason."

Midterm convention: a political funeral

by Allen Salisbury

One could not be entirely sure what kind of funeral it was, a Roman orgy after the slaughtering of several hundred Christians, or a Fellini version of an Irish wake. The overwhelming scene of *déjà vu* indicated both of the above, but the mere facts simply stated that the Philadelphia mid-term convention marked the death of the Democratic Party.

This mid-term convention was supposed to rally the party for the November 1982 Congressional elections.

Presiding over the affair was an obscure banker named Charles Manatt. The special guest of honor at this party, which once prided itself on its commitment to fighting for the rights of the nation's minority citizens, was the noted eugenicist and racist Averell Harriman, whose family was among the most important U.S. supporters of Hitler and the Nazis; Averell firmly maintains such commitments. Harriman was honored as the senior statesman of the Democratic Party.

The platform adopted by the Mini-Convention must have been the crowning achievement of the patrician Harriman clan. The platform called for the United States to commit itself to policies of genocide in Asia, Africa, Ibero-America, and India:

"America's foreign policy must address the global problems of environmental deterioration, hunger, and rapid population growth. . . . America's longstanding leadership in confronting the population threat should be maintained."

In all honesty, as I reported back to my fellow Democrats, the entire convention was rigged.

In the first place, out of the 5000 or so people that showed up in Philadelphia, there were no delegates. Instead, there were 1000 individuals called "conference participants." The rest were assorted aides, guests, and "alternate participants."

In American politics, the term delegate is understood to mean a person who represents a local area or trade union or some other constituency group, and is charged with the responsibility of discussing and debating those constituents' views on crucial matters of foreign, nation-

al, or local policy. A representative from an agricultural community, for example, would be keenly interested in the issue of parity for American farmers and in firing Paul Volcker as chairman of the Federal Reserve—because he's responsible for usurious interest rates. Delegates to a party convention would have the opportunity to discuss and vote on policies whether Manatt liked them or not.

What is a 'participant'?

I can only describe to you what happened to those poor unfortunates.

A participant was assigned to one of seven plenaries ostensibly to discuss one of seven sections of the draft platform presented by Manatt. A participant, however, did not know which plenary he or she was assigned to until the first day of the convention.

A participant supposedly was a person who knew the complete schedule of the conference, the program of workshops, receptions, and so forth. However, many participants had to go to the press for that information, because the press packets were more complete than those packets prepared for them.

A participant, one presumed, would have the opportunity to offer amendments to either improve or reject sections of the platform. But the participants were informed some time on Saturday morning that they needed 30 percent of the participants assigned to their particular plenary to sign a petition in order to even introduce an amendment. And each participant was permitted to sign only two such petitions. If you decided nevertheless to fight for an amendment and follow the petition procedure, in order to get your petition signed, you had to track down the participants assigned to your plenary at the many parties and receptions which were hosted by Manatt-approved presidential hopefuls and other office-holders or office-seekers.

Are you perplexed? Don't be. A participant is a person who is not supposed to participate.

The convention was stacked not only to prevent National Democratic Policy Committee advisory board chairman Lyndon LaRouche from speaking—LaRouche is already a potential candidate for the party's presidential nomination—but obviously to severely limit participation of the majority of Democrats who agree with Mr. LaRouche that Volcker should be fired and interest rates brought down.

One-third of the participants were handpicked by Manatt's staff; another third were picked by the State Democratic Committees; and the rest were either Congressmen or other elected officials.

Even the U.S. Congressmen pleaded their impotence at the convention. A typical refrain was "What can I do. I'm only a Congressman." Bob Tilton, the chairman of the Kansas delegation, said he would be told to shut up if he tried to speak from the floor against the

resolution supporting the Israeli invasion of Lebanon.

Bob Slagle, chairman of the Democratic Party in the state of Texas, said that he would not be allowed to speak in opposition to the resolution even if he wanted to; Manatt would shut him up too.

A participant from the state of Minnesota said she had been warned at her trade-union caucus that they would be able to do nothing to amend resolutions.

Most Americans found out on Monday morning that the convention had voted up a resolution in support of the Israeli invasion of Lebanon. The participants found out much the same way the rest of the world did. Fully three-quarters of the participants had left the City of Philadelphia before workshop resolutions were voted up—this although the overwhelming majority of participants expressed open disagreement with the genocide being committed in Lebanon. But what could they do; they were only participants.

MaGnat's boners

The present chairman of the Democratic National Committee is a very small person indeed. At the convention's first major press conference by Pamela Harriman, MaGnat defended the racist pedigree of the Harriman family, when a reporter questioned their objectives.

Pamela, appearing as flighty as she has been personally described to me to be, suggested that the reporter had received her information from the "LaRouche people." MaGnat leaped to his feet screaming, "She is the LaRouche people!" MaGnat then went on record identifying LaRouche as the principal opponent of Alexander Haig and Henry Kissinger, and defended the two British agents from his attacks.

Three hours later the announcement came that Haig had been fired. To the credit of the participants, this news was greeted with joy. With considerable consternation, MaGnat dispatched Senator Paul Tsongas to proclaim that Haig was the "moderate" in the administration and that his firing was a disaster. Even the usually labile press corps were heard commenting on the wisdom of removing the "psychotic" Haig from office. But that privately expressed view will probably never make it into their columns.

The most petty of MaGnat's boners came when he insulted the intelligence of the President of Mexico, José López Portillo, by telling a reporter that the only reason that the Mexican President met with Mr. LaRouche in Mexico City in May was because he confused Mr. LaRouche with himself, Charles Manatt. Mr. LaRouche has been well-known in Mexico for years as the promoter of the policy that would allow Mexico to trade its oil for U.S. technology to encourage its industrial and population growth. In contrast, MaGnat, only recently a national figure in a small way, has just rammed through the Mini-Convention the population control and genocidal policies of Averell Harriman and

George Ball. I wonder if Chuck has read all the humorous little articles that have appeared in the Mexican press on that one.

The little man gets vicious

In the same interview MaGnat suggested that he was encouraging suits to be filed against LaRouche and the NDPC and went even further to state that he personally thinks that "other things should happen to them."

Later that evening an aide to MaGnat was overheard telling him, "We've got to get rid of that LaRouche." We take these threats for what they are, and they have been filed with the appropriate authorities.

MaGnat's pettiness was not only reserved for us, but he handled people generally in a way reminiscent of a frustrated headmaster at a small school for boys. For example, MaGnat at the height of his grandeur snapped at the chairman of the DNC rules committee to immediately stop talking and pay attention to what was going on at the podium. At another point he screeched, "Let it be shown that the National Chairman of the Young Democrats was too tired to stand during the rendition of 'Happy Days are Here Again.'" MaGnat constantly berated members of his restless audience to sit down and shut up; there would be proper decorum at this wake or his name wasn't Chuck MaGnat.

The fight against genocide

A delegate from Minnesota, Irma Craven, attempted to introduce an amendment against population control into the Making Government Work Better workshop. She pointed out in her motivation that one of the principal reasons Jimmy Carter had lost by a landslide to Reagan was because of the Democrats' population control policies.

She also pointed out that one major government disservice was the U.S. AID program, which spent \$4.5 billion a year on world population control. This should not be the underpinning for our foreign policy; it was not the policy of Roosevelt, she said, identifying herself as a life-long Roosevelt Democrat who was attending her third national convention. She showed there was rhetoric in the Democratic Party platform that smacked of genocide and urged the party to oppose all population control, "because it has the potential to eliminate ethnic groups in depression conditions."

Mrs. Craven, who was not acting as a participant but instead as a delegate, was ruled summarily out of order twice by both the Lt. Governor of Vermont and the chairman of that workshop, Allan Ertel, the Democratic gubernatorial candidate for the state of Pennsylvania. I take the opportunity now to remind Mr. Ertel that his opponent in the primary, Steve Douglas, a LaRouche Democrat, won 35 percent of the vote in the city of Philadelphia, much of it from the black and Hispanic wards.

NDPC poster called 'brutal'

Sometime on Friday night, community groups allying with the NDPC to form a Committee Against Genocide, plastered the city with a poster depicting Harriman as a pink baboon with the caption: "Anglo-Saxon Superman. He thinks he's superior because he's pink." The poster was a big hit in the black and Hispanic wards and is presently being mass-produced for circulation throughout the United States.

The poster has been called "brutal," "vicious" and numerous other things which can't be mentioned in these pages, but I can only guess what Pamela Harriman was saying as she was seen gesturing wildly while leaning over the backseat of the car, trying to point out the posters to Averell.

The postering was done in preparation for a Saturday demonstration called by the Committee Against Genocide to protest the presence of Averell Harriman and the adoption of his policies at the convention. One-hundred people demonstrated, and it was covered on local television with more prominence than other numerically larger protests.

LaRouche not a Democrat

By the second day of the convention, MaGnat's staffers were telling everyone who would listen that LaRouche was not a Democrat.

"But didn't he run in 14 primaries for the presidential nomination?"

"I don't care. He's not a Democrat."

"But didn't Steve Douglas win 35 percent of the vote in Philadelphia?"

"I don't care. He's not a Democrat."

After all this haranguing, guess what happened at the meeting of the accountability commission? They couldn't decide what a Democrat was! The vice-chairman of the panel put it something like this: "The accountability effort is not going to work unless we agree on what are the basic principles of the Democratic Party. Therefore, over the next months, the commission will try to define the cardinal principles of the party."

Mr. MaGnat's resolutions were all voted up—because it wasn't possible to vote them down; the "participants" went along, perhaps convincing themselves that a display of "unity" would help them win in November. Privately, they know better.

Many Democrats from around the country want Charles Manatt out as chairman of the Democratic Party. Farmers, trade-unionists, who don't like his and Topsy O'Neill's support for Paul Volcker's high interest rates. Minorities who don't like the genocidal platform Manatt and Harriman just engineered. This will happen, no matter how brutally we have to interrupt Manatt's funeral services.

Conference Report

A Manhattan Project for beam weapons

by Laura Chasen in Washington, D.C.

Both public and secret-session discussion broke out around the Defense Department and Congress last month on how to develop anti-ballistic missile defense systems—weapons capable of "killing" strategic ICBM barrages launched by the superpowers or by third nuclear powers. Since *EIR* founder Lyndon LaRouche's January speech in Washington, in which he called for open U.S.-Soviet competition to develop and deploy ABM "beam weapons" in space and "end the age of mutual thermo-nuclear terror," the issue has moved to the fore.

On June 24, the Fusion Energy Foundation presented a two-hour Capitol Hill briefing outlining a "Manhattan Project" for beam-weapon missile defense to 60 representatives of Congress, the Pentagon, aerospace firms, and foreign embassies. This was the highest-profile session among a number of June meetings on space-based ABMs, involving the American Institute of Aeronautics and Astronautics (AIAA), Gen. Daniel Graham's High Frontier group, secret sessions of the House-Senate conference committee on military appropriations, and others.

FEF plasma physicist Steven Bardwell, who gave the major presentation on beam weapon systems, had been invited to Capitol Hill by Rep. John Rhodes (R-Ariz.). Dr. Bardwell, author of the 1977 pamphlet on beam weapons entitled "Sputnik of the 80s," has just written a technical White Paper on the subject for *EIR*, following the release of a National Democratic Policy Committee discussion document on ABM "war-avoidance" strategy by LaRouche and a book by Gen. Graham for "High Frontier."

The 'nuclear-freeze' question

Introducing Bardwell's Washington briefing was FEF Director Paul Gallagher, who asserted that the "nuclear freeze" movement is seeking to halt all nuclear progress, civilian and military.

Gallagher stated: "General Daniel Graham and political economist Lyndon LaRouche have both advanced a very fundamental conception, that at the moment it is necessary in the development of war-

fighting and war-avoidance capability for the superpowers, in a situation in which the danger of confrontation is clearly increasing, to look for a scientific and technological leap forward . . . of the sort which occurred with the development of the ICBM, and occurred with the development of the atomic weapon. . . .

“If we continue to seek merely incremental improvements in existing military systems, which is the dominant policy in U.S. planning and procurement today, we are not simply going on faith that major technology breakthroughs bearing on the arms race are not going to occur. Worse than that, we are pursuing the policy of military procurement which directly feeds the credibility of the ‘nuclear freeze’ movement. . . .

“There is a continuous tradition which has afflicted American military strategic thinking, which has repeatedly assured Americans that whatever technologies had just been developed were the most advanced that would ever be developed, at least for the foreseeable future. One might call this the ‘Oppenheimer syndrome.’ It began with the denial that the Soviet Union would develop an atomic weapon at any time in the 10- to 15-year period after the Second World War, and proceeded to the denial that it was possible for either superpower to develop the hydrogen weapon, and so forth. . . .

“The United States took nine years between its successful A-bomb and its successful H-bomb. The Soviet Union took four. Between its beginnings of testing of ICBM capabilities, and its deployment of an ICBM . . . the U.S. took seven years; the Soviet Union took four. The United States has been working on anti-missile missiles, on ABMs, since 1955, in one form or another for 27 years. . . . We are seeing once again a situation in which the pursuit of a *strategic* breakthrough, a real science breakthrough, by the Soviet Union, is aimed entirely at strategic war-fighting, whereas on the United States and its NATO allies’ side, further strategic breakthroughs are being denied, and we are focusing on conventional warfare. . . . In doing so, we are feeding the movement against nuclear technologies.

“These prospects for ballistic-missile defense weapons, beam weapons, are not fundamentally based on communications technologies, or on sophistication of related optics technologies. They are a field of power generation, very intense power generation capabilities and their application, from nuclear sources. . . .”

Dr. Bardwell told the Capitol Hill audience that crude anti-ballistic missile systems, based partly in space and using conventional technologies, could provide significant protection to the United States within five to six years, as a stopgap. He said that laser and particle-beam ABM systems, far more effective, powerful, and potentially very long-range (destroying missiles soon after launch) could be developed as first prototypes in

seven to eight years—and that the Soviet development program is on such a timetable.

Bardwell began with the following formulation: “Since the advent of nuclear weapons and the development 5 to 10 years later of ICBMs capable of delivering those weapons, the world has faced an intolerable military situation—two powers, primarily, have held an offensive capability for which there was no effective defense. This is a unique situation in the past 400 to 500 years. That situation is inherently unstable. A conflict, whether begun from accident, or temporary insanity, is unstoppable once it begins. . . .

“There are technologies on the horizon to change that situation. In five years, eight years perhaps, we can see a situation when it would be possible for President Reagan to call up President Brezhnev, and say, ‘One of my men accidentally launched a missile; here are its coordinates; we will try to shoot it down, I hope your people will too’ . . . or where a third power, like Libya, launched a missile against Europe, that need not lead to a holocaust, but could be defended against, prevented by technology. . . .

“The essential task of a military strategist is to identify the areas of technological progress and scientific growth which deal with those areas of national security. . . . This is the development of technologies which simultaneously revolutionize warfare and reduce the likelihood of war by virtue of solving the seeming limits to growth and development that countries face. . . . Today, there is no question in my mind that the front edge of technological development . . . which both solves the nightmare of the threat of nuclear war and deals with the underlying causes of war, is a family of technologies based on plasma physics and nuclear fusion.

“These develop a class of beam weapons which make real defense against ballistic missiles possible for the first time in 25 years. Secondly, they provide a means for producing unlimited amounts of energy and opening up an arena of new industrial technologies, which will revolutionize industrial civilizations to a greater degree than electricity did 100 years ago. . . .

“What a military leader must do at this point is identify that technology; deploy the resources to master it; develop an order of battle adequate to use it in a military sense; and most importantly, develop the civil and military engineering to apply it to domestic economic growth. . . .

“100,000 times more concentrated forms of energy are made available to us once we have mastered plasma technologies. We have very common materials like aluminum today; however, it was not until energy densities in industrial processes passed a certain threshold that aluminum became a resource. It was not until electricity became industrially available. It was not

refinable by any energy density available. . . . Plasma technologies will produce an increase 1000 times greater than electricity did. Energy density is the technological property that both beam weapons and civilian plasma technologies take advantage of.

"The second thing plasma technologies offer to us is command over the whole electromagnetic spectrum. Today we are almost totally confined to the infrared part of the spectrum—that is, heat energy—for military and industrial technologies. Explosives depend on the rapid expansion of heat and the production of shock waves that that heat energy produces. The most energetic forms of light, hard x-rays, through to long wavelength infrared portions of the spectrum; that qualitative increase in flexibility of capabilities, is the subject of the advantages that plasma technologies bring. . . .

"The essential difference between conventional concepts of ballistic-missile defense, and a beam weapon, is that once the targets have been detected and tracked, they are destroyed not with other rockets or explosives, but with a beam of light, or atomic particles, travelling at or near the speed of light, that can be aimed at one of these ballistic missiles in its boost phase, and destroy it by the bolt of energy from the beam weapon. . . . By basing a laser on the ground, it is able to shoot at a missile or warhead coming in, and to protect a relatively small area. But by adding an orbiting satellite system we are capable of dealing with literally tens of thousands of launched missiles and destroying them before they begin to reenter the atmosphere. . . . A set of approximately 50 orbiting beam weapon stations would be capable of providing 'continental defense' against the largest conceivable ballistic missile attack. . . .

"It is not an accident that the technologies required for the solution to the problems of development of beam-weapon anti-ballistic missile defense are the technologies required for the development of nuclear fusion. . . . You have the same energy-storage and pulsed-power problems, the same transmission problems. Mastering those in either area gives you a solution to both.

"An even clearer indication of the overlap is that they present the same scientific challenges. We are creating a new physics to deal with the energy self-compression of plasmas—the physics of shock waves and their propagation. This is a whole new branch of physics, only now beginning to be studied seriously in the United States. . . . a new scientific endeavor to solve the physics of production and control of ultra-dense energy sources. It also has applications in the chemical industry, in the production of all basic metals . . .

"The Soviet Union, by the report of our government, spends between three and five times as much money, manpower, and effort as does the United States, in the pursuit of these technologies," Dr. Bardwell noted in conclusion.

New LaRouche volume science of psychology

"This book was triggered by the scandalous role of psychiatric witnesses at the Hinckley trial," *EIR* contributing editor Lyndon H. LaRouche, Jr. describes the manuscript delivered to his publisher in early July.

LaRouche blames the takeover of most of the U.S. psychological profession by postwar influence of Brigadier Dr. John Rawlings Rees' London Tavistock Institute for the shocking performances in the Hinckley trial itself. He notes that all of those witnesses, defense and prosecution alike, as well as one member of the jury, have dossiers linking them to the Reesian network in the United States.

That serves as the point of departure, rather than the principal content of the book as a whole.

Returning to this question in the concluding chapter of the manuscript, LaRouche poses the issue: Why has the psychological profession in general failed to "blow the whistle" on the policies and practices which Tavistock networks have used to virtually take over control of the U.S. psychological profession as a whole? Where were the ethics of these numerous psychiatrists, psychoanalysts and psychologists generally? Where were the scientific principles it might be generally assumed they would defend?

LaRouche warns his readers against extravagant condemnation of the profession as a whole. Before "Reesian shocktroops" subverted the profession, classical psychiatrists and psychoanalysts had contributed important, unduplicatable service to many of the mentally ill and their families.

However, he adds, "The competence within the profession must be understood as a pragmatic body of skills acquired by successive generations of often gifted and dedicated professionals, a pragmatic competence achieved despite the rejection of elementary scientific criteria by the profession as a whole." He added, "When pressured to make step-by-step concessions of the sort demanded by Tavistock's backers, they retreated step by step. There existed no scientific principles to force them to say at some point, 'Beyond this point I will not be pushed another inch.'"

"Despite the good work done by many professionals," LaRouche continued, "the profession as a whole

will pull the out of the mud

was tragically doomed from its beginnings. Like anthropology and sociology, psychology had the misfortune to be one of several new pseudo-sciences developed over the course of the past hundred years." In the manuscript, he stresses evidence that the way in which the area of the profession was carved out doomed the professional to outrageous fallacies of composition of fact in every matter bearing on fundamental questions of mental health. He adds that the definitions of "psychological facts" employed by all branches of the profession are intrinsically absurd definitions by provable standards of clinical as well as general scientific evidence.

"There are limits to the possibility for achieving even pragmatic competence in a profession based upon such rotten foundations. Such a poorly founded profession has no intrinsic defenses against the malicious quackery of the sort Rees, Dr. Eric Trist and their ilk used to corrupt the psychological profession generally," LaRouche stated.

The book as a whole is based upon an intensive examination of the interrelationship among what LaRouche identifies as "the two central fallacies" which notable psychological professionals themselves have frequently identified as the obviously central fallacies in the work of the profession. These are the widely acknowledged point that psychology has never developed a positive conception of mental health, plus the most limited exploration of what the late Dr. Lawrence S. Kubie, in LaRouche's account, "rightly located as the crucial clinical phenomenon of mental processes": the interconnection between what psychoanalysis broadly defines as "preconscious" functions and the ebb and flow of creative mental behavior in individuals. LaRouche develops the thesis, that an adequately scientific definition of mental health and the role of "preconscious" functions in creativity are interrelated questions of competently directed and fundamental inquiry.

The book assorts contemporary trends among psychologists into two principal categories, those who adhere to the more traditionally "normative" definitions of mental health, and those who reject "norms" in favor of British philosophical radicalism's emphasis upon the individual's supposed "inner psychological needs."

Quickly dispensing with the second group, LaRouche focuses on examining the implications of the "normative" approach, using the case of Sigmund Freud's demoralization during the post-Versailles period to show how and why the traditional "norms" collapsed, paving the way for a "radicalism" which Freud resisted even as he partially succumbed to this trend—leading him and his daughter Anna to hand over control of the international psychoanalytic profession to Rees and Trist. He emphasized: "Freud, typical of the 'normative' psychologist, accepted the notion of norms of human behavior in society identified with the writings of David Hume. Mental health became broadly defined as merely a lack of such a degree of mental pathology, that such problems do not interfere significantly with the subject's pursuit of reasonable contentment in meeting the prevailing norms of functioning in that society." When the norms break down, he added, such psychology breaks down.

LaRouche argues that the key to this problem is what he describes as "Freud's outrageously obvious folly in the way psychoanalysis approaches the question of 'repression' in the etiology of mental illness." In every case, the clinical literature insists that mental disorders have the common, general characteristic of "infantile regression." It should have been recognized long ago, LaRouche emphasized, that it was not the "repression" of infantile impulses which characterizes pathology, but rather the repression of some anti-infantile principle in mental processes.

"I have cited Kubie's work," he added, "not merely to give credit where credit is due." LaRouche referred to a conversation between Kubie and two of his own collaborators on this matter before Kubie's death. "Kubie was correct in stressing the correlation between repression of creative potentials of the 'preconscious' and neurosis, and correct in defining such creative activity as ipso facto beneficial to mental health. That represented a major and implicitly crucial step forward for psychoanalysis, if it had been followed through. Unfortunately, Kubie's work appeared during a period when the psychologists generally were losing interest in anything which resembled scientific inquiry. It ended with Kubie's death. Nonetheless, Kubie's clinical work continues to have the special importance of pointing the honest clinician directly to the appropriate categories of mental phenomena."

The book is devoted chiefly to developing a positive approach to mental health in both statecraft and clinical practice, which LaRouche summarized as "awakening policy-makers and policy-influencers generally to the way in which the policies of society and image of national leadership, as well as educational policies, foster or repress those creative mental processes of the individual upon which successful maturation of the infantile newborn to adult sanity depends." He added wryly, "This



Lyndon H.
LaRouche, Jr.

nation must get back to a sound recognition of the profound truth of the religious doctrine of 'original sin,' and away from this heathen radical's doctrine of Rousseau's and Dewey's about our little 'noble savages.' "

To accomplish this original purpose, the book focuses on what it represents as two interrelated matters. The book stresses that the incompetence of the psychological profession from the outset was its sweeping mixture of either ignorance or repudiation of the accumulation of scientific knowledge bearing upon psychology, accumulated in classical scientific and artistic writings up into the early nineteenth century. Showing that every leading blunder of psychology today is an explicit avoidance of accurate discoveries widely permeating classical writings on the subject, the book uses classical sources, including Dante Alighieri's *Commedia*, to develop the principles of the creative mental processes with aid of modern references.

"Modern psychology," LaRouche described this feature of the book, "began by attempting to go through the motions of founding a new branch of science entirely from scratch. It not only rejected any interference from the influence of classical knowledge of mental behavior, but based itself on axiomatic assumptions which had been repeatedly shown over more than two thousand years to be absurd. We shouldn't discard the accumulated empirical knowledge psychologists have developed, but we must redefine that accumulated empirical knowledge by throwing out all the fundamental axioms of the psychology profession. We must reexamine the clinical evidence in the light of provably scientific principles, many of which were already conclusively proven long before some nineteenth-century scoundrels decided to take psychological inquiry back scientifically to two centuries before the discovery of mud."

Throughout the book, the author interweaves the principles of scientific psychology with the core-princi-

ples of Judeo-Christian republicanism. By citing the implications of the long struggle between such republicanism and its oligarchical-family opponents within European civilization, the author shows that a higher incidence of individual insanity is a natural outgrowth of the impact of oligarchical-family power upon society, and that the Judeo-Christian republican impulse is provably accountable for the fostering of individual sanity, as well as all of the principal achievements of European culture to date. The author insists that we must approach the problem of individual psychology as "subsumed within the requirement that society foster those policies, outlooks and practices which foster maturation to sanity among its individual members." The individual does depend generally upon the "norms" provided by society for developing mental health, but those "norms" must be defined for society on a sound psychological basis, "the same basis used in a scientifically grounded approach to the ordering of the internal mental processes of the maturing individual."

The author devotes the largest portion of the book to demonstrating the possibility of rigorously defining the creative potentials and functioning of an individual mind through correlating the empirical evidence of psychological observation with external evidence bearing upon examination of the kinds of ideas produced and the manner in which they are elaborated.

He develops his case in three phases. First, he states the case that the continued existence of society, and therefore of individuals of societies, depends upon that long sweep of technological progress through which mankind leaps over the apparent limits of natural resources associated with any fixed level of technology. "Not only the possibility but also the necessity for technological progress defines the existence of society from the most primitive hunting-and-gathering culture to the present," he described this portion of the book, "but this demonstrates that the feature of individual practice which enables mankind to exist is the development of the individual mind's power to produce and assimilate the scientific and related discoveries by which man's knowledge of the lawful ordering of the universe is increased in social practice." From that point of reference, he proceeds to two succeeding steps.

The book turns next to examination of exemplary cases of scientific creativity. It uses, first, the case of the founding of mathematical physics by Johannes Kepler at the beginning of the seventeenth century, tracing the development of the hypothesis which Kepler proved in the course of his three books, through the origin of this hypothesis for modern times in the writings of Cardinal Nicholas of Cusa and the work of Leonardo da Vinci and others after Cusa.

The central creative feature of Kepler's own work is adduced, and also what Kepler left to be finished by his

successors. The work of the nineteenth century's Bernhard Riemann is presented as the approximate completion of the line of development in physics begun by Kepler. Riemann's central discoveries, typified by his 1854 habilitation dissertation and his famous 1859 paper predicting the process for generation of "acoustical shock-waves," is examined to the effect of adducing the characteristic features of Riemann's creative-mental activity in effecting a general breakthrough in scientific knowledge.

Following this, the book turns to the subject of language as a whole, the language of vision and the language of speech and hearing. Language so defined, the author emphasizes, defines the conscious functions of mind as a whole, and the way changes in the content and form of the usage of language as a whole determine the world-map of consciousness which the preceding generations of a culture transmit to the new individuals. The ability to determine whether or not a particular clinical state of mind does or does not correlate with creative activity, the author develops his argument, depends upon our ability to define rigorously what aspects of language-behavior are and are not expressions of creative mental activity.

The book develops the general case for language as a whole with aid of intensive focus upon three aspects of language as a whole. In principle, the language of vision is expressed implicitly by Jacob Steiner's ordering for synthetic geometry, as well as the work of Leonardo da Vinci and others earlier, which is treated earlier in the book. The aspect of the language of vision treated in the examination of language as a whole is the overlap of the language of vision and language of hearing in polyphonic musical composition. In music vision is represented by the Keplerian ordering of a well-tempered 24-key domain, and the rest is the result of poetry and principles of poetic composition applied to that harmonic domain.

In respect to music, the book defines only those features of poetic composition which enable us to distinguish thematic and developmental aspects of a composition from the indivisible "musical idea" associated only with the whole of a masterwork of composition. The manner in which the composer generates a musical idea for the audience and performers is shown to be the correlative of the quality of creative discovery previously adduced for the cases of Kepler and Riemann.

The treatment continues to the sub-topics of poetical ideas and the location of the creative activity of mind in respect to what can be defined from the vantage-point of a grammar. A rigorous definition of metaphor, and the manner of its occurrence in poetic composition, is correlated with the nature of the mental processes by which metaphor is recognized. This is a direct reflection of characteristic features of the creative process. Finally, the example of the dramas of Shakespeare and Schiller is

employed to illustrate the origins and character of such classical drama, and to define its special effect upon audiences. This example of drama is employed to locate the creative principle in language as a whole, as correlative with the principle of the Socratic dialogue. The appropriateness of this knowledge for corresponding changes in psychoanalytical practice is stressed.

Asked if the entirety of this manuscript could be regarded simply as a response triggered by the author's shock at the Hinckley trial, LaRouche qualified his original report on this point. "It was that trigger combined with something else which has been stewing about in my mind recently. The Hinckley case triggered an elaboration of material upon which I have been working more or less consistently for more than thirty years; the clincher was a thought which has occupied my attention with renewed intensity during the recent several months.

"I was upset some months ago, listening to an Oistrakh recording of Beethoven's Kreutzer Sonata. I located the key to my annoyance with the performance in the manner the recording deals with the entry of the piano's voice in the introductory portion of the composition. This, if properly enunciated, establishes the root-idea of counterpoint for the entire development of the composition. Focussing on that problem at the opening it was clear how and why Oistrakh failed to understand the musical idea of the sonata.

"Then, more recently, a friend brought over to me some recordings of Mozart symphonies conducted by Casals.

"Casals was a truly extraordinary conductor as well as performer. I have been informed by those associated with both Nikisch's and Casals' conducting that Casals is closer to Nikisch than was Furtwängler. I find that credible and useful. His conducting of Mozart's Jupiter is the real Mozart, the Mozart many conductors and orchestras refuse to recognize in their performances. Hearing that Casals performance, I recognized something I could not place until I confirmed my suspicion by playing Casals' Jupiter and Furtwängler's conducting of Beethoven's Fourth Symphony in alternating succession. For comparison, I tried Furtwängler's conducting of the Beethoven Third, Seventh, and the first movement of the Ninth. The relationship of the musical idea of Mozart's Jupiter and Furtwängler's conducting of Beethoven's Fourth became totally obvious as soon as one compares both conducted by a qualified conductor with a grasp of the musical ideas to be presented by the performance.

"That matter intersected the content of the book in merely the section on musical ideas, which is by no means anything of recent discovery for me in itself. But I must say that the excitement I was enjoying as a result of the implication of Casals' conducting of the Jupiter was an added driving force within me throughout the writing. Casals typifies the essentially sane personality."

National News

Reagan moots space station

The landing of the fourth Space Shuttle test flight on July 4 ended a near-perfect mission where all of the objectives of the test program were completed.

The Getaway Special canister in the orbiter's payload bay contained nine experiments by students from Utah State University to test the effect of micro-gravity on plants and materials processing. The main payload was a Defense Department package to test new sensors in space.

Half a million Americans welcoming the Columbia back to Earth heard President Reagan praise the space program saying that it "recaptures the spirit of vitality and confidence" in the nation.

NASA leaders had hoped that Reagan would make a public commitment to a manned space station as the next step for NASA despite opposition from the office of the President's Science Advisor and the OMB. The President chose to refer to the possibility, by saying that the U.S. must "simultaneously look aggressively to the future by demonstrating the capabilities of the Shuttle and establishing a more permanent presence in space." NASA sources report that this at least opens the door for a push for funding of a space station effort in the 1984 budget.

California Baptists take on Global 2000

The Baptist Ministers Conference of Los Angeles and southern California, representing more than 400 black American-Baptist congregations in California, on June 28 endorsed "unequivocally and without reservation" the National Democratic Policy Committee in its efforts to oppose the imposition of genocide upon particularly non-Anglo-Saxons by governmental agencies and elected officials.

The Ministers Conference noted its explicit opposition to the "Global 2000" population-reduction policy and other such genocidal policies as euthanasia.

The Baptist Conference will join the NDPC in targeting the Hemlock Society, a Los Angeles-based organization which held a press conference June 15 to announce a national drive to legalize euthanasia. Hemlock's director, Derek Humphrey, a British citizen and leader of Britain's euthanasia society, Exit, went to California to escape prosecution for "assisting the suicide" of his wife, Jean.

The NDPC in California has sent a letter to the Los Angeles District Attorney requesting an investigation of the Hemlock Society "for conspiracy to commit murder and aiding and abetting in the murder of at least 20 individuals."

NDPC transforms LULAC convention

By the concluding gavel of the League of United Latin American Citizens (LULAC) convention July 4, the pro-Global 2000 faction of LULAC President Tony Bonilla had lost all but a handful of major initiatives and stands to lose control of the organization entirely at the next convention a year from now.

The convention unanimously approved three resolutions circulated by LULAC delegates associated with the National Democratic Policy Committee (NDPC), the political action committee of the LaRouche wing of the Democratic Party. LULAC went on record:

- vowing to fight for "removal of Paul A. Volcker as Chairman of the Federal Reserve Board," and to replace his high interest-rate policy with "plentiful, cheap credit for . . . productive enterprises";
- calling for the "immediate firing" of California Governor Jerry Brown's Commissioner for Human Resources, Huey Johnson, for "the advocacy of racism and genocide against minority populations," and
- urging President Reagan to "rein-

state America's solemn treaty obligations to Latin America" in the wake of the Malvinas Islands conflict, and institute "urgent consultations" with the sister republics of the hemisphere "to reorganize the debt of the region on a basis which allows for renewed economic growth."

Tony Bonilla meanwhile organized a media circus for Walter Mondale. In a press conference immediately after, Mondale defended the Global 2000 report as a "respected study" of what would happen "if we continue to consume too much."

The one area seemingly free of Bonilla contamination was the LULAC Youth Assembly. Cheers and clapping broke out when NDPC-backed candidate Fernando Oliver, who is running for the seat of "enterprise-zone" advocate Bob Garcia (D-N.Y.) in the devastated South Bronx, charged it was shameful for the LULAC leadership to have invited a propaganda spokesman for the Israelis in the midst of the genocide occurring in Lebanon.

Frank Silbey typifies Reagangaters' pedigrees

The most interesting thing about the 18-month attempt to discredit the Reagan administration by destroying Labor Secretary Ray Donovan—which ended in June with a 1,000-page Special Prosecutor's report that fully exonerated the Secretary—is the dossier that *EIR* has compiled on the Reagangate operatives.

Along with the ubiquitous Walter Sheridan, who wrecked New Orleans District Attorney Jim Garrison's investigation into the Kennedy assassination and Permindex (Murder, Inc.) and is now Senate Labor Committee minority investigator under Ted Kennedy, the chief Senate investigator is a convicted felon named Frank Silbey.

Silbey was convicted for peddling lewd pictures and making obscene phone calls to women in 1961-64 in the Buffalo, New York area. He nonetheless moved

Briefly

● **FRED IKLÉ** said in a speech before the Foreign Policy Association on June 27 that the United States should garrison troops somewhere in the Persian Gulf. Although the idea has been circulating for some time within the Defense Department, this is the first open endorsement of the proposal by a government official. Iklé is Undersecretary of Defense for Policy.

● **ANGELO FOSCO**, head of the 600,000-member Laborer's International Union, was acquitted by a Federal jury on June 29 in Miami, of labor racketeering charges including the draining of millions of dollars in kickbacks from the union's insurance and welfare funds. The government's star witness was convicted insurance swindler Joseph Hauser, whose testimony in previous cases under the Federal Witness Protection Program also proved to be a swindle.

● **TOM HAYDEN** and Jane Fonda arrived in Israel July 2, announcing that Israel "has the right of self-defense against the PLO." Hayden went on to praise the Israeli "relief efforts" in Lebanon to assist the population Israel has destroyed. The duo also announced that they "deplore" the resignation of Alexander Haig and his replacement by George Shultz. "It could hardly have come at a worse time for Israel," Hayden commented.

● **AL HAIG** makes a comeback of sorts in the July issue of *Interview*, the "New Wave" fashion magazine published by homosexual drug cult idol Andy Warhol. Complete with 14 by 18-inch centerfold, the interview contains Haig's revelation that his infantile temper tantrums are actually "calculated displays of pleasure" and "a conscious management tool."

to Washington, D.C. two years later to begin a long career as a congressional investigator. Silbey has since been the object of a federal investigation to determine if he is an agent of the Israeli secret service, the Mossad, and if he was the source of the illegal release of classified documents to the Anti-Defamation League.

Silbey's rise to prominence in Washington has raised speculation that he may have been planted in the Congress as part of the mid-1960s build-up of an expanded espionage and blackmail network run out of the Kennedy Justice Department by Walter Sheridan.

Sheridan was the chief dirty tricks specialist for the Kennedy White House and Attorney General's office. By no later than the mid-1960s, Sheridan had made numerous alliances with the Meyer Lansky syndicate that have been deepened in recent years through Sheridan's deployment of half of his Justice Department staff into Lansky's Resorts International-Intertel. One organized-crime expert recently revealed that by no later than 1972, Sheridan had surpassed Lansky in the hierarchy of organized crime internationally.

NBC airs desperate smear of LaRouche

The following is excerpted from a release issued by Lyndon H. LaRouche, Jr. on July 8. Mr. LaRouche is *EIR*'s founder and Contributing Editor.

On a July 8 evening nationwide broadcast, NBC-TV News turned its channel over to the national drug-lobby, to broadcast a cascade of libelous and wild falsehoods against me and my associates. Many of the falsehoods broadcast are the subject of a celebrated multi-million dollars legal action currently in the State of Illinois, a legal action involving the close associates of the same drug-lobby figure, "Chip" Berlet, which the Chicago, Illinois office of NBC-TV used as its principal resource for this broadcast.

As Berlet himself stated in a broadcast section of his interview with NBC-TV, the purpose of the broadcast is to attempt to stop the growth of my international as well as national political influence, which Berlet stated he feared had become unstoppable.

NBC-TV was not duped in any fashion. Berlet is one of the most notorious of the drug-lobbyists of the Midwest region of the United States. He is principally linked to the Yippie national drug-pushing weekly, *High Times*, and has been given access to the pages of the *Chicago Sun-Times*. . . . Berlet's activities in cooperation with NBC-TV are directly linked to circles of mob lawyer Roy M. Cohn of New York City. . . .

Just a few days ago, in actions leading up to the July broadcast, a convicted felon, Ed Kayatt, organized a series of targeting operations against LaRouche. Kayatt, a Roy M. Cohn asset who served prison time in a counterfeiting and bond-scam organized-crime swindle, edits the weekly throwaway New York newspaper *Our Town*. . . .

. . . Roy Cohn is presently supervising the writing of a series of libelous hoaxes like the NBC-TV broadcast, one of which he is planning to drop into an early issue of *Playboy* magazine, and others into a major national newsweekly.

From undercover monitoring of relevant networks interfacing the controllers of both Cohn and Berlet, the current wave of orchestrated libels against LaRouche and his associates has been prompted chiefly by news of recent travels of LaRouche and his wife to various capitals, including New Delhi, India, Mexico City, where a series of meetings at the highest levels of government and other institutions were held. The general opinion picked up by undercover investigators is the argument that LaRouche must be stopped now or never.

As for NBC-TV, next time a child next door, or perhaps one of your own, dies of a drug-overdose or drug-related crime, why don't you telephone NBC-TV News to thank them for their part in holding down the size of our population in that way.

Editorial

Restoring America's national purpose

The Fourth of July Independence Day holiday was recently celebrated in the United States once more. But what was not celebrated was the purpose for which the nation was created. That purpose is largely unknown today—not taught in American schools, and forgotten in the U.S. Congress.

One exception was a conference in New York City titled “American System, American Century,” which took place over the weekend of July 3, 4, and 5. Keynoting the conference, Lyndon LaRouche Jr., the founder of *EIR*, stressed what a relatively small group of dedicated persons can—and must—accomplish in times of crisis like the present, to raise the “little people” to some sense that “this nation, to exist, must be a beacon of hope and temple of liberty for the peoples of the world.”

LaRouche's audience was made up of members and guests of the International Caucus of Labor Committees, a scientific cadre-organization LaRouche founded in 1966, which he has compared to such historical precedents as Plato's Academy in ancient Athens. In three days of panel discussions which will be reported upon in future issues of *EIR*, ICLC leaders traced the history of the American System from European Platonist conspirators of the 17th century to Gen. Douglas MacArthur; revealed the parallel developments in Spanish and Portuguese America; mapped the “Great Enterprises” needed for global economic recovery; and refuted historically and scientifically the Malthusian zero-growth ideas being used today to justify genocide.

Why was this nation created, with what purpose? LaRouche asked. In the period 1527-1653, civilization was in great jeopardy, due to the Venetians and Hapsburgs. After the conquest by their usury, civilization was saved, LaRouche said, by Mazarin, Colbert, and Milton's allies in England, who in the process began

to create the “American colonies” in the Western Hemisphere, to tilt the balance against the Hapsburg-Venetian forces internationally.

By the mid-18th century civilization was again in jeopardy. In 1766, Benjamin Franklin came to the conclusion that Americans could not continue to survive in any dependent relationship to the wicked degenerates the British had become.

Franklin linked up with Scottish, Irish, French, German, and Swedish republicans; the great scientist declared that the American population had to repudiate everything the British stand for in law, government, and political economy.

Within a year, a trans-Atlantic conspiracy had been created to build a model republic in the Western Hemisphere. It was proclaimed on July 4, 1776. Thereafter, with French technology, volunteers from all the republican forces of Europe, and the League of Armed Neutrality created by Benjamin Franklin's diplomacy, “we whipped the British.”

And despite the efforts of Thomas Jefferson, in 1789, LaRouche continued, “We got a Constitution.”

But the United States abandoned its sovereignty in 1879 when the Specie Resumption Act treasonously turned our economy over to the British gold-exchange system, and in 1913 when the creation of the Federal Reserve, accountable to oligarchic banking circles rather than elected officials, reinforced the U.S.A.'s colonial status. Except for the World War II interlude, when a sense of national purpose resurfaced, the country sank into banality, cultural degradation, and political illiteracy.

In the Economics Section of this week's *EIR*, LaRouche has outlined the policy for restoring U.S. sovereignty in the monetary sphere. Americans now have a chance to dedicate themselves to offering the world “a beacon of hope.”

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