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Executive Intelligence Review

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Executive Intelligence Review
(ISSN 0273-6314)
is published weekly (50 issues) except for the second
week of July and first week of January by
New Solidarity International Press Service
304 W. 58th Street, New York, N.Y. 10019.
In Europe: Executive Intelligence Review,
Nachrichten Agentur GmbH,
Postfach 2308, D. 6200 Wiesbaden Tel: 30-70-35
Executive Directors: Anno Hellenbroich,
Michael Liebig
In Mexico: EIR,
Francisco Diaz Covarrubias 54 A-3
Colonia San Rafael, Mexico DF. Tel: 592-0424.
Japan subscription sales:
O.T.O. Research Corporation, Takeuchi Bldg., 1-
34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160,
Tel: (03) 208-7821
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International Press Service
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in part without permission strictly prohibited.
Second-class postage paid at New York,
New York and at additional mailing offices.
Subscription by mail for the U.S.:
3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10
Academic library rate: \$245 per year

EIR

From the Managing Editor

Ten years ago, everyone assumed that world steel capacity would need to be increased during the 1970s to meet growing demand—everyone, that is, except the Council on Foreign Relations types who since the end of World War II had been trying to impose supranational contraction, and who most succeeded in the United States, where the dominant steel companies, controlled by British banking interests, had even balked at expanding capacity during the war. Japan, of course, plunged ahead, and West Germany kept building net capacity until 1973. Then came the First Oil Hoax of 1973-74. I was working on NSIPS's West German economics desk at the time, and I recall how commitments to growth began to be eroded. Now the depression mentality has induced many policy-makers to believe that "overproduction"—not global financial usury—is the cause of the steel sector's unprofitability.

Our Special Report this week demonstrates analytically and quantitatively what anyone with a spark of the city-building impulse knows: not only are there vast needs for steel in order to repair and modernize the plant, equipment, and infrastructure of the advanced sector, but, if the need to bring the postcolonial world into the 20th and 21st centuries were addressed, as it must be, the full depth of *underproduction* and *undercapacity* would become apparent.

Note, too, that 300,000 American and Western European steelworkers are now on a prolonged furlough that is unlike the "recessionary" jags of the past. One of the pools of manpower required to set in motion the Great Enterprises we outline in our Special Report is being *de-industrialized*.

Next week's Special Report on Japan will describe (along with the factional political situation there) what industrial spokesmen in Tokyo make of this situation, how they line up on the question of Great Enterprise potential, and how they view the problem we address throughout this issue of *EIR*: ensuring credit to finance those ventures and much more.

Susan Johnson

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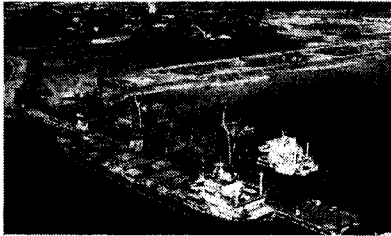
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A global credit shutoff: Project 1980s in action

by Laurent Murawiec, European Economics Editor

In 1920, at the International Finance Conference held in Brussels within the framework defined by the Versailles Treaty that also generated the depression, Hitler and World War II, an agreement was imposed by the Bank of England and its continental European allies: every country had to have a central bank. Any country that refused this arrangement would receive no financial help of any sort, said the bankers.

Now, in 1982, while the Eurocurrency markets have reached the absurd size of \$1,600 billion, it is the view of the collective central banks that the existence of lending sovereignty by banks and nations, and borrowing sovereignty by governments, has to be brought to an early and brutal halt.

The Crash of 1982 has started—and central bankers plan it for the month of September. The crash is designed to hit *selectively* among smaller banks “to provoke the necessary shocks to get changes in the institutional framework without a major banking crisis,” a senior official of a European central bank said.

And whatever the brand-name adopted by various proponents of that global reorganization—“New Bretton Woods,” “global lending agreement,” “international safety net,” or “new world central bank”—the content remains invariably the Malthusian policy choice of brutally terminating flows of credit into productive institutions and sectors, and assaulting the nations that actively foster the so-called “neo-mercantilism” so furiously denounced in the New York Council on Foreign Relations’ “Alternatives to Monetary Disorder” program, in the CFR’s *1980s Project* policy papers.

When the dominos start falling

The UNCTAD agency reports that growth in the developing sector has come to a standstill, and that Third World

countries face “the worst crisis since the 1930s,” with raw materials prices down by one-third from their 1980 highs; latest reports available reveal a sharp slowdown in international lending in the first half of 1982, an even sharper reduction in *net* lending (Amex has even calculated that the Third World’s financial accounts reveal a *negative* flow!), and the Bank for International Settlements’ figures published in the last days reveal that net new loans to non-oil exporting developing countries fell from \$16.9 billion in the fourth quarter 1981 to \$3.1 billion in the first quarter of 1982, with some countries entirely shut out of the markets and some others compelled to pay two or three times higher margins on international loans.

Mexico: After Mexico imposed a two-tier market for the peso, and demonstratively failed to include repayment of principal on international debt among the priority-allocations of scarce foreign-exchange resources, the ailing Alfa group and half-a-dozen private sector corporations started negotiating with their external creditors a rescheduling of their debt. Press sources in Mexico and Switzerland report that the finance minister Jesús Silva Herzog has initiated negotiations with foreign creditors on a restructuring of Mexico’s maturing liabilities. Mexico’s total debt (including short term and unregistered debt, and supplier credits) is estimated at \$100 billion. The de facto moratorium imposed by the government on selected categories of debt has sent ripples of fear from London to Zürich. The toppling of the Mexican debt would be the toppling of many of the world’s largest banks.

Argentina: “It is true that we are pushing Argentina into a unilateral debt moratorium, a kind of financial Sarajevo I admit,” a leading London merchant banker commented, after big U.S. banks rebuked successive Argentine delegations

requesting fresh credits. Argentina's payments have been \$2.3 billion and seven to nine weeks in arrears. Stupid New York bankers rejected any deal on grounds that British sanctions against Buenos Aires should be lifted first—and the British won't lift sanctions until they have politically crushed Argentina, notably by means of a credit squeeze. "U.S. banks cannot write off Argentinian loans, or they're in deep trouble," the same British banker said.

Argentina must pay back a \$15 billion debt bill by the end of the year—and the liquid reserves at the central bank presently stand at \$512 million!

Brazil: Brazil, reports the *London Guardian*, "will soon have to seek a rescheduling of its foreign debt. There is now a public argument within Brazil about the wisdom of renegotiating the \$70 billion debt." Monetarist planning minister Delfim Netto is arguing strongly against a rescheduling, Delfim's sworn enemy Roberto Campos is explaining that a rescheduling would be wrong since "with so many countries going broke, the supply of money may increase" and Brazil could be among the chosen peoples—and nationalist military men and industrialists are arguing for an immediate debt moratorium.

"Disaster looms," a financial lead article in the *London Guardian* announced. "As more financial disaster areas lurch into the public view, the rest of the world can only hold its breath and hope that the banks . . . will keep their nerves . . . in a dismal world of mass bankruptcies and tottering banks . . . the danger remains that the sheer number of countries which cannot pay will become overwhelming. If Brazil, Mexico and Argentina were all forced to negotiate at the same time for a rescheduling . . . the banking system, trade and eventually millions of jobs would all be in jeopardy." The three countries between them have a recorded external debt of \$190 billion.

Comecon: East Germany has now joined Poland on the Comecon sick list. While Sept. 10 is the deadline set within the 1981 rescheduling agreement between Poland and its bank creditors for an agreement on the 1982 maturities, there is little likelihood that such an agreement could be ironed out, leading to the renewed danger of a Polish default, and the compulsion for the banks to write off their Polish assets.

East Berlin has an estimated \$4 billion of external debt to settle before the end of the year, and is already finding closed doors with Western banks when it asks for extension of already matured credits. The East German five-year plan is already in trouble.

The corporate sector's death throes

The financial cancer has infected two major victims in Europe: the AEG, West Germany's seventh largest corporation, and the Banco Ambrosiano of Italy. Their collapse threatens to entirely undo the viability of the industrial economies of West Germany and Italy.

In West Germany, the whole financial and industrial map is slated to undergo a profound transformation as a result of

the collapse of the Allgemeine Elektrizitäts-Gesellschaft (AEG). Dresdner Bank, the head of the banking consortium that had kept AEG above water for the last years, fought in vain to prevent the calling in of the receiver, and argued on behalf of further injections of credit into the ailing giant. Among the other 24 creditor banks, the *Landesbanken* (the state banks of each German federal state, which perform check-clearing as well as commercial functions) demanded the appointment of a receiver on the grounds that their highly precarious financial situation does not allow them one more deutschemark of unsecured credit to AEG.

Frankfurt sources reveal that Dresdner's humiliating failure to sway its partners was caused by the underhanded support given to the Landesbanken by the Deutsche Bank and the Bayerische Vereinsbank. The latter was formerly known as the Bavarian Royal Bank—and is still very much the bank of the Bavarian Royal family and its Holy Roman Empire allies. The former is the bank reflecting the views of the "technetronic" de-industrializers of the Siemens Corporation.

The Italian government, wrote Senator Cesar Merzagora, the outgoing chairman of the powerful General Insurance Company of Venice and Trieste in an editorial in *Corriere della Sera*, fell over the Banco Ambrosiano affair. Now, a chain of bankruptcies, a general cleansing of Italy's business is coming: many more corporations and banks will go. Indeed, the Milan stock exchange fell by 10 percent in days, and the liquidation of the late Roberto Calvi's bank threatens to collapse also the largest real-estate holding in the country, and a slew of companies and banks that depend on them.

The decision to liquidate the Banco Ambrosiano, taken by the Bank of Italy, is planned to bring about a restructuring broader in scope than the one that followed the 1974 Sindona bankruptcy.

One invariant: cut credits!

Publicly and privately, the Malthusian vultures are flooding the market for plans, scenarios, and preparations with a multiplicity of schemes, of as many different colors as there are potential customers to be fooled. The idea is that the response to the collapse of world credit is a further cutdown in credit issuance!

Geoffrey Bell, the guru of the Schroders Bank and the pompous "Group of 30" experts, pleads for a \$20 billion "international safety net" to prop up international bank credit—in return for vastly increased control on the banks and their lending.

"A new Bretton Woods" is called for by the U.S. Overseas Development Corporation and Robert McNamara, who want to "impose the same kind of austerity on the U.S. as the IMF imposes on the developing sector . . . and eliminate the right of sovereign nations to issue credit on their own behalf . . . and have a top-down control of the world credit markets." For this, explains a spokesman of the diabolically misnamed Society for International Development, what is required is to "create a financial fireball, a real crisis, a

financial Beirut, in which people will accept a new Bretton Woods. The IMF is interested in provoking a controlled crisis," but is too discredited itself to provide the linchpin of the new arrangements.

George Shultz, reports one of his close associates, thinks in terms of rationalizing the world banking system. He wants a "global agreement under which all banks might agree to discipline their lending . . . Shultz will apply any kind of lever to get this agreement . . . for instance, let Mexico or Continental Illinois go to the *brink* of default and then press for worldwide financial change" in a form very much akin to McNamara's recently proposed "New World Central Bank."

The Commonwealth Secretariat (dark skins, British minds) in London explains how the Commonwealth finance ministers will manipulate the Group of 77: "We have all kinds of buttons to push, you see. We will convince people that the crisis is here. To convince them fully may require perhaps that Citibank goes under, in order to prove the reality of the crisis. At any rate, you just *must* control international lending. Isn't it great that McNamara launched the debate?"

'Damned if we do, damned if we don't'

A New York banker was recently heard complaining that "the central banks are playing set-piece warfare—they can deal with one Drysdale, one Penn Square, one AEG at a time, but not if they multiply. They are not equipped to."

One must agree with the statement. The central bankers, centered around their collective mother-institution, the Bank for International Settlements, are, in the words of one of them, "in a contingency planning mode." They are "watching them markets like hawks."

very moment, is drawing up the lists of which institutions it will bail out and which not. "The bank is very unwilling to have to rescue anyone at all," a source close to it revealed: "it does not want to repeat the experience of the 'lifeboat' of the 1970s, when it had to bail out every bank that threatened to go under. The bank cannot say that it will only support the big clearing banks and a few more, for it would provoke an instant panic, and it cannot say it will support everybody, and it cannot remain silent either. Of course, they may well decide to send a signal and let one small bank collapse . . . but they're in a quandary. I met Peter Cooke [of the BIS 'Cooke Committee' on Euromarket supervision] in the corridors of the Bank of England, and he looked very gloomy."

Central European central banks are no less explicit. Said a senior central-bank official: "All central banks face the same problem: what is it that can be done? Monitor the situation and be prepared . . . It's impossible to deal with a banking crisis as though it were a laboratory experiment—you cannot stop it if and when you decide to! But I argue that it would be beneficial in the longer run if some banks, not many banks, no major banks, but some small banks, went under. It would provide the necessary shocks to get changes in the institutional framework—without a major banking

crisis."

In short, the central bankers want a "secondary banking crisis" that mops up political sovereignty over credit on the part of nation-states and banks, and places total surveillance powers in the hands of the network of the BIS members. The assistant to Edward Heath, former British Prime Minister and an important mouthpiece for the Foreign Office establishment put it: "The IMF lends too much, it's become a lending institution, not a surveillance institution, its functions have to be transferred to the BIS. It is ridiculous that international banks be allowed to make crazy loans, to countries like Poland, Zaire. Lending must be coordinated internationally. There must be tighter surveillance and control.

Since much of the planning has been completed, why do the conspirators not move ahead with their plotted crash right now? As the review with which this article begins ought to demonstrate, they are moving ahead. But there are two problems that tend to bog down the doomsday machine.

First, as a leading Geneva financier pointed out, "The Swiss and the British want the Americans and the Germans to foot the bill. They'll cream these two big moneybags for the bailout—there's \$100 to \$150 billion of holes to plug in the Euromarkets, and that's where they want it from." Political conditions to effect just that must be fulfilled in both these countries, and oppositions eliminated.

Second, as the more astute of the Malthusian oligarchs point out, *there is no guarantee that the collapse could really be effectively controlled*. "I cannot see how a fairly major bank collapse in the U.S.A. could be avoided," said Mr. Heath's aide. "Confidence is a fragile and irrational thing. There could be an uncontrolled run on deposits."

A Belgian financier said, "the central bankers are a bunch of cretins: they're letting blood pressure go up to take over the whole system. But it's extraordinarily dangerous to wait until *after* a big collapse has begun. Because any arrangement at all might well collapse in front of the collapse itself!" And a member of the Accepting Houses Committee of London said "The central bankers come either too early or too late, their timing is dead wrong. They want to inoculate the patient, with a mild contraction of the disease: the patient is so weak that they'll kill it. It's a blood transfusion that's needed."

What ought to be striking in all this is the extraordinary incompetence and imbecility of those—official central bankers as well as merchant and commercial bankers—who have held the reins of the system for the past decadess. They have organized chaos after the collapse of the Bretton Woods system, and are at present plotting to force the industrial economy to pay for the blank checks they drew on financial accounts: they gambled away the health and fortune of the world economy, by decoupling currencies from both a hard-commodity content and its reflection in gold—and they are now planning to eliminate whole chunks of the world economy to "rationalize" the casino into which they have turned the world financial system. The likeliest result of their dirty, incompetent game will be profound chaos.

Ibero-American debt crisis will force IMF takeovers or the LaRouche solution

by Cynthia Rush

British, Swiss, and American banks, along with the International Monetary Fund (IMF), have now cut off two of the continent's largest debtors—Argentina and Mexico—and are stringing along a third, Brazil, to prevent it from joining or initiating any coordinated effort to wield the continent's mammoth foreign debt as a counter-weapon against black-mailing creditors.

The IMF has written off the continent's smaller nations, like Chile, Bolivia, Costa Rica, Nicaragua, and the Dominican Republic. Adherence to harsh anti-growth austerity programs enforced by foreign lending institutions has placed most of these countries in a situation of technical default. It is the bigger nations on which the IMF and its banker friends are now concentrating all their fire. We review the situation of the three largest debtors as follows:

- Even before the Mexican government's Aug. 5 announcement of a two-tier exchange rate and imposition of partial exchange controls (see article, page 8), international bankers from New York to London and Switzerland had cut Mexico off from credit flows, forcing it to implement the recent devaluation as a means of generating reserves. As a source at the New York Federal Reserve claimed on Aug. 10, the bankers appear to be willing to take the credit cutoff to the brink of a default, hoping Mexico will turn to the IMF—and its conditionalities—as a lender of last resort. Mexico must “swallow its national pride,” the London *Financial Times* editorialized that day. “Postponing an ambitious nuclear program and two devaluations have not been enough . . . to put their house in order.”

The bankers' allies in this battle are the factions inside Mexico linked politically to Europe's old oligarchic families who are threatening President López Portillo with a coup and who continue to organize capital flight and speculation.

- Wall Street is subjecting Argentina to a particularly perverse kind of blackmail, establishing as a condition for new credits the demand that the Bignone government officially admit its defeat by Britain in the Malvinas War—a politically untenable demand—to permit the unfreezing of \$69.2 million deposited in London and payment of \$1.6 billion owed to British banks. When central bank director Santiago Gilotau left New York on Aug. 6 after meeting with several leading banks, the only thing he carried with him was this message.

On Aug. 5, Argentine central bank chief Domingo Cavallo announced that the country was already \$2.3 billion in arrears on its debt payments. Total debt is now estimated at

\$39.1 billion, with another \$8 billion due to be paid between now and the end of the year. Argentina is said now to be seeking a \$2.5 billion loan from the IMF *without* the conditionalities normally attached to standby loans. However the IMF has told the Argentine government that unless it adheres to austerity guidelines dictated by the Fund—measures which would guarantee a social explosion—it will not be deemed “creditworthy.”

Brazil is the country that has given the least overt support to proposals for coordinated debt moratoria. To keep Ibero-America's largest nation in line, international bankers have maintained a flow of credit into the country, although at levels far below what is required both to service debt and maintain industrial investment and production at acceptable rates. Planning Minister Delfim Netto has applied a crippling austerity program of the kind demanded by the IMF, but it has not helped him raise the \$16 to \$18 billion in financing the country needs this year. The pressure to go to the IMF “officially” is intense.

The backfire potential

What is striking in this scenario is the stupidity of bankers, particularly American bankers, in following the dictates of the City of London and the IMF. They are blind to the fact that Mexico and Argentina could respond to a credit cutoff with a declaration of a moratoria on their foreign debt payments. Such a declaration by either country would collapse a number of American banks that are already in precarious financial straits, and heavily exposed in both Mexico and Ibero-America.

The British themselves are gambling that their policies, whose practical consequence is mass murder, will not decisively accelerate the hemispheric search for new mechanisms of economic and political self-defense, a search that was set off in Ibero-America as a result of the Malvinas War.

In themselves, many of the initiatives currently under discussion are not adequate to defend Ibero-America from the IMF onslaught. But with the proper direction, this motion could be shaped into a powerful *offensive* weapon. *EIR* founder Lyndon LaRouche's proposals for using Ibero-American debt as a weapon against British banks and the IMF have already been widely disseminated on the continent.

While less astute bankers and policymakers swallow the line that “nothing is really wrong” with U.S.-Latin American relations in the aftermath of the Malvinas War, British

agents like Henry Kissinger understand all too well that even the broadly focused organizing taking place in Ibero-America represents a threat to his policies. The July 30 "palace coup" against Panamanian President Aristides Royo (see *EIR*, Aug. 17) was intended to convey a distinct message from Henry Kissinger to the leaders of Ibero-America and to Lyndon LaRouche: stop organizing for a new world economic order.

In the face of these threats, leaders like new Colombian President Belisario Betancur have taken initial steps to fill the vacuum left by Royo's *forced* resignation. In his Aug. 7 inaugural speech, Betancur proposed that Ibero-American heads of state meet in Cartagena, Colombia before the end of the year to discuss the reorganization of the Inter-American system. Such a meeting is urgently required, Betancur said, to reverse the crisis which threatens to dissolve that system "before our stunned and passive eyes." The new Colombian President held lengthy discussions with certain visiting heads of state on his proposal.

Betancur's initiative coincided with that of Ecuadorian President Osvaldo Hurtado, who released a draft resolution calling for the creation of a "Coordinating Committee of Ibero-American Foreign Ministers" which would function in parallel to the Organization of American States (OAS), but would exclude both the United States and the nations of the English-speaking Caribbean, but not Cuba.

According to the draft proposal, the Committee would provide a forum for unified decisions on "pending controversies" between Ibero-America and third parties as well as questions of "development, regional integration, and North-South relations." The Hurtado proposal was distributed to the Ibero-American heads of state attending the Betancur inauguration in Bogota.

As long as the Reagan administration persists in backing policies that threaten the political and economic well-being of Ibero-America's sovereign nations, they will not hesitate to seek alliances—and sources of credit and trade—elsewhere than the United States. The announcement by President Luis Herrera Campins of Venezuela and President Betancur in Colombia that their governments intend to study the possibility of entry into the Non-Aligned movement is one reflection of this. It is notable, too, that one of the agenda items for the upcoming meeting of the Latin American Economic System (SELA) in Caracas will be a proposal to expand trade between Ibero-America and the Comecon nations.

Aside from regional organizing efforts, individual governments are also formulating plans to defend their economies. In Venezuela, Dr. Gumersindo Rodríguez, former director of the state planning agency, Cordiplan, recently put forward a series of proposals for stabilizing the country's reserve position and averting the devaluation of Venezuela's currency, the bolívar, demanded by London and New York bankers. Although Dr. Rodríguez is not a member of the current government, he is a respected economist and planner, and his proposals could become the basis for government policy.

Who is wrecking the and how to defeat the

Mexico's move to a two-tiered exchange rate on Aug. 5 and its even more dramatic move to temporarily shut down all trading in U.S. dollars on Aug. 13, represented an extraordinary response to events during the first week of August, which constituted the dry-run of an attempt to overthrow the government of Mexican President José López Portillo, *EIR* has learned. Facets of the operation included a \$2 billion avalanche of capital flight during a three-day period beginning Aug. 2, and contingency planning for a military coup.

Conspiratorial meetings among those Mexican so-called business circles dominated by the oligarchy, including a meeting the first week of August at the resort retreat of Chipinque outside Monterrey, plotted to turn this economic chaos against the Mexican constitution. According to Abraham García Ibarra, a columnist in the daily *El Día*, top business leaders circulated a document surreptitiously among the audience and the press at an event at the presidential palace Aug. 7, where López Portillo and cabinet members spoke. The document called for the removal of López Portillo and his top cabinet officers from government.

On the same day, José María Basagoiti, president of the Mexican Employers Confederation, demanded in an interview printed by the daily *Excelsior* that the Mexican constitution be changed so that López Portillo could be eased out of office before his term of office ends on Dec. 1.

Circles involved in the plotting, in the orbit of Bancomer chief Enrique Espinoza Iglesias, of private-sector economics think-tanker Gastón Azcárraga Tamayo, and Mexican Mont Pelerin director Agustín Navarro Vázquez, have given directives that Mexico's state-directed economic system be destroyed at all costs, and the grotesquely misnamed "free-

Mexican economy monetary warfare

market'' economics of Friedrich von Hayek imposed instead. Von Hayek, creator of the Vienna School of economics, was the post-war founder of the secret Mont Pelerin Society; von Hayek's Vienna School doctrines of savaging industrial investments and the labor force in order to finance bankrupt paper were the basis of Nazi Finance Minister Hjalmar Schacht's program.

The Chipinque session, where these directives were promulgated, carried overtones of a notorious secret meeting at the resort in 1976, at which the same oligarchic bankers and businessmen plotted a coup against then-president Luis Echeverría. Echeverría responded with public denunciation of the "hooded ones."

Though the preconditions for a military coup have not yet been achieved, discussion is known to be rampant among the "von Hayek" circles and foreign accomplices over how to engineer a situation in which the military could be united around a program to take power. Their goal is a bloody replay of the Pinochet coup in Chile of 1973. Columnist Fairlie Fuente, a Pinochet enthusiast, broke a Mexican press taboo two weeks ago by publicly urging a military takeover in the country. U.S. figures linked to the Committee for the Free World say they are searching for the right "charismatic" leader to lead a coup attempt. However, should the institutional order break, a nationalist alignment might in fact be the outcome.

Mexico's Aug. 5 and Aug. 13 moves to staunch the speculative hemorrhage of dollars is part of a battle which will determine whether Mexico's republican order survives.

The trigger for the sequence of events in Mexico was a cut-off of Mexico's access to international financial markets.

Reports from sources in Mexico, confirmed in Europe, say that Mexican Finance Minister Jesús Silva Herzog scoured the lending markets for 16 days at the end of July and the beginning of August, looking for the approximately \$500 million a week in gross financing the country needs if it is not to default on its \$75 billion in public and private foreign debt.

Credit cut-off

By all accounts, he came up dry. Abroad, the decision had been made to "pull the plug." It was this knowledge which emboldened the von Hayek circles to organize the early August orgy of flight capital—an outflow three times as heavy as the one which forced the first peso devaluation this February. Price hikes decreed Aug. 2 for commodities, including tortillas and gasoline, forced on Mexico by international creditor demands, were merely the pretext.

Some among the international forces orchestrating the cut-off seem to be playing a worldwide collapse game, deliberately courting a Mexican default that would crash almost three times the magnitude of the Polish debt. A prominent European economist commented to *EIR* that "the Bank of England wants Germany and the United States to take the brunt of the crisis. That's why Mexico was taken off the market—to hurt the U.S."

An official of Robert McNamara's Overseas Development Council (ODC) stated just prior to the credit cutoff decision that "the only way" to get President Reagan to go along with an IMF-centered overhaul of the bankrupt world monetary system is to force a debt crisis "in a country which will get Reagan's attention—Mexico."

The next step being contemplated in international financial centers is a giant bailout, in the \$5 to \$10 billion range, to be centered on a combined U.S.-IMF "financial package."

The terms of renewed financing, whether inked or merely "understood," include:

1) An open role for the IMF. Since late spring, circles linked to the New York Council on Foreign Relations have argued that Mexico is successfully implementing an "IMF program without the IMF," in the style of Brazil during the past two years, and therefore it was unnecessary to directly buck Mexico's intense political resistance to a formal pact with the IMF. However the orders from London, echoed by the overwhelming majority of U.S. bankers, are that Mexico go to the IMF. In the words of the lead *Financial Times* editorial of Aug. 10, Mexico must "swallow national pride" and "accept help from the IMF."

2) A new ratchet of austerity, just as the previous cutbacks have begun to translate into sharply rising unemployment rates. "Postponing an ambitious nuclear program and two devaluations" have not been enough, pronounced the *Financial Times* editorial. "Further supporting measures would be needed . . . to put [Mexico's] house in order."

3) Long-term contracts to sell enhanced volumes of oil to U.S. and other multinationals, with oil revenues pledged to debt repayment, not internal development.

4) The wholesale turnover of Mexican raw materials and manufacturing assets to foreign control. This binge of de-nationalization is envisioned as starting with a rollback of Mexico's 1974 legislation which limited foreign investment to 49 percent of any joint venture. Much of this "investment" is projected in the form of transfer of assets in lieu of debt payment—one of the underlying issues of the current Alfa Group bankruptcy and reorganization. "Increased foreign investment would be like a sort of debt restructuring," stated an official of the Swiss-controlled Mexican banking giant Banamex, "because creditors could become asset owners." Some even dream of de-nationalizing the Mexican state oil monopoly, Pemex.

The target of the pressure is President-elect de la Madrid, not only López Portillo. It is possible, as London sources predict, that López Portillo can be induced to accept an IMF package as an "act of political self-sacrifice" before leaving office. Yet everyone knows that the only one who can deliver on the conditions of a resumption of credit is de la Madrid. He has not yet demonstrated how he will act.

Government clampdown

Measures announced by Finance Minister Silva Herzog on Aug. 5 established a "preferential" peso exchange rate of 49 to the dollar (a tick down from the previous rate of 47), to be used for payments of vital imports such as food and some categories of capital goods, and payment of certain categories of foreign debt. A "market" peso allowed to float down on the "open market" was to handle all other transactions. In the days immediately after the decree, this peso fluctuated in the 80-90 pesos to the dollar range—a drop of more than 40 percent in value.

U.S. economist Lyndon LaRouche, who described the Mexican peso as undervalued on a trip to Mexico in May, during which he met with López Portillo, stated Aug. 10 that the peso should in fact be set at 24 to the dollar if its true value were to be reflected.

As López Portillo described the new exchange rate system in a press conference two days later, the aim was to reassert government control over the use of Mexico's oil revenues, the overwhelming source of its dollar exchange. These will be channeled into government-defined priority uses, he said. "The time when the state subsidized speculation with dollars is over. We will not allow the vultures of speculation to eat our insides any more." He stressed, however, that the new exchange regime was intended to "gain time." (See excerpts below.)

The rapidity of the international collapse means López Portillo has *no* time, nor will de la Madrid. This lesson was brought home one week later, when in response to the continued outflow of dollars, all dollar accounts were frozen. Any dollar holder could get his money in pesos at 69.5 pesos per dollar, but no dollars could be traded or taken out of the country. The real direction of this new move toward ex-

change controls remains to be fully defined. Will Mexico's leaders follow through on its dirigistic character, and decree an enduring program of full-scale exchange controls? Will there be coordinated action with other major developments sector debtor countries, to force a new gold-based monetary system and a moratorium on existing debt? That is the program outlined by Mexican Labor Party (PLM) Secretary-General Marivilia Carrasco in a press conference on Aug 8. Carrasco called as well for cheap new credit for productive investment inside the country, and the formation of peasant and worker militias to stop any armed threats against the constitutional order.

Officials in the monetarist-controlled Finance Ministry and the Bank of Mexico told *EIR* they had no intention of making the new system work. And the international banking circles running the credit cutoff think they have de la Madrid cornered. They know that de la Madrid is finished if he *does* play ball: no Mexican president can politically survive the kind of nationalist backlash that is guaranteed if the IMF-instigated demands are met. Note that it was in a similar situation of international pressure in 1938 that President Lázaro Cárdenas took the action defined by Mexicans to this day as the country's "declaration of economic independence," the nationalization of Mexican oil.

Documentation

President López Portillo: *'We must crush speculation'*

Excerpts follow from Mexican President José López Portillo's Aug. 7 address to the nation explaining why Mexico has ended free convertibility of the peso:

"We are gaining time while things happen abroad. We have to win a lot of time against the evil pincers which is destroying raw-materials price levels—including oil prices—while it is also raising interest rates. . . . No country, including the developed ones, is without problems. Even allied solidarity is under dispute at this moment. There are disputes over a gas pipeline investment. . . . there is war; there is recession. . . . This recession has now reached us. For many reasons, they no longer want our products while they force us to buy theirs. . . .

Credit is being closed off to all countries, because there is no money, and what there is is channeled toward the best conditions; the U.S. money market is offering extremely high interest and is siphoning off all the money in the world.

Gentlemen, we must win time, at home and abroad.

Here—so as not to jump into decisions . . . on prices, wages, interest rates and budget expectations . . . which would aggravate the problem. . . . Neither the low prices nor the high interest rates will last; nor can they last. The world economy will either have to solve its problem or collapse. . . .

So long as foreign exchange flowed at a sufficient pace into Mexico, the country has been so generous that it time and again permitted the dollar to serve not only the interests of the country, but a social class which has the capability to use dollars even for speculation. . . . Certain tendentious publications rebroadcast from abroad created alarm about our economic vulnerability, about our lack of confidence, and encouraged the understandable desire to continue speculating. That caused an abnormal and excessive demand for dollars on the exchange market. . . . Hundreds of millions of dollars were pulled out of our monetary system in a matter of days. . . . In two weeks or in another month, our reserves would have run dry and then we would not have had dollars to pay our foreign commitments and Mexico would—but this is not now the case—have had to declare a suspension of payments. . . .

In Mexico . . . the dollar has come to be used for paying for our imports and for servicing and paying our debts.

But in Mexico, and I admit quite legally . . . people feel secure in placing their savings in dollars. The dollar is used to travel abroad in an exaggerated way. And one sector of society which has excessively consumed dollars for that purpose has found dollars useful for buying abroad things that may be cheaper than the ones we make or are unavailable here. And they also buy articles which are available here. There have been excessive purchases. . . .

But the time has come, gentlemen, in which our foreign exchange income has taken on a special condition and demands a special response. The overwhelming majority of dollars which have entered the country recently come from the public sector, mostly from oil sales and debts contracted abroad by the state. Unfortunately, only a tiny proportion of dollars comes from private sector exports. . . .

Under these conditions of limited foreign exchange, we have to guard our income by reserving it for what the country needs most, not what private interests would like to use it for. And the only one who could and should set the priorities is the government of the Republic. . . .

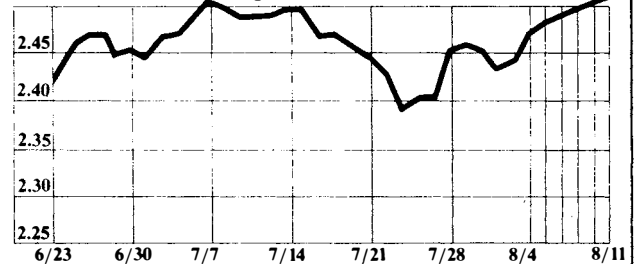
What the government of the Republic categorically affirms is that income from oil sales and public credit will go exclusively for what the country needs and not for waste and speculation. Those days are over. . . .

This is the commitment of the executive of a government which has to make bitter and tough decisions in tough times in which precedents are worthless, since the circumstances are new ones. This is the great burden on an executive who in times like these bears only responsibilities, and, in my case, no longer manages expectations, but only the realities which we must confront. . . .

Currency Rates

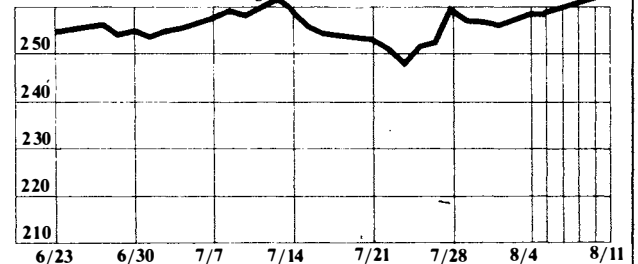
The dollar in deutschemarks

New York late afternoon fixing



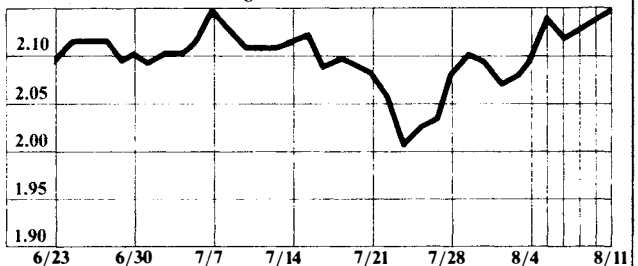
The dollar in yen

New York late afternoon fixing



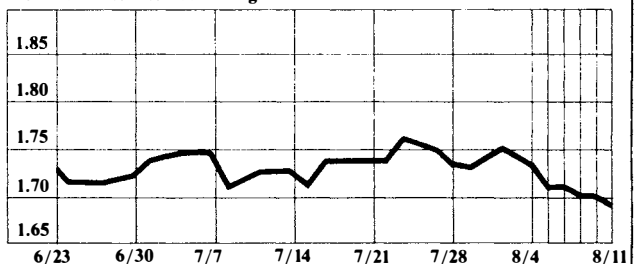
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



EIR joins the fight over the Brazilian national energy plan

by Dennis Small, Ibero-America Editor

A strange sight was observed at the early July meeting of the mis-named Brazilian Society for the Progress of Science, held at the prestigious University of Campinas just outside São Paulo, Brazil. There, 8,000 presumed representatives of the nation's scientific and technical elite met to explore the ridiculously unscientific theme "Resources are Finite," and listen to the Society's chairman, Rogerio Cerqueira Leite, argue that Brazilians are starving, uneducated, and dying because of the money "wasted" by the Brazilian government in developing nuclear and hydroelectric power sources in the country. The gathering resolved to press their fight to stop what remains of Brazil's commitment to rapid industrialization through energy growth.

Although the Society's views are perhaps extreme, they are nonetheless indicative of a broad assault now underway against Brazil's excellent prospects for industrial development, and against its energy sector in particular.

Energy for development

Over the decade of the 1970s, the electrical energy sector paced high rates of overall growth by expanding at an average annual rate of 12-13 percent. And in the early 1970s, Brazil adopted an ambitious program of nuclear energy development, in which an agreement was signed with West Germany for the joint construction of eight nuclear power plants in Brazil by the year 1990. The idea was to maintain high rates of energy growth through the year 2000, with increasing reliance on nuclear.

This general focus was preserved as late as 1978, when the Mines and Energy Ministry issued a "National Energy Balance" (NEB) plan, which projected a continuation of 12 percent rates of energy growth through 1990, and which would drop off only slightly in the subsequent decade. The NEB also strongly supported the need to go nuclear, and defended the full eight-plant deal with West Germany, arguing that "the program may not be reduced or sectioned if the feasibility of its implementation is to be maintained . . . [especially in terms of] the transfer of technology."

The NEB did suffer from a number of major flaws. It justified an expansion of Brazil's economically inefficient

program of producing alcohol from sugar cane. It tolerated destructively backward forms of energy generation—such as the use of firewood, charcoal, and cane bagasse—still producing nearly a fifth of all Brazilian energy at the end of the 1980s (see graph). And it gave credence to the conservationist argument put forward in various disguises by Malthusian theorists—that "the government considers 'conservation,' among all methods, to be the best source of energy." Would the NEB's authors extend this argument to the extreme of proposing the conservation of *all* energy in Brazil?

But even with these flaws, the NEB remains an essentially sound, if modest, document that proposed high rates of energy growth—led by simultaneous development of hydroelectric and nuclear facilities—in order to fuel a Brazilian economy growing at a rate of 7 percent per year.

Energy growth thrown out the window

The NEB, however, was in large measure thrown out the window in early 1982, when the state electricity monopoly, Eletrobras, issued a report called "Plan 2000" which significantly scaled down national projections for energy growth. The NEB's 12 percent annual energy growth rate was halved for the decade of the 1980s; a dozen or so of the large hydroelectric and coal-based thermoelectric plants that were to be constructed were put off by an average of two to four years; and Brazil's nuclear program was trimmed down to only four plants definitely to be constructed, with the others put on "hold."

The arguments used at the time to justify the Plan 2000, and which continue to dominate energy debate in Brazil today, are that the earlier high growth rates were "over-ambitious," and that there is now an "over-supply" of electrical capacity which must be reduced. The figures adduced to back up this argument are that electricity consumption in 1981 grew in Brazil by only 3.3 percent, which left over 20 percent electrical capacity unutilized.

The fact of the matter, of course, is that there is no such "over-supply" of energy in Brazil, but only a case of serious "under-consumption." Forgotten is the simple fact that a full 40 percent of the Brazilian population does not have

electricity to this day, and that per capita rates of energy consumption are a woeful 2,000 kg. coal equivalent per year—as compared to 11,000 kg. in the United States. These chronic problems have been aggravated by the world recession triggered by the late 1979 jump in interest rates brought about by U.S. Federal Reserve Chairman Paul Volcker.

The loudest exponent of the spurious theory of “excess supply” of energy in Brazil is Planning Minister Delfim Netto—Volcker’s best friend in Brazil. Delfim has the approach, and mentality, of a shrewd accountant, who specializes in concocting ever-more-clever ways of dismantling Brazil’s productive apparatus in order to keep the country’s balance sheet in shape satisfactory to his friends, the London and Wall Street banking interests that are Brazil’s creditors.

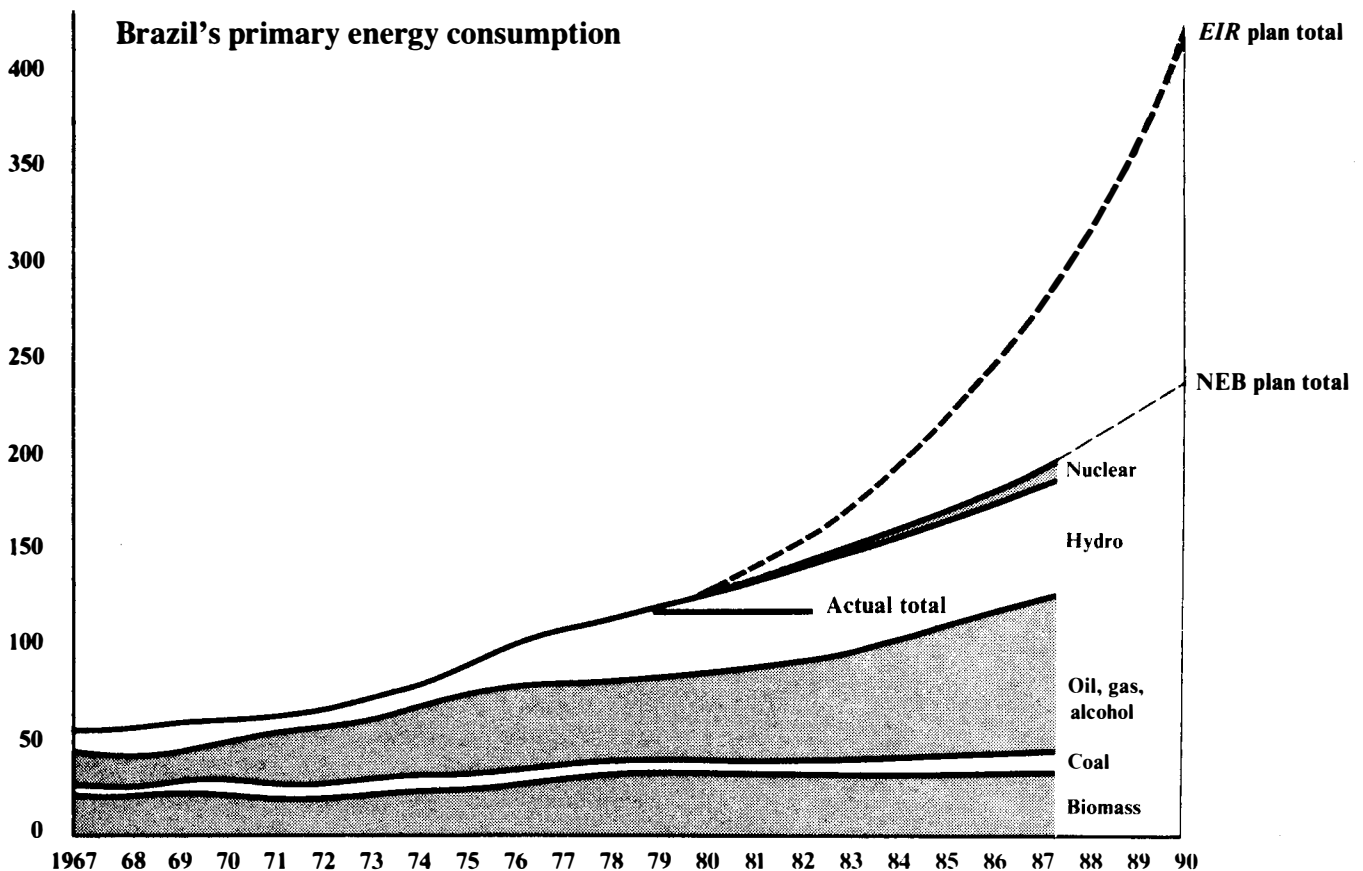
Rather than simply wielding a knife on the energy budget himself, Delfim has preferred to manipulate the country’s proponents of hydroelectricity and its advocates of nuclear energy to fight each other. The result has been a pathetic, sham debate over who should get the lion’s share of Delfim’s dwindling budget. A top official of Eletrobrás, for instance,

who talked to *EIR* earlier this year, ridiculously insisted that hydroelectricity can meet all of the country’s energy needs well into the 21st century—at which point he would presumably favor giving Nuclebrás, the state nuclear monopoly, a small line in the budget.

***EIR*’s draft energy plan**

The fact of the matter is that Brazil, if it is to achieve true modernization and industrialization by the 21st century, needs to rapidly develop *both* nuclear and hydroelectric energy—and Delfim and his banker pals be damned.

The table summarizes *EIR*’s draft proposal for a viable Brazilian energy plan, adequate for fueling a steady 10 percent per annum growth in GNP between now and the year 2000. To achieve this, total energy consumption will have to rise at a rate of about 11 percent per year immediately, reaching a 15 percent growth rate by the end of this decade. Within this, electrical energy will have to play an increasingly dominant role, which in turn dictates its growth at a rate rising from 13 to 17 percent per annum over the decade.



NEB total shows total energy consumption as planned in the National Energy Balance, prepared in 1978 by the Brazilian Ministry of Mines and Energy.
EIR total shows total energy consumption as projected in the *EIR*’s draft

energy plan for Brazil, described in text.
Actual total shows stagnant consumption levels since 1979. Shaded areas show sources of electricity, as per NEB plan.

EIR's findings are that in the year 1990 Brazil will actually require 558,000 gigawatt-hours of electrical energy—fully two-thirds more than the 335,000 gigawatt-hours proposed in the 1978 NEB plan. Comparing this required output to potential hydroelectric sources, it becomes evident that, somewhere in the 1990-93 period, Brazil will have nearly exhausted this source of energy growth, and that all new expansion will have to come from nuclear energy plants. Even taking into consideration the “elbow room” that can be created by using natural gas and other complementary energy sources, this means that approximately five one-gigawatt nuclear plants will have to be coming on stream in 1990, rising to about 10 plants per annum by the mid-1990s. Considering that actual plant construction time can in all likelihood be reduced to six years (today’s delays are due in large measure to wasteful harassment by “environmentalist” forces), it is clear that *Brazil has no choice but to immediately embark on a major nuclear energy development program*, of far more ambitious proportions than the original West German deal for eight plants by 1990. Brazil in fact needs two nuclear starts *this year*, three in 1983, and so on, and needs to have well over 100 functional nuclear plants in existence by the year 2000.

This is not a luxury or an option: it is a necessity of development. Without it, Brazil simply will not be able to grow, nor its population pull itself out of the misery of underdevelopment that it now endures.

It is from this standpoint that we recommend the reader evaluate the thinking of the two individuals interviewed below by *EIR*, Cardinal Paulo Evaristo Arns, and Dr. José Goldemberg (a nuclear physicist who doubles as Delfim Netto’s energy adviser). They are two of the most vocal opponents of Brazil’s nuclear development.

Brazil’s potential energy growth

Year	Gross National Product (billions of 1980 \$)		Electrical energy (thousands gigawatt hours)	
	NEB	EIR	NEB	EIR
1980	238	238	138	138
1981	254	261	155	156
1982	272	287	172	176
1983	291	316	187	201
1984	311	348	203	229
1985	333	383	221	263
1986	356	421	241	303
1987	381	463	263	351
1988	408	509	287	408
1989	437	560	310	477
1990	467	616	335	558

Notes:

NEB is the National Energy Balance plan, prepared by the Brazilian Ministry of Mines and Energy in 1978.

EIR is the *EIR's* draft energy plan for Brazil, described in text.

Electrical energy is thousands of gigawatt hours (millions of kilowatt hours) consumed during the year.

Interview: Msgr. Paulo Evaristo Arns

Cardinal of São Paulo: the earth are limited,

EIR Ibero-American Editor Dennis Small had the opportunity to talk recently with one of that continent’s leading advocates of the radical, anti-development “Theology of Liberation” current in the Catholic Church, the Cardinal of São Paulo, Brazil, Msgr. Paulo Evaristo Arns.

*Arns has earned a name for himself organizing Brazil’s impoverished rural and urban masses into what are known as Ecclesiastic Base Communities—associations of parishioners organized as a battering ram against the attempts to modernize Brazil through the application of advanced technology to industrial development. Arns is also a godfather to the dissident labor movement in the country, and a number of sources told *EIR* that Arns has a similar connection to elements behind the pro-terrorist and pro-homosexual movements in Brazil, insofar as they are “social expressions” of anti-capitalist sentiment.*

*As he made clear in his April 28, 1982 conversation with *EIR* in his offices in Sao Paulo, Arns retains a special hostility toward Brazil’s nuclear-energy program. In his answers to our questions, the radical Cardinal also: 1) opposed accelerated industrial development; 2) attacked modern technology; 3) called for the preservation of backward cultures; 4) defended Malthusian zero-growth policies; and (5) endorsed population control, arguing that “human reproduction is not inevitable.”*

*Cardinal Arns also gave his unqualified backing to the fascist British theory that “small is beautiful,” which calls for eliminating all traces of modern society and returning to a “simpler” medieval world. Arns in fact told *EIR* that he thought that large segments of today’s urban society in Brazil should be encouraged to “return to the countryside;” 4*

'The resources of we shouldn't grow'

million of São Paulo's 11 million residents, he claimed, would return to the land "if offered the opportunity."

Small: How do you see the role of the Church in terms of the necessity for accelerated economic development to meet the basic needs of humanity?

Arns: Meeting the basic needs of humanity is one of the great challenges in today's world, where the misery of the vast masses of people coexists with concentrated wealth in the rich countries or in the privileged social layers of the poor countries. The Catholic Church cannot avoid involving itself in this problem, nor in any other situation in which justice and oppression do violence to the dignity of the human being. It cannot rest until everyone is doing everything possible to enable fraternity to reign in the world.

But I am not so sure that the path for solving these problems is one of accelerated industrial development, as your question suggests. It is true that it is through industrial development that one achieves the most rapid accumulation of capital necessary for large-scale production of material goods sorely needed by humanity. But it is also through the logic of industrial development—or at least capitalist industrial development—that certain perverted economic mechanisms are reinforced, such as the concentration of wealth and rampant consumerism.

Nor do I think it will be possible, even with a rapid rate of industrial development, to recover lost ground. This is especially so because in the capitalist world in which we live, industrialization is not oriented toward tending to the needs of the most poor. To be economically viable, capitalism depends on markets capable of absorbing its production, and

it will be more profitable the more it directs itself to the needs of those who have wealth, or in other words, to those whose basic needs have long since been attended to.

It should not be necessary for us to recall another problem that accompanies industrialization in today's world: the tendency toward the formation of increasingly gigantic units of production, in which the human being is seen as an extremely small part—oppressed—in a productive system whose ends are completely beyond his reach and comprehension. There is still another problem: the tendency toward the implacable destruction of all forms of life and culture of pre-industrialized societies, which accompanies the arrival and domination of these societies by modern technology from the advanced countries.

I believe that the Church has much to do in confronting all the anomalies of industrial development. We in Brazil are happily discovering that the power of the people can be re-awakened to reconstitute from the bottom up—starting from the small and modest, in a communal way—the system of providing for the basic needs of the vast, mistreated majorities. I am sure that we could solve many more problems if we believed more strongly in this power, instead of limiting ourselves solely to retreading the paths followed by the presently developed countries. And I believe that the Catholic Church should stimulate as much thought and reflection as possible so that development can become a path of fraternity, and not just one of individualistically satisfying material needs.

Small: Would you agree that the policy of zero growth promoted by the Club of Rome, as well as the resulting economic depression and birth control, are fundamentally anti-Christian?

Arns: The physical space of the earth and its resources, fertile soil, potable water, and so forth, are limited, whereas the reproductive capacity of the human species is inexhaustible and growing. It is evident, therefore, that there will come a day when humanity will have to grow at a zero rate. This simple argument alone should suffice to conclude that zero growth is not in itself anti-Christian. Human reproduction is not inevitable, but is subject to reason. It is in this sense that today one can speak of responsible parenthood, a responsibility that is not limited to the couple but is extended to society as a whole.

Responsible parenthood is not limited only to the number of children, but also includes the objective reasons by which one wishes to have a reduced number of children, plus the methods to be used to reach this objective. The position of the Catholic Church is well known in this area, as well as the reasoning behind this position.

Small: In your view, what are the priorities for effectively fighting the misery of the underdeveloped nations?

Arns: My answer to the previous questions covers a little of the answer I would give to this one. The great priority, in my view, is the reawakening of the power of the people, organized on a community basis, to confront from the bottom up

in the most independent manner possible the misery in which they live. The people must also be made aware of their rights proclaimed by the Universal Declaration of the Rights of Man, so that they can demand of those who direct the economy and society an acceptable use of the resources they control, an acceptable choice of priorities, so that the rights of all are respected.

In other words, I believe that the great priority for combating misery is to trust in the capacity and the dignity of the poor. To recognize the poor as human beings, to respect them, to give them means to grow and fully assume their social responsibilities is already a start toward conquering misery. A human being who stands upright is one who can take his destiny into his own hands, as well as the destiny of all those who share his fate. And there is nothing more effective to overcome misery than recognizing the vital necessity of overcoming it.

Small: Do you believe that nuclear energy can and should be used to accelerate human progress?

Arns: What is our concept of progress? Growing material opulence for everyone, or increasing fraternity among all human beings? It is certain that growing material opulence will demand increasing energy, and that nuclear energy is an incredible advance in man's knowledge, giving him an almost infinite capacity for the production of energy. But there are many problems along this road: can it be that we already possess all the knowledge necessary so that the byproducts of nuclear energy can be effectively controlled, so that they do not create insoluble problems for future generations? Is the present solution to the question of nuclear waste really a responsible solution?

[Are there not] other possibilities for energy generation—even cheaper than atomic energy—whose use would give us time to solve the problems and risks that still accompany nuclear energy? In Brazil, many questions are raised around the way in which the generation of nuclear energy is being installed in our country. Are these questions merely the result of questionable government policy, or do they stem from insufficient scientific advance in the nuclear field? By the same token, we might ask ourselves if the generation of nuclear energy has not itself become a prisoner of the laws of the profitability of capital, beyond the control of man?

If we look at human progress in terms of increasing fraternity, how would we situate the question of nuclear energy?

Small: Could the Catholic Church, through its educational network, contribute toward educating youth on the role of economic development as the means for improving the quality of life of all peoples?

Arns: Undoubtedly, as long as one does not limit consideration of the educational network to the colleges, schools, and so forth that depend directly on the Church. The Church is a whole, and therefore the social encyclicals, the pronouncements of the bishops' conferences, the evangelical work, and

the catechism as a whole should all be included in the Church's educational network.

That economic development plays a significant part in improving the quality of life, there is not the slightest doubt. But that the quality of life depends exclusively on economic development does not cohere with the thinking of the Church nor of Christianity. Other factors, such as fraternity and justice, play an indispensable role. What is most lacking today are not material resources for the well-being of peoples, but justice and fraternity.

Small: How would you characterize the role of the "mission" in the Catholic Church today?

Arns: Traditionally, the "missionary" goes wherever the Gospel has yet to be preached. But converts are not made in a day, or in a single moment. It is a continuous process of progressive discoveries, of increasing engagement, of advances and retreats lived by all those to whom Christ is announced—and that includes the missionary himself. From this point of view, the Church is permanently on a "mission," outside and within itself.

I once again speak of fraternity: how far are we in today's world, in Christian and non-Christian nations, from real fraternity among men? There is that much further to go, there is that much "missionary" responsibility for the Church. And I once again speak of the poor: often we think that the objective of the mission is the land of the poor, when it is among the poor that there more naturally occurs solidarity in the face of so many vital common problems.

The "community" is built more easily among the poor than among the rich. On the other hand, it is possible that in the world of the wealthy—and here I would include the majority of the populations of the developed countries—there is much terrain for missions. Here missionary activity must have another dimension: to help those who have already seen and discovered Christ to find answers to the challenges presented to them by the Gospel in a world so violently unjust and inhuman.

Small: What contribution have the Catholic Church's Base Communities made in improving living standards?

Arns: The Ecclesiastical Base Communities are of an eminently religious character and seek the fulfillment of the Christian lives of their members. Since Christianity encompasses the totality of the life of the human individual, the Ecclesiastical Base Community, like the Church itself, tends to transform the life of the entire community in accordance with the light of Gospel, promoting justice, solidarity, and fraternity. Day-to-day problems are absorbed and assumed by the community.

In this sense, the Ecclesiastical Base Communities are confronting—and resolving in a satisfactory manner—serious problems, such as public-health assistance, land, housing, and transportation. They are creating a consciousness of a united, fraternal, and just people.

Brazilian physicist: 'Nuclear energy makes no sense at all in this country'

Dr. José Goldemberg, head of the Physics Department at the University of São Paulo, Brazil, is well-known both inside and outside that country as the leading scientific advocate of sharply reducing the scope of Brazil's nuclear program. In an April 15, 1982 conversation in São Paulo with EIR Ibero-American Editor Dennis Small, Goldemberg spoke frankly about his views on energy and economics; on his philosophy; and on the "strange bedfellows" he finds himself allied with in his battle to limit Brazil's nuclear endeavors.

Small: You have a reputation internationally for being one of the leading anti-nuclear scientists in Brazil. Is that a deserved reputation?

Goldemberg: No, because I am not against nuclear energy as such—I am against the methods that the Brazilian government chose to introduce nuclear energy in Brazil.

Small: O.K., then let's focus in on this by parts. In *Fusion* magazine and elsewhere it has been demonstrated, with simple arithmetic, that there is no basis for solving fundamental world problems, such as providing an adequate diet for the world's existing population, with the existing energy-resource base. That is to say, you would exhaust the world's oil, coal, and hydroelectricity just feeding everyone in the world 3,000 calories a day. This is one of the strongest arguments in favor of the rapid development of nuclear energy. Do you share this point of view?

Goldemberg: I think that the view that you express is an extreme one. I think that the Club of Rome is on one end of the spectrum, and the position that you describe is on the other end. To accept as a postulate, as an axiom, that people in the less-developed countries want to become as affluent and as extravagant in the use of energy as Americans or Frenchmen is just a wrong assumption, it's technically wrong. We could get along very well, extremely well, with probably one-third or one-half of the energy that the average American uses today—and without giving up anything. So, I would question the extrapolations. I think that nuclear energy might make a lot more sense in France or Japan than it does in Brazil. Actually, I think it makes no sense at all in Brazil before the end of the century.

Small: So, you would agree with the argument that there can be a de-linkage between energy growth and GNP growth?

Goldemberg: I do, very much, I believe strongly that the de-linking can be done to a large extent.

Small: But if you look at a broader sweep of the history of mankind—and not a 10- or 20-year period, which is the period for which these studies have done statistical work—if you look over various thousands of years, you will find that the progress of humanity, particularly as demonstrated in the growth of population density, is very closely associated with the exponential growth not only of consumption, but also of energy-flux density. Can we stop that at this point and expect humanity to continue growing? Or will we, by so doing, restrict the size of the world's population?

Goldemberg: Well, the problem is the peculiar understanding people have of growth. Because growth is not having a Cadillac as a vehicle that takes you around; you can also use a very small Volkswagen. I mean, growth is not the stage which Americans have reached: that's a wrong definition of growth. It is the definition of the Romans—and see what happened to the Romans.

Small: I define growth as potential relative population density, which is a term coined by LaRouche to describe the capability of a society's economy to maintain a certain population density per economic area. In other words, economic viability is measured by the ability to maintain a growing population—not by the size of a Cadillac.

Goldemberg: Well, an expanding population growth might not be desirable at all. Evolution, not only of mankind but of all species, shows that is a very questionable thing. Why would we want 15 or 10 billion people? That's not clear at all, I mean, that's not the way the species have evolved. So, maybe we should curb the population to 8 billion.

Small: Do you think we should?

Goldemberg: I think that's a moral issue, and a very complicated one. But I see no reason for not limiting our population, because it happens in all animal species. It probably should happen to man, too.

Small: Do you see a fundamental distinction between man and other species?

Goldemberg: No, oh no! Not at all. I think we are on the top of the species, fortunately for us, but there is no fundamental distinction.

Small: What about the human mind, and the principle of creativity and science?

Goldemberg: Well, it's part of it. When you have as much storage capacity as we have in our brain, you learn how to do lots of things, to understand what goes around. There are people arguing that dolphins have a lot of brain capacity too and maybe they understand the world better than we think they do. The case can be made, technically, that we do have enough information storage in our brain computer to do what we do. Let me give you an example: in the genetic code, when the first cell is formed, there is enough information about the future human being that will come out of that cell, which could fill 4,000 volumes of 300 pages. That's a calculation made by Carl Sagan, who I think is a very talented man—that's the information that could determine if your hair is going to be brown, your eyes blue and so on. That's a lot of information!

Small: Our view is that the physical universe itself has as its fundamental principle of organization the qualities that religious people ascribe to God, that is to say it has a negentropic principle of expansion. I don't think that it is an accident that many of the greatest physicists and scientists of the world have been religious, in exactly that sense of the word.

Goldemberg: I am familiar with the argument, but I think it is irrelevant.

Small: Let me proceed on the topic that you raised, which is: you argue that nuclear energy is possibly desirable for advanced-sector nations like France and Japan, but not for the case of Brazil. Why the distinction?

Goldemberg: Because we do have a lot of alternatives, and they are better than nuclear, so I think we should use the alternatives before getting into nuclear energy. Eventually we will get nuclear energy—I am not against nuclear energy as such. But Brazil has enough hydro-power to last until the beginning of the century, probably until 2010 or 2020.

Small: At what rate of growth of energy consumption per year?

Goldemberg: Historical rates of growth in Brazil have been very high, 8 percent, 10 percent.

Small: The existing plan of Eletrobras, Plan 2000, projects 10 percent, 11 percent per year. Is that feasible with hydro?

Goldemberg: Yes, until 2010. I was considered, until two weeks ago, a major critic of the government. Now the government and I are on the same side. This is the official projection: Brazil has enough hydro-power until the year 2010.

What happened to the nuclear people in Brazil is that they went at it blindly, with too much eagerness. Their projection that Brazil would run out of hydro-power by 1990 was technically wrong. Therefore what makes sense in Brazil is to follow up technology and have one or two reactors, or as many as are needed to train people and install in Brazil an industry whose base can grow—and that's all. So, the role of nuclear energy should be a minor one; it should be kept open as an option, but not as a major contribution to the generation of energy.

Small: Many of the hydro sources are quite far from the industrial areas, and so, to the costs of hydroelectric generation, we have to add transmission costs. I have seen calculations which indicate that this puts it over the costs of nuclear.

Goldemberg: That's not true. And even if what you said were true, I would counter-argue in another way: why in hell should people move into the suburban areas of Brazil? They should move to where the power is. São Paulo grows by 600,000 people a year, 6 per cent per year, a fantastic rate of growth. It doubles every 13 years. That should be avoided. If necessary, one should put the police on the roads to drive people back, which is a very bad way of doing it. But what the government should do—and they are trying to do it—is to make other places more attractive.

Small: But you are arguing against high rates of industrial growth, and in favor of a model that is more based on income redistribution?

Goldemberg: Yes, that is true. This is what political life in our country is all about. If you don't try to understand that, you are not understanding what's happening in the country. If you talk to the industrialists, you're talking to the very high elite, who would like to convert Brazil into a second United States.

Small: How would your alternate redistributionist approach work? And what rate of growth would you project?

Goldemberg: Brazil has been growing in the last 30 years at 6 percent or 7 percent per year. I imagine that this could go on for another 20 or 30 years. Then you'll reach physical limits. I imagine that a more reasonable rate of growth would be 4 to 5 percent a year.

Small: And there would be energy growth rates of less than that?

Goldemberg: No, of more than that, probably. It depends on the structure of the country. If we invest very heavily in heavy industries, then energy grows more than the GNP. If we invest in food, which Brazil probably needs more than anything else, the growth of energy is not so great.

Small: Even in agriculture, doesn't it depend on what kind of agriculture you are talking about? If you are talking about labor-intensive agriculture, energy inputs can be kept to a

minimum. If you are talking about modern, technologically advanced agriculture, then you also need heavy industry and lots of energy.

Goldemberg: Well, it depends on how much land you have. If you have a lot of land, and you have a lot of people to feed, maybe you should not move into the most modern agriculture. The problem is that there is a saturation point. As you increase the energy inputs into production through fertilizers, heavy machinery and so forth, the yield of agricultural production grows at first, but then it becomes saturated. So I think that if Brazil grows at 5 percent a year and if income is reduced in the middle, then we will be doing quite well.

Small: Let me turn to a more political side of these matters. You yourself said a moment ago that the extreme anti-nuclear argument leads quickly down the road to an anti-progress argument generally: if you are against nuclear, why not be against other forms of technology too? How do you feel about the fact that your arguments have been used widely by precisely the forces who share the anti-growth views of the Club of Rome? Where do you personally draw the line, and what do you think of the political implications of your arguments?

Goldemberg: I know my arguments have been used, and I am embarrassed by that. Inside Brazil, the people involved in the environmentalist movement, generally speaking, do not have much technical training. Generally they are artists, lawyers, and people in the social sciences who have great feelings about things. They do not have very strong technical backgrounds, and the fact that I do have a technical background made my position in the nuclear discussion in Brazil a very valuable one. So it was of great interest to the environmentalists to argue that I was on their side—which was not true. I was always considered a moderate by them. Who can control these things? People use your ideas any way they can. The government sometimes uses my arguments against the ecologists.

Small: Why? What are the problems with the West German-Brazilian deal? And are there any positive aspects of it which you think should be mentioned?

Goldemberg: The positive aspect is that it is a deal that in principle could lead to technology transfer from Germany to Brazil, and Brazil wants to be self-sufficient in energy as in many other things. What is negative about it is that the Germans and the Brazilians who negotiated the agreement started from the assumption that there was no technical capability in Brazil, so everything had to be imported from Germany. So it was a deal which was very heavily favorable to Germany and not to the real development of Brazilian technology. It soon became a method of transferring German companies to Brazil.

Small: I would be the last person to defend every last detail of what Germany and Brazil agreed on, as the model for the future. But aren't you throwing out the baby with the bath

water?

Goldemberg: Yes, I wonder about that. I think that is a very good question, because the opposition of the United States on the deal is exactly for all the wrong reasons. I think that there is a great danger in this, which is why my own position has evolved to the point of saying that Brazil should go ahead—this is my present position, which the environmentalists are pretty annoyed with. Brazil should go ahead with all the reactors programmed for Angra dos Reis—this is the Westinghouse reactor, and two German reactors.

But the idea that Brazil needs eight reactors to learn the technology, that is what any salesman will tell you. The fight now is going on around the following point: how many reactors is Brazil going to build by the year 2000? Nuclebras, the nuclear enterprise, wanted two; at one time they wanted 60 by the year 2000. That number was cut down to 27, and now it has been cut to eight. This is an arbitrary number, but the justification for that number is that Brazil needs to build eight reactors to master the technology. But the fight today is on whether there are going to be two or four, because eight reactors will come only in the next decade. The present government has said, "Look, fellows, it is going to be two until the next government comes in." In 1986 there is going to be a new president. So there will be two reactors in this presidential period, and I am fully in favor of that.

Small: I do not think that the issue is two or four. I think the issue is whether Brazil is going to go nuclear at all. The issue as it is posed by the World Bank and the International Monetary Fund, for instance, is that they want to stop Brazil's nuclear program, period. Many of the commercial banks in the United States want to stop Brazil's major projects, especially the nuclear project, as part of their plan to stop Brazil's growth and development generally. Many European banks, including the Bank for International Settlements, share this approach. I want to ask you the uncomfortable question: how do you feel being in bed politically with the World Bank, the International Monetary Fund, the world environmentalist movement, former U.S. Deputy Secretary of State Warren Christopher and the rest of the Carter administration, and many large commercial banks—all of whom, like you, are opposed to the West German-Brazilian nuclear deal and are trying to keep Brazil a backward, underdeveloped country?

Goldemberg: I feel very bad about it. I don't know; I'm fully aware of this. Warren Christopher and all these creeps made our life very uncomfortable in 1976-77, very uncomfortable. We had to close ranks with the government, you know, because it is certainly no business of Warren Christopher to come here and say, "You cannot do that." So I feel uncomfortable with these fellow travelers, with the environmentalists and the banks. The way that I keep my self-respect, you know, is by saying that we should go full speed with these two reactors and work on the technology. I think that represents a rather wide consensus among scientists and the government, which is not going to be easy to stop.

American banks going down

The flight into Treasuries and other "quality" investments erodes their deposit base as bankruptcies mount.

During the first week of August, four more U.S. commercial banks were liquidated, bringing to 26 the number of banks that have failed in the United States this year.

On an annualized basis, this is the highest level of bankruptcies of financial institutions in more than 30 years.

But there are two other worrisome developments: the increase in bad loans the largest American banks have been forced to report, and the so-called flight to quality, which is eroding the base of the banking system, and therefore will result in a new depth of credit crunch.

On Aug. 11, the Crocker Bank of California, one of America's big 15 banks, reported that the failure of the TOS oil company of Houston will cause non-payment on \$32.7 million worth of its loans from Crocker. The bank added that its loans to TOS, which was 10 percent owned by the chairman of the now defunct Penn Square Bank of Oklahoma, are secured.

However, it is common knowledge that oil loans are "secured" only by oil reserves and drilling rigs which are unsellable in a depression.

As for the "flight to quality," a Wall Street analyst reported Aug. 6 that the newest danger is that investors will not renew their certificates of deposit—amounts of \$100,000 or more placed at commercial banks for at least six months at favorable interest rates—because they are not convinced that the certificates of deposit are as secure

as they ought to be.

This became the problem with Continental Illinois, which is no longer able to sell its CDs at acceptable rates, and the phenomenon is spreading. Certificates of deposit currently represent \$145 billion in funds for commercial banks. "People are moving into quality, like Treasury securities, which are much more secure in the event of a crash," the analyst confirmed.

Once a bank suffers a withdrawal of funds, it must contract its loan extensions. In a banking climate as uncertain as the current one, a lending contraction by large banks could bring down the financial system.

In this environment, the British are preparing to put American banks through the wringer. One of the coordinators of this operation in the United States is Richard Dale, a former senior officer for N. M. Rothschilds of London, who has set up shop at the Brookings Institution in Washington, D.C. There he is working on a two-year Rockefeller Foundation grant for the Group of 30, the official advisory body to the British-run International Monetary Fund.

Dale reported on Aug. 11, "Yes, there is a 'flight to quality' going on in the United States, and I don't see how major problems can be avoided." Dale stated that "years of neglect" by American banks in lending to the Third World, has left American banks hopelessly exposed to Third World debt defaults.

"The American banks have lent recklessly. This has created the mess. I don't see anything that can forestall problems with the repayment of the debt."

Dale noted, "Maybe at an earlier point, had the bankers been willing to listen, we could have set up arrangements to guarantee the borrowers, like Mexico, etcetera, who owe money to the banks, but it's too late for that now."

Dale sees the banking crisis coming to a head within the next few months. Under these conditions, U.S. banks will be forced to abide by conditionalities imposed by the Bank for International Settlements or go under. "Right now, an arrangement in which the central banks and governments put together a \$20 billion fund to bail out banking systems will be essential. The Group of 30 has seen the need for this." Dale predicts that the Federal Reserve will be obliged to spend massively to try to save the American banking system or at least its largest banks: "The Fed will have to create a lot of liquidity, as much as possible without touching off another round of inflation."

It is in this crisis atmosphere that the BIS's Cooke Committee, the group that over recent years has worked up bank supervisory reforms to reorganize the banking system from top to bottom under BIS control, will impose its recommendations.

Dale, who says he has worked with the Cooke Committee since 1975, declared, "A crisis is often necessary for reforms to go through. It can be very helpful. I don't see how one can be avoided."

The prospect of accelerating bank failures makes such a crisis all but inevitable, although poor dumb American bankers have little understanding of what is going on.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
CANCELLED DEALS			
\$600 mn.	U.K. from Japan	Nissan Motors has shelved "for the time being" its largest overseas venture, a project to make 200,000 cars per year in Britain. The plan was for Nissan to use the plant to break through European protectionist barriers and produce in Europe before Toyota does.	<i>The Economist</i> , reflecting British anger, describes Nissan's rapid overseas expansion as "too fast."
UPDATE			
\$4.5 bn.	Brazil from World Bank/Europe/Japan	World Bank has approved \$304.5 mn. loan for Carajas iron-ore mining project, long under construction by the Brazilian govt.'s Vale do Rio Doce. \$600 mn. in loans from the European Coal and Steel Community and \$500 mn. in loans from Japanese public and private sources were conditional on World Bank approval. The first phase of the mammoth Carajas project, whose total cost is officially estimated at \$61 bn., is also being financed by \$58 mn. from the U.S. Ex-Im Bank and \$130 mn. from West Germany's development agency. But, most of the cost is being borne by the Brazilian govt. with the help of advanced sale of the iron ores. Those ores have an average richness of 66%, double that of average U.S. ores and therefore require much less cost to make into steel. Chase Manhattan estimates value of all ores in Carajas mountain at \$33 bn.	World Bank loan is for 15 yrs. at fixed interest of 11.6% plus 1.5% fee and other charges. World Bank will dribble loan funds only as project moves to completion, which will not help Planning Minister Delfim Netto's crusade to roll over Brazil's \$70 bn. debt. World Bank's "seal of approval," however, will help sustain banking confidence. Not yet clear what "strings attached."
\$200 mn.	India from France	CIT Alcatel has won approval of Indian cabinet for an electronic telephone exchange factory contract granted it in May. Half of contract is financed at very low interest by French govt.	Other bidders protesting award.
NEW DEALS			
\$51 mn.	India from West Germany	Krupp received contract from Neyveli Lignite Corp. for plant to process lignite for feeding coal-fired electric plant. Lignite is a low-grade fossil fuel between peat moss and soft coal; it is abundant in India.	India, plagued by frequent brown-outs, is struggling to boost electrical output amidst debate over whether nuclear or coal should be given priority.
\$76 mn.	India	60,000 tpy dimethyl terephthalate (DMT) plant near Bombay to be built by Bombay Dyeing and Manufacturing Co.	World Bank funding \$18.8 mn. of cost.
\$68 mn.	Egypt from West Germany	The Egyptian state-owned El Nasr Castings Co. has ordered a complete pipe-casting foundry from Thyssen. Plant will turn out pipes of 1 cm to 1 meter diameter using Thyssen's centrifugal casting technology.	Entire cost will be financed by Kreditanstalt für Wiederaufbau, the West German govt. development bank.
\$43 mn.	Paraguay from Japan	Japan is financing land-locked Paraguay's efforts to build up its merchant marine. Ex-Im Bank of Japan is offering \$35 mn. and 7 Japanese banks an additional \$8 mn.	Paraguay's fleet operates on Rio de la Plata exporting raw materials and moving contraband to and from its neighborhood.
\$220 mn.	China from Italy	Officine Meccaniche Danieli will renovate a continuous casting steel plant in China. Danieli will provide machinery and technical aid in project.	80% of Danieli sales are overseas.

Business Briefs

World Trade

Steel war tied to NATO restructuring demand

A longtime NATO procurement expert and consultant to the West European Union claimed Aug. 12 that the steel trade war launched by the Commerce Department against European producers is designed to force them to agree to a common Western defense industrial base as detailed in the Roth-Nunn bill, which is expected to pass Congress soon.

The NATO expert claimed that while German Chancellor Helmut Schmidt may oppose participation in a supranational defense industrial base, in the longer term the opportunities "will look more attractive."

The Commerce Department's countervailing duties have produced a European agreement to set quotas on national steel production and exports to the United States. This is viewed as a significant relinquishing of national sovereignty and a step toward participation in the Roth-Nunn bill's top-down NATO control over production, investment, and marketing.

Energy

London termed immune from oil weapon

A recent report on the mechanisms of the 24-nation International Energy Agency, the Paris-based body set up by Henry Kissinger in 1975 of the major oil-consumer nations, reveals a strange invulnerability. The report, produced by Louis Turner for the joint energy policy program of the British Institutes, concludes that under any conceivable major cutback of OPEC oil supplies to the U.S., Europe or Japan, the U.S. is slated to be the one forced to provide oil to all other nations. This is the case, the report concludes, even if the U.S. were the worst-hit by a supply crisis.

The report also demonstrates that the one country least vulnerable to even a 50 percent reduction of OPEC supply is Great Britain. Ironically, despite Britain's near self-suffi-

ciency in North Sea oil, under present IEA rules, that country could demand supplies from the U.S. even if the U.S. suffered a more severe supply reduction. For example, under present stipulations, in a crisis situation of 50 percent OPEC supply cutoff, West Germany, Italy, and Japan would be hardest hit with an immediate loss of 17 percent of consumption. The U.S. would lose 12 percent, Britain only 10 percent.

Financial Scandals

Will Sterling National go down the tubes?

Sterling National Bank of New York is reported to be one of a list of "troubled" U.S. banks compiled by the White House. The White House list categorizes the banks according to whether they would be bailed out by the federal government. According to sources who have seen the list, Sterling would not receive help from the government should it falter.

Sterling National Bank came into the public eye last year as a defendant along with former Treasury Secretary David M. Kennedy in a suit filed by the Italian government concerning financial looting of several Delaware corporations. Sterling National Bank was involved in the initial funding of the Anti-Defamation League of B'nai B'rith.

According to sources in Italy, Sterling's Italian correspondent bank, the Bank of Milan, is being investigated by the Vatican for improper handling of church investments.

European Industry

German economy moves into worsened phase

The fight among West Germany's banks which led to the decision to push Allgemeine Elektrizitäts-Gesellschaft (AEG), the seventh largest industrial firm, into bankruptcy proceedings was strongly influenced by a serious worsening of the country's overall economic performance since the beginning of 1982.

Both the mechanical engineering sector, and the manufacturing/non-ferrous metals sector showed a decline in exports in June. For the mechanical engineering companies, foreign orders fell 9 percent for the first 6 months of 1982; for the manufacturing/processing sector, May/June foreign orders were down 3.5 percent compared to the previous two months.

Unemployment stands at 7.5 percent, a record since 1950. In June, industrial output was 5 percent below May levels.

German firms are hoping that the currently low level of the Deutschmark, which at around 2.5 to the dollar is about 10 percent below value, will help exports to move upwards in the second half of the year. Such hopes depend significantly on these firms being able to increase sales to the United States. Germany is now running a trade deficit with the Soviet Union (from which it is importing increasing quantities of raw materials and energy), and has been replaced by the U.S. and Japan as leading exporter to the U.S.S.R.

Banking

Daiwa economist calls for Third World debt moratorium

"The international banking system has only one of two choices," warns Tadashi Nakamae, chief economist for the European offices of Japan's Daiwa securities—"either accept a moratorium on interest payments [of developing countries] or face some sort of default."

In a privately circulating paper obtained by EIR's Wiesbaden bureau, entitled "High interest rates; an alternative view," Nakamae argued that the primary reason for high interest rates is not the U.S. federal budget deficit, but rather the extraordinary demand for dollars needed by developing countries to pay their Euromarket debts.

Nakamae points out that the debt of the 21 largest Third World countries is \$440 billion, of which \$140 billion comes due this year. In addition these nations face a \$60 billion current account deficit, of which \$45 billion is simply interest payments. Thus these 21 nations must find \$200 billion of

financing. With OPEC now running a deficit, the U.S. banking system and the Euro-dollar market become the source.

"Two thirds of the deficit on current account of the developing countries are due to interest payments. The increase in the current account deficit of Argentina, Brazil, Mexico, Chile, Korea, Thailand and the Philippines was entirely due to the growth of interest payments.... It is the need for financing of these interest payments which has maintained high credit demand, which in turn, has prevented the lowering of interest rates. This vicious cycle of high credit demand maintaining high interest rates and thereby increasing the debt burden and the credit demand further, has been taking place concurrently with the deepening world recession."

"The current level of interest rates is extraordinarily high.... *It would only be brought down by freezing the interest payments* burden which is at present the major source of credit demand in the Euromarket." Nakamae points out that rollovers simply solve the problem today only to make it worse tomorrow.

Paralleling *EIR's* views, Nakamae points out that "as long as the financial aspect of the North-South problem is not solved, the world economy cannot enter a new recovery phase."

However, Nakamae points out the major political problem: the blindness of world financial elites. "It is unlikely, however, that this practical solution [moratoria] would be implemented in order to rescue deficit countries except if a serious crisis developed. For instance, the default of a major debtor country could force international bankers to apply a moratorium."

East-West Trade

No relaxation of pipeline sanctions expected

Despite reports from the odd doings at the Bohemian Groves late last month to the effect that Secretary of State George Shultz promised German Chancellor Schmidt that sanctions against the Soviet-European pipeline would be lifted soon, well-placed White

House sources claim that no such decision will be made.

Schmidt apparently believed his old friend Shultz, since he told reporters in a later trip to Canada that he expected the pipeline problem to solve itself. Nonetheless, after the administration reviewed the modest softening of martial law conditions undertaken by the Polish government last month, the White House decided emphatically that the Poles had not met their conditions.

On the contrary, a White House official says, there could be stiffening of the sanctions. "There may be more unrest this month, because there are many kinds of anniversaries" of importance to the Solidarity union movement, the official added. "In this case, there would be retrograde action" that is, a stiffening of the sanctions.

International Credit

East bloc seeking new round of loans

On a case-by-case basis, Western banks are now informing East-bloc debtor countries whether or not they are eligible for a new round of requested loans. The banks have evolved a policy of "coordinated risk evaluation" in handling the non-U.S.S.R East-bloc countries.

On Aug. 7, Hungarian central bank head Janos Fekete signed a \$260 million loan in London, put together by a consortium of Western banks. Hungary was granted the loan after a recent round of 20-25 percent food price increases, and promises that rents and utility rates would be raised.

The Western banks granted the credit to Hungary—after denying loans to Yugoslavia and Romania—to indicate backing for Hungary's economic "liberalization."

In London, Fekete also indicated that Hungary may receive an additional \$300 million in September from the Swiss-based Bank for International Settlements.

On Aug. 12, Romania learned that it is now eligible again for U.S. bank credit, after such credits were suspended during deliberations on Romania's suspension of debt payments earlier this year.

Briefly

● **GEORGE SHULTZ** has run into obstacles in the form of "previous administration commitments" to the pipeline sanctions and other policies Shultz would like to change, close advisors say. They add that "European skepticism" of his capabilities is justified.

● **A CABINET-LEVEL** U.S. group is now discussing measures to deal with an international banking crisis, including increased central bank swap lines and IMF borrowing on the private markets.

● **LOMBARD-WALL'S** bankruptcy filing Aug. 12 hit Chase Manhattan for \$45 million, Chase's third such incident this year, following Drysdale Securities and Penn Square Bank.

● **JACK KEMP's** anti-tax-increase group believes it has a strong chance to stop President Reagan's three-year, \$100 billion tax rise in the House of Representatives.

● **A SECRET TREASURY** meeting last month on the natural gas pipeline discussed pushing AEG-Telefunken into bankruptcy in retaliation for the German firm's leading role in the pipeline, a month before AEG's Aug. 10 Chapter 11 filing.

● **THE SIMPSON-MAZZOLI** bill to further restrict "dark-skinned" immigration to the U.S. advanced toward passage Aug. 13.

● **THE SOCIETY** for Mideast Confederation, based in Haifa, Israel, is calling for large-scale irrigation projects to develop the Syrian desert, partly by tapping the latter's underground water and partly through flows from the Tigris and Euphrates Rivers. According to the *Frankfurter Allgemeine Zeitung*, the author of the plan also seeks to develop the West Bank, to provide the economic basis for a viable Palestinian state.

Why the world's steel industry must be saved

by Richard Freeman

The U.S. Commerce Department issued a ruling on Aug. 10, calculated to antagonize Europe and plunge the United States, Europe, and Japan into a heated round of mutual recriminations and increased protectionist actions that will lead to the cartelization of the world steel industry and the shutdown of 50 percent of its current capacity.

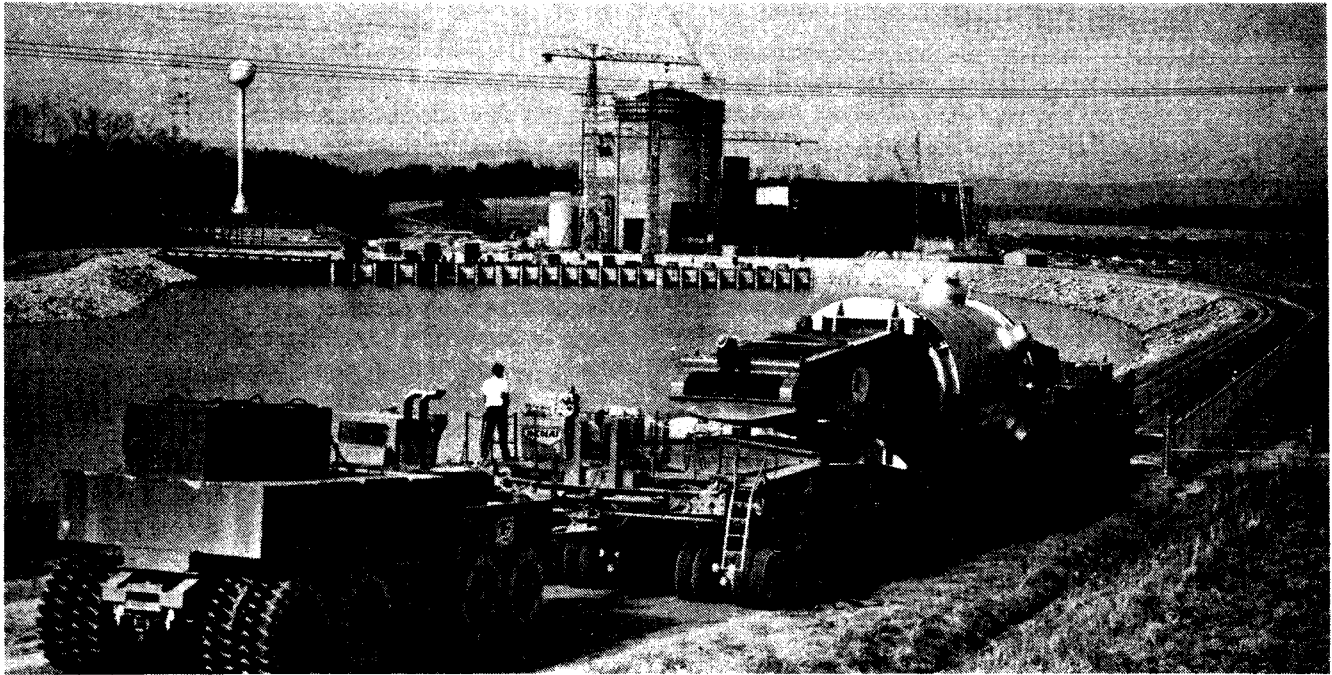
This move is an attempt to bring all world industrial development to a screeching halt, and stifle at birth the ambitious and absolutely necessary plans to industrialize the Third World and bring it out of its backwardness and misery.

The Commerce Department ruling was not written in Washington, D.C. but was devised at the level of the current Industrial Commissioner of the European Commission, French Viscount Etienne Davignon, and his predecessor in that post, Guido Colonna di Paliano, the representative of an oligarchical Italian family that traces its lineage back 2,000 years.

In its ruling, the Commerce Department claims to have found that steelmakers from Germany, France, Italy, Britain, Belgium, and Romania are guilty of "dumping" their steel in the United States—that is, selling the steel at prices that are either below the cost of production or the selling price of the steel in the steelmakers' home markets. This follows a ruling made this spring by the Commerce Department, in which five European nations, as well as South Africa and Brazil, were charged with unfairly subsidizing their nations' steel producers in order to undersell American steel producers.

In both cases, the Commerce Department levied heavy fines against the foreign steelmakers, after charges were first brought by American steelmakers, led by U.S. Steel, the nation's largest steel producer, which is run lock, stock, and barrel by Morgan Guaranty Bank. U.S. Steel has continued to make the claim that it was "protecting U.S. steel production levels and jobs." This is a gross but almost universally accepted lie.

The reaction in Europe will be swift and acute, all the more so because the Europeans had been attempting to work out a "reasonable agreement" on the first ruling when the second ruling came down. After the first ruling, Wilfried Martens,



Courtesy of Atomic Industrial Forum

Delivery of a nuclear reactor vessel to the Oconee Nuclear Generating Station near Seneca, South Carolina in 1972. World economic recovery and development depend on the creation of such steel-intensive scenes across the Third World, which needs tens of millions of tons annually for roads, ports, nuclear generating facilities, earth-moving equipment, and agricultural vehicles.

the Prime Minister of Belgium, angrily said. "It seems the world's two biggest trading units [the U.S. and Europe] are taking stands heading toward a conflict."

The economics of manipulation

What the British have created through the Commerce Department "anti-dumping" and "anti-subsidization" rulings is a situation in which they control, and therefore can manipulate, each side of the operation. The British intend to implement a worldwide "Davignon Plan" to rationalize the world steel industry, named after Commissioner Davignon, who is shutting down Europe's steel industry through cartelization and rationalization.

In 1977, Davignon succeeded in getting the leading European nations to adopt a minimum price for steel reinforcing bars, as a way of stopping the price-cutting that spread in the wake of the downturn of European steel sales. But this was only the beginning.

In October 1980, using the fact that the high interest rates of British asset Federal Reserve Board Chairman Paul Volcker had devastated the European steel industry, whose capacity utilization rate had plummeted to 55 percent, Davignon maneuvered the European nations into far more drastic measures. These included a quota system for each country *with maximum steel production limits*, as well as minimum prices and import controls. Large fines were established for companies that broke the code. As the steel industry collapsed further in 1981, Davignon succeeded in gaining agreement from the European nations to cease all state aid, including subsidies to their steel companies, by the end of 1985. In

Europe, where large chunks of the steel industry are owned by the state, this means cutting back drastically on production.

This is exactly what Davignon has in mind. His plan has explicitly mandated that all subsidies be tied to plans for rationalization, that is, steel-plant shutdowns. This was the plan first put forward in 1970 by the European Community's Guido Colonna di Paliano, on behalf of the European oligarchy. His 1970 "Colonna Report" called for a rationalization of all European industry and a halt to economic growth under the guise of "integrating Europe industrially." Steel is the leading, and most vital, industry that the Colonna-Davignon forces have been able to shut down.

In the United States, the British and Venetian families have chosen to work through Morgan Guaranty, the leading British-controlled bank in America, and its asset, U.S. Steel, the largest American steel producer. U.S. Steel was formed in 1901, when J. P. Morgan stripped Carnegie Steelworks from Andrew Carnegie, and merged it with the steelworks owned by the anglophile Moore family. In the 1960s, the Morgan interests finally steered U.S. Steel out of steelmaking, while working to sabotage plant and equipment expansion throughout the industry. In 1981, U.S. Steel earned less than 15 percent of its profits from steel; most of them came from real-estate speculation and raw-materials holdings. Then, early this year, U.S. Steel spent \$4 billion to buy Marathon Oil. A Japanese steel executive reported recently that he had met this spring with U.S. Steel chairman David Roderick and asked, "Why did you buy an oil company? For \$3.2 billion, I can build a 5-million-ton new integrated steel plant in Japan." Roderick did not answer.

The Morgans also heavily influence Bethlehem Steel, while the Mellon, Harriman, Hanna, and Belmont interests continue to run most of the rest of the U.S. steel companies. These families assert that "there is too much capacity" and that steel is a "sunset industry."

This viewpoint was explicitly stated in the 1980s Project of the New York Council on Foreign Relations, manned by "patrician" American families, and controlled by British-centered anti-industrial strategists. This project, a purported "look into the future," published 26 volumes of studies. In the 1980s the world must be put through what was termed "controlled disintegration," they concluded, by means of oil shocks and credit contraction. Paul Volcker was a director of the CFR's 1980s Project.

In 1980, after Volcker's high interest rates had slashed American steel production, U.S. Steel Chairman Roderick led the move by the American steel companies to obtain anti-dumping and anti-subsidization rulings from the Commerce Department. U.S. Commerce Secretary Malcolm Baldrige, a member of the New York CFR, approved the U.S.-Steel-led request.

It requires no great imagination to see how the requests dovetail, and mutually reinforce protectionism. For example, Viscount Davignon has demanded that Europe's governments stop subsidizing their steel industries. Since, as noted, a large chunk of Europe's steel industry is owned by its national governments, "subsidization" is actually capital investment. The Commerce Department rulings make Davignon's claim that subsidization is illegal official U.S. policy.

And both America and European nations have been forced to attack Japan's steel industry—which is the most modern and technologically progressive in the world, but is now operating at only 60 percent of capacity. The nations of the continent have been thrown at each others' throats.

Not only have the U.S. Commerce Department and U.S. Steel coordinated with Davignon to demand a closing of "excess capacity"—a policy U.S. Steel and other steelmakers are implementing unimpeded in the United States—but these parties have demanded the additional firings of hundreds of thousands of workers and deep wage cuts, even though the American steel workforce has been slashed by 100,000 since 1978, while the European workforce has been cut 200,000 during that period.

In short, the protectionist steel fight the British have rigged between the United States, Europe, and Japan is not protecting the steel industry or steel workers, but rather is the impetus, under the guise of forcing international competition, for making each country slash its steel output, and thus accelerating the imposition of a Malthusian world order.

'Great Enterprises'

At this point, the most criminal feature of the British drive to impose a global Davignon plan is that it sabotages what is absolutely necessary to industrialize the so-called Third

World: the steel for high-technology capital goods that will be employed in Great Enterprises around the globe.

As this Special Report shows, plans currently exist to conduct 110 major Third World development projects that will export nuclear energy plants to the Third World; build roads, other infrastructure and hundreds of thousands of factories; and turn current desert regions into breadbaskets. These combined plans not only require the collective finished steel capacity of the entire advanced sector. They require a *quadrupling of the world's capacity for finished steel products*, which is currently roughly 500 million tons per year. Eighty percent of the finished steel capacity is located in the collectivity of Europe (158 million tons per year), Japan (124 million tons per year) and the United States (115 million tons).

This will also demand a tremendous increase in the number of steel plants in the Third World. It will require applying the latest technologies of continuous casting, direct reduction, and as soon as possible, "leapfrogging" to the technologies of nuclear fission- and fusion-based steel furnaces.

The element missing is not awareness that these projects need to be done, nor knowledge of which technologies need to be explored and perfected, but rather the *financial arrangements* to realize the vast expansion of the OECD's steel capacity and export of steel-content capital goods. Without such a financial arrangement, nothing else can happen.

The dimensions of that financial arrangement have been specified by Lyndon H. LaRouche, Jr., founder and Contributing Editor of *EIR*. LaRouche has proposed that Third World debt, which is forcing murderous devolution, be rescheduled. This can be done by setting up an international rediscounting facility by treaty agreement among nations, and coupling it to a gold-based monetary system, with gold revalued for official purposes at the level of \$500 an ounce. This new facility would first buy up the non-performing Third World debt on the books of leading commercial banks at a discount. The banks would be issued in turn long-term gold-backed credit.

At the same time, the Third World would be issued gold-backed credit from this new facility, for the purpose of importing high-technology goods from the advanced sector. The bonds would bear a 2 to 4 percent interest rate, and \$400 billion of them would be created in the first issue. This would allow for a \$400 billion increase in high-technology goods exports from the advanced sector to the developing sector to begin the process of industrialization.

Provided that this international reform is accompanied by the establishment of central banks on the model of Alexander Hamilton's First Bank of the United States, in the advanced-sector nations to funnel cheap, abundant credit to productive industry, then this industrial boom can be realized. Given this potential, any individual who would accept the British-rigged game of protectionist trade war would show himself as insane as he is suicidal.

'Great Enterprises' require steel output: the dimensions of economic recovery

by Marcia Merry Pepper

A competent program for global economic recovery must center on the production of energy and steel, the backbone of any modern industrial economy. Over 500 million people in the world are living at pre-Iron Age levels, that is, in countries with no measurable steel consumption at all. About two-thirds of the world's population, 3,408 million people, have an average per capita steel consumption of 44 kilograms per year, compared to over 500 kilograms a year in the advanced economies. The 44-kilogram figure defines a living standard of open fire cooking, minimal tools, and travel on foot.

To bring these millions up to the level of Mexico's average steel consumption of 100 kilograms/year per person would require an annual increase of world steel output of about 20 percent, produced over several years of economic development activity—not an impossible amount (Figures 1 and 2). In fact, this is about the same percentage of underutilization of existing steel capacities in the United States and Western Europe for the past five years.

These figures, in crude measure, show how far we are behind a breakeven steel production in relation to minimal world demand. But these calculations do not consider the vast steel inputs needed for a competent program to accomplish the global economic development tasks before us. To do this, it is necessary to create the conditions in which every nation can develop an independent steel industry. Under these circumstances, the steel sectors of the major producer nations will play a unique role—most emphatically including the United States. Today's industrialized steel producers must gear up capacity to produce the steel-intensive energy production technologies and infrastructure project inputs upon which high-technology-based developing sector economic growth depends. Thus, demand for world steel must be calculated by choosing national and international infrastructural, agricultural, and industrial development programs and determining their bills of materials.

Steel for nuclear energy

For example, nuclear power expansion is essential for all development programs. To build one light water nuclear reactor of 1,000 megawatts electrical generating capacity requires approximately 47,900 tons of carbon steel; 4,870

tons of alloy steel; and 2,030 tons of stainless. (Of nuclear technologies, light water reactors are mid-range in steel usage.) Therefore, to construct a thousand 1,000-MW light water reactors in the United States over the next 40 years—a reasonable projection of need—will require production of 47.9 million tons of carbon steel, 4.9 million tons of alloy steel, and 2.03 million tons of stainless. To manufacture another 1,500 reactors in the United States for export to the

Figure 1
World steel consumption levels, 1977

	Annual consumption of steel		
	Total metric tons (in millions)	Kilograms/capita	Population
World	667.0	150	4,414,000,000
21 top consumer nations	516.0	512	1,006,700,000
U.S.S.R.	145.6	567	
U.S.	133.9	618	
Common Market	103.6	398	
Japan	58.2	512	
Comecon	55.0	506	
Canada	12.8	550	
Scandinavia	6.9	498	
All other nations	151.0	44	3,408,000,000
Selected nations			
Mexico	6.5	100	
China, People's Republic	32.5	38	1,012,200,000
India	10.2	16	667,800,000
Nations at Mexico's level & above (41 countries)	524.3	344	1,523,316,000
All nations below Mexico's level	142.7	.5	2,890,684,000
Low consumption nations			
Indonesia	1.2	8	148,900,000
Pakistan7	9	84,000,000
Afghanistan	—	—	14,699,000

Source: *World Statistics*, 1982.

Consumption means production plus imports, minus exports. Most of the figures shown were assembled by the Statistical Office of the United Nations. Although five years have past, the patterns of consumption remain relatively the same. Over 510,000,000 people have no reportable consumption of steel at all.

developing sector, whose needs require over 3,000 reactors of all types over the next 25 years to achieve a living standard on the level of Europe today, will create a demand for an additional 82.2 million tons of steel in the same ratio as above (figure 3).

The steel demand for nuclear power reactors alone will overtax the decaying U.S. steel industry. But the overall challenge is greater. Presented on the map are 13 "Great Enterprise" projects—special large-scale development projects selected for their prospects of enormous productivity gain through hydroelectric power, agricultural output, mineral wealth exploitation, and so forth. In addition, there is a continuous need for smaller-scale infrastructural projects in the developing sector, and infrastructural overhaul and major new developments in the advanced sector.

The projects shown on the map include those recommended by the LaRouche-Riemann econometric model team for further analysis, and others proposed by the Mitsubishi Research Institute in a plan released in 1977, calling for the creation of a \$500 billion Global Infrastructure Fund. The Mitsubishi study identified 12 large-scale infrastructural development projects out of a total of 110 reviewed by the institute. Three of the projects identified on the map are underway.

In India, there has been construction ongoing for over a decade on the Rajasthan Canal. This is part of a series of hydraulic projects, proposed by former Irrigation Minister K. L. Rao, for a National Water Management System, to be constructed over 30 years and result in vastly expanded output. The LaRouche-Riemann model team analyzed how to expand the water system even more ("The Industrialization of India: From Backwardness to Industrial Power in Forty Years," *EIR* Special Report, February 1980). However, in 1980 the government of India announced a simplified version, due to economic constraints, calling for a 20-year construction period. The Ganges-Brahmaputra River link has not yet been initiated due to ongoing discussions between Bangladesh and India.

To complete the water management system on any significant scale will require huge amounts of cement and large quantities of steel. The LaRouche-Riemann model projections specify 40 million tons of steel over a 30-year period.

The Siberian development program is proceeding in all three zones noted on the map. After the U.S. embargo on exports to the Soviet natural gas pipeline, the specialty steel requirements contracted with U.S.-connected suppliers, will instead be supplied by other firms in Europe and within the U.S.S.R.

In the eastern Amazon, construction is underway on a major industrial belt—the Greater Carajás Project. The centerpieces are the development of an iron ore mine in the Serra dos Carajás—a mountain of ore estimated at 18 billion tons of 66 percent purity; and the Tucuruí Dam. Locks at Tucuruí will allow river transportation, and a 550-mile railroad is under construction to São Luis. Begun in 1980, this area is one of the largest development zones ever in world history.

Plans for the other Great Enterprise zones shown are in varying states of study and evaluation. The Mekong Delta project has been intensively studied for 20 years; the feasibility demonstrations have been completed, and technically work could start at any time. Other projects, for example the proposal to roll back the deserts of North Africa, are far less mapped out, but could call upon the arid-agriculture technology so well-developed in California, Israel, and elsewhere.

The demand for steel created by the simultaneous construction of any of these projects will necessitate continually doubling capacity. Like the India water management project, the North American Water and Power Alliance proposal needs 40 million tons over 20 years. This implies a scale of demand for the North African project of at least an equivalent amount.

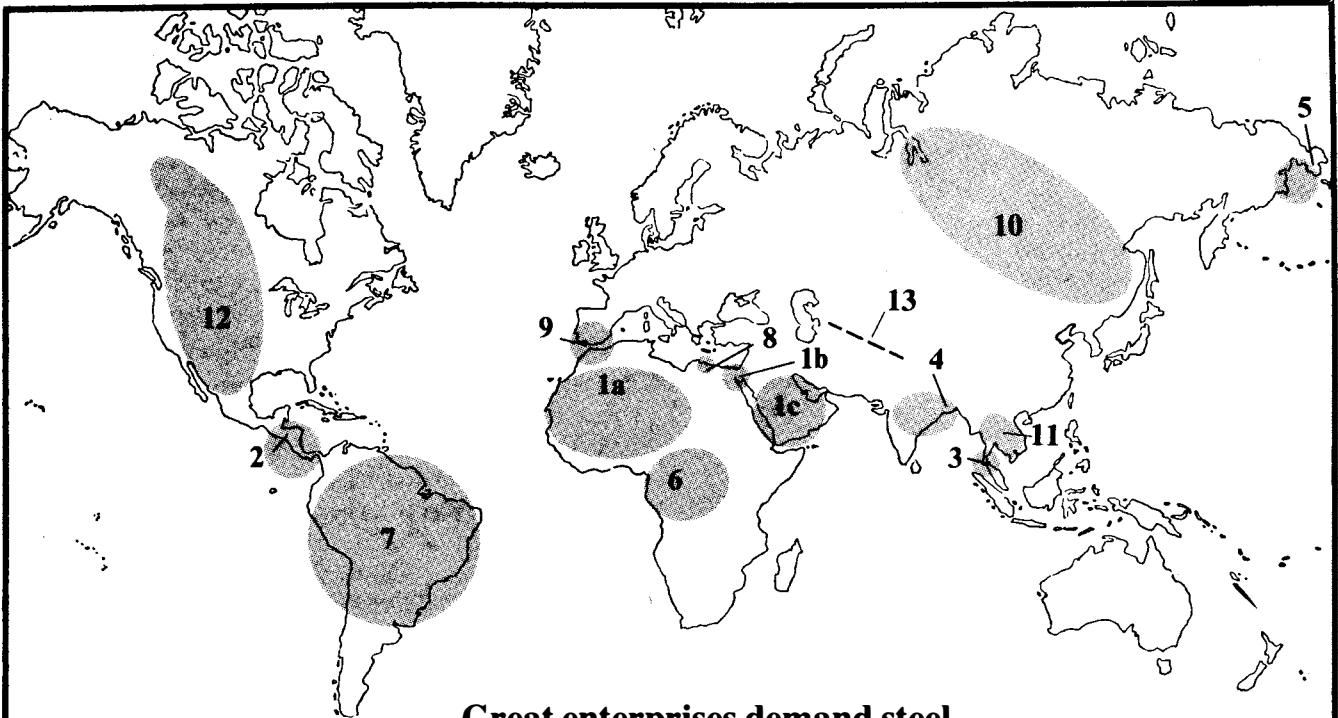
To accomplish the Great Enterprise development will require extensive smaller-scale infrastructural projects throughout the developing sector, and extensive improvements in advanced-sector infrastructure.

Constructing the NAWAPA project demands extensive upgrading of the transportation network throughout North America, to handle the increased shipping flow. The estimated tonnage of steel required to put the U.S. ports and rail system into operating condition is in the range of 10 to 20 million tons over a 10-year period. The amounts of steel

Figure 2
World steel production levels, 1978

	Production of raw steel (thousands of metric tons)	% world production	Unused production capacity, 1978 (thousands of metric tons)
World	717,080	100	
21 major producer nations			
U.S.S.R.	151,404	21.1	
U.S.	124,287	17.3	18,900
Common Market	132,622	18.5	70,860
Japan	102,083	14.2	49,220
Comecon	59,633	8.3	
Canada	14,895	2.1	
Scandinavia	7,453	1.0	
	592,380	82.6	138,980
Significant producers			
China	31,773	4.4	
Brazil	12,202		
Spain	11,336		
India	10,096		
South Africa	7,900		
Australia	7,594		
Mexico	6,709		
North Korea	5,079		
South Korea	4,967		
	80,736	11.3	
Subtotal, major & significant producers	673,116		
All other nations	43,964	6.1	
Additional potential production	138,980	19.4	
Production level possible, 1978	856,060		

Source: *Annual Statistical Report*, 1981, American Iron & Steel Institute.



Great enterprises demand steel

1a, 1b, 1c) Greening of deserts: Greening of the deserts in the Sahara, the Sinai, and the Arabian peninsula.

2) Second Panama Canal: Construction of a large canal linking the Atlantic and Pacific Oceans in Central America (e.g., Nicaragua or Panama or Mexico).

3) Kra Isthmus Canal: A 170-kilometer-long canal linking Phang-nga Bay on the west coast to the Gulf of Siam on the east coast. This would shorten by 2,400 km the sailing distance to and from the Indian Ocean.

4) Indian national water management. Series of projects involving hydroelectric power development in the Himalayas, on the upper reaches of the Brahmaputra River system; and canal systems in the Punjab and other zones, utilizing moonsoon rain reservoirs and radial wells. Sea barrier systems are projected for the huge Ganges-Brahmaputra delta, to retard flooding and salinity.

5) Control of sea current in the Bering Straits: Construction of a dam across the Bering Straits at their narrowest point (85 km wide, 45 m deep) and control the sea currents flowing from the Arctic Ocean. This would alter atmospheric conditions in the North Pacific and make the climate more temperate.

6) African central lake: Control of the flow of the Congo River by building a dam to create a vast lake in the Congo and Chad regions of central Africa to improve natural conditions in the area.

7) Hydraulic power in South America: Construction of nine dams and seven artificial lakes across the Amazon, Orinoco and Paraguay rivers. The related countries are Brazil, Venezuela, Colombia, Peru, Bolivia, Paraguay, and Argentina. Already underway, the Itaipu Dam on the Paraná River is the world's largest (12,600 megawatts, double that of the Grand Coulee Dam). The Carajás region of Brazil is slated for major industrial development, including integrated port and rail facilities. The famous mountain of iron, Serra dos Carajás, which was discov-

ered in 1967, is estimated to have 18 billion tons of 66 percent pure ore.

8) Qattara Depression project: Construction of the canal between El Dabba and El Sira. Construction of port at El Sira. By the flow of water through the canal, electric power is generated.

9) Gibraltar Strait bridge/tunnel: Construction of a bridge/tunnel between Morocco and Spain. European and African continents are connected through the surface transportation.

10) Siberian development. Three "territorial production complexes" are underway: West Siberia, involving huge natural gas and oil extraction systems of pipelines and roads; Angara-Yenisei River basin development, in which one of the world's largest hydroelectric dams is under construction, as part of a planned new industrial zone; Baikal-Amur Mainline Railway (BAM)—a several thousand mile span, north of the Transiberian to handle huge bulk freight of coal, ore, and minerals.

11) Lower Mekong project. Plans are complete for the integrated development of the lower Mekong River basin. A system of dams, sea dykes, and waterworks can control the Mekong flow (third largest in Asia), and enable massive agricultural surpluses. The huge Ma Pong Dam, projected for the Lao-Thai border, and other dams would provide hydro-electric power.

12) North American Water and Power Alliance project (NAWAPA). Proposal to divert southward the huge volume of run-off water now flowing northward from Canada and the Yukon into Hudson's Bay. A 500 mile valley in the Canadian Rockies would be part of the channel. Project would provide 130 million acre-feet per year for U.S. irrigation; 100 million acre-feet per year for Canada and Mexico; and supply 50,000 megawatts of hydroelectric power.

13) New Silk Road: Construction of modern version of ancient "silk road" across the Eurasian continent from the central part of Europe to China.

Figure 3

Demand for steel, nuclear plants and water projects

I. Nuclear power plant production—

Demand for 1,000 new plants for the U.S. by 2020	
Carbon steel	47.9 million tons
Alloy steel	4.9 million tons
Stainless steel	2.1 million tons
Demand for 1,500 new plants forexport by the U.S. to the developing sector by 2020	
Carbon steel	71.85 million tons
Alloy steel	7.31 million tons
Stainless steel	3.04 million tons

II. Water projects

North American Water and Power Alliance	
Steel needs during 20-year construction period	40 million tons
India Water Management	
Steel needs during 30-year construction period	40 million tons

Sources: "Nuclear plant construction," *Industrial Revival for the 1980s*, National Democratic Policy Committee; "NAWAPA steel demands," *EIR*, April 6, 1982; "India development projections," *The Industrialization of India*, *EIR*, Special Report, 1979.

required just to maintain the existing constricted rail and road system totals 6.3 million metric tons a year (figure 4). The Council of State Planning Agencies estimates that one out of every five bridges in this country needs to be replaced.

The LaRouche-Riemann model team analyzed a proposed program of implementing seven Great Enterprise projects and determined that fully one-third of the estimated \$5 trillion required by the year 2000 should be spent on smaller-scale infrastructure projects like port development, sanitation systems, and similar essentials. Many of these developments are already underway or on the drawing boards in such Third World countries as Saudi Arabia, Brazil, and Egypt, which rank among the top five developing-sector nations investing in infrastructure at present. The LaRouche-Riemann model team has measured the positive effects of implementing selected Great Enterprise projects on productivity, growth rate of the tangible, total economy, thermodynamic efficiency ($S/C - V$), increased life expectancy, and population growth.

Bridge to space

Just as in the 18th century Benjamin Franklin and his networks mapped new lands and projects for population growth, and researched electricity as the power of the future, the task of the 20th century is to explore and map for colonization the next frontier of humanity: the solar system and the stars beyond. Mobilizing for global infrastructure development creates the overall leaps to succeed in space. What is required is an immediate doubling of the \$12 billion now spent worldwide on space exploration—and then a tripling and quadrupling of these expenditures. By early in the 21st century, we must be ready for large-scale population shifts from Earth to colonies in the solar system, similar in scale to

the late-19th-century mass immigration from Europe to the United States. A strong space effort will produce continual technological and scientific breakthroughs. We can define our development tasks of the present only by looking into the future, and counting as a great blessing the fact that we are among the first generation of humanity that has the opportunity of developing our globe as a bridge to colonize our solar system.

Meeting demand

Even the full-scale utilization of all steel capacity of the major 21 steel exporting nations, which produce 83 percent of the world's output, would be inadequate to supply just the "small-scale" infrastructural demand, not counting the schedule of "Great Enterprise" demand. The annual output of 80.7 million metric tons from the nine steel-producing nations outside the 21 advanced economies, needs to be at least quadrupled as rapidly as possible, while in addition, new steel-production centers are established on each continent.

India has two new steel plants under construction on the Bay of Bengal, each with about 3 to 4 million tons capacity. The Visakhapatnam (Visag) plant is being done with Soviet assistance. The first phase should be completed by 1983. The Paradeep plant will be completed under exclusively Indian supervision since Britain, the initiating co-developer, has pulled out.

A national growth plan just released by the Colombian government's Industrial Promotion Institute (IFI), specifies five new steel-production sites. Three are the same as those recommended by the LaRouche-Riemann development program for Colombia. Colombia's "Ruhr" should be concentrated on the Caribbean coast region from the Guajira Peninsula across to Cartagena. The peninsula has one of the world's largest coal mines, El Cerrejón, giving Colombia coal reserves estimated to be the largest in Ibero-America. Venezuela's large iron ore supplies are available by ship or rail.

The project's start-up period will require tons of steel imports from the United States or elsewhere.

Figure 4

Steel needs for U.S. rail and road maintenance

Highways	Metric tons
2,000 mi/year (interstate) annual repair	63,000
8,000 miles (interstate) deficit of repair	260,000
1,500 miles (interstate) unbuilt	60,000
Subtotal	323,000
Railway	
35,200 miles (annual track replacement)	6,200,000
Total	6,523,000

Source: *America in Ruins*, 1981. The Council of State Planning Agencies.

Advanced nuclear technologies can power 21st-century steel production

by Marsha Freeman, Science & Technology Editor

In order to make its requisite contributions to world development, the steel industry must quickly reach the highest possible level of productivity. What this means for U.S. steel producers in particular is to regain their technological impetus.

Today, a conventional manufacturer must use more than a ton of coal for each ton of finished steel produced. In addition to the pollution problems caused by burning fossil fuels, the cost and availability of metallurgical coking coal prevents the large-scale expansion of many nations' steel industries.

The major revolution on the horizon in steelmaking is the substitution of more advanced and efficient forms of energy for the bulk use of fossil resources. Over the next twenty years the application of advanced fission technologies can start the U.S. industry back on an upward climb of increased productivity and reduced cost of production.

Today's nuclear power plants, or light-water reactors, operate at a comparatively low temperature. The heat they can transfer from the nuclear reaction is in the range of 500-600 degrees Fahrenheit, which is too low for industrial processing.

The next-step liquid metal fast breeder reactors, which are being demonstrated commercially in France, Britain, and the Soviet Union, bring the available heat from fission up to the 900-1,100 degree range, still of only limited use. Since 1973 Japan has had a program under development to use high-temperature gas-cooled reactors (HTGRS) in the 1,700-2,000 degree range for nuclear steelmaking and other industrial processes.

Unlike the LWRs and breeders which use water and liquid sodium respectively, as coolants, the HTGR uses gaseous helium circulating around the nuclear fuel undergoing fission reactions. This gaseous coolant is well suited for the transfer of greater amounts of heat from the reactor core to water to produce super-heated steam for industry. Nuclear experts and design engineers in Japan are developing a heat exchanger system which can deliver steam at about 1,600 degrees Fahrenheit for industrial processing. In 1978, the Japanese company Ishikawajima-Harima Heavy Industry of Tokyo announced that its engineers had developed an experimental heat exchanger for that purpose.

The most advanced design for a nuclear steelmaking complex would largely eliminate the need for any fossil fuels and make use of the HTGR-produced electricity and process heat.

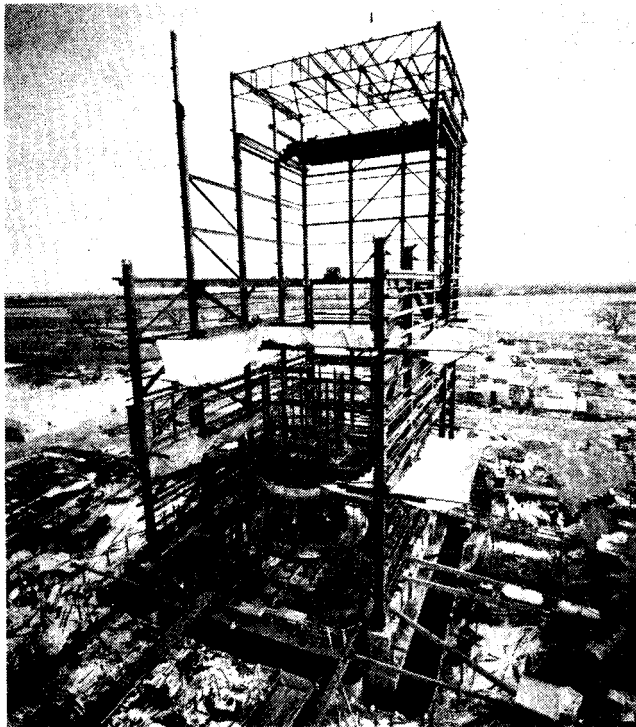
For the first stage of steel production, where the iron ore must be reduced, or purged of its oxygen, the nuclear process would eliminate the use of tons of coking coal and substitute nuclear-produced methane (natural gas) or hydrogen. The hydrogen could be produced either with the current technology of reforming methane, or better still, by using high-temperature electrolysis to free hydrogen from water. The methane or hydrogen gas would be combined with the iron ore to produce pig or sponge iron this first stage in a direct-reduction process. In the current production process, when the first-stage pig iron is ready, it is transferred to oxygen furnaces to have impurities removed and the carbon content of the iron changed to become steel.

In a nuclear steelmaking complex of the most advanced design, this reduced iron ore would be combined with steel scrap and refined into steel in electric furnaces. Today, due to the cost of electricity, only high-valued alloy steels are made in electric furnaces. But with HTGR and nuclear-based processing, the electrical power being produced by the nuclear reactor would be on-site and cheap enough to produce even basic carbon steel with this advanced technology.

A nuclear steel complex would be a nearly self-contained production unit, with the hydrogen being made on site, and the nuclear-generated process heat and electricity contiguous to the steel mill. The only large-scale raw material needed would be the iron ore.

The Japanese are planning to demonstrate a 50-MW thermal HTGR in 1983. By 1985 they plan to have developed the design for a commercial prototype nuclear steel-making plant, and within a decade of that achievement, to build a working mill. They plan to use byproducts, such as tar from petroleum refining, which have no use today, to produce the methane and hydrogen, using the HTGR's steam to crack these byproducts. In the future the direct splitting of water to produce the hydrogen-reducing gas could be even more efficient.

Since 1977 the U.S. government, which provides bud-



Courtesy of Public Service Company of Colorado

The high-temperature gas reactor demonstration plant of 300 MW at Fort Saint Vrain, Colorado: new energy technologies will demand, as well as help produce, huge volumes of steel.

getary support to the advanced design and materials development work for the HTGR, has attempted to terminate the entire program. The Carter administration's excuse was the anti-nuclear bias of the entire administration, and recently the Reagan administration has attempted to cancel the effort for budgetary reasons, claiming that private enterprise will pay for this nationally vital research. This is highly unlikely, under present economic circumstances.

The Bethlehem Steel Company had an active nuclear steelmaking research and development effort until the mid-1970s when it decided that the demand for steel would not justify developing this new technology.

Fusion: the next frontier

HTGR electric plants have already been demonstrated in the United States and West Germany. The development of the higher-temperature materials and components to link the HTGR to steelmaking and other industrial processing is a technology development task which the United States could take a lead in, with an appropriate financial effort.

The real challenge in nuclear steelmaking for the first decades of the next century is to harness the intense energy of nuclear fusion to revolutionize the mining, processing, and fabrication of many kinds of materials, including steel.

Nuclear fusion, the energy source of the Sun and all stars, takes place, not at thousands, but at tens of millions of degrees. At that temperature, all materials decompose into their individual elements, making it a simple task to separate the

oxygen from iron ore, or add carbon to pig iron. Unlike nuclear fission which can supply heat and electricity to industry, fusion fuel byproducts can also be used directly. These byproducts are in the form of plasmas, gases of charged particles at very high temperatures. The fusion process also releases various forms of radiative energy which can be optimized for various specific processes. The industrial technology known as the fusion torch is created by transferring a plasma from the fusion reactor, where it is created, through a connecting region that isolates it from the reactor, to an interaction region where materials are dissociated.

Once the materials, such as iron ore, have been reduced, a separation technique must be used to recover the desired materials. Many separation techniques have been postulated, but the one most appropriate for plasma steelmaking would be quenching, or quick cooling the plasma, to prevent the iron and oxygen atoms from recombining. Quenching can be accomplished by injecting a cooler gas into the plasma after separation, or by expanding the plasma, or by making it flow over a cooler surface. The materials and technology development for fusion-torch techniques have yet to be developed, but this should be the major challenge for the U.S. energy, materials, and steel scientists and engineers for the next decade.

No technology bottlenecks

As in the case of the HTGR, the major problem in developing fusion torch processing is not the existence of technology bottlenecks—the most immediate problem is that the federal government is pulling back from its responsibility to develop the energy source from which whole new technologies will be born.

The U.S. magnetic fusion energy program has been in a position of world leadership for the past decade. Now, when impressive achievements have been demonstrated in reaching the conditions to create energy from fusion, the Reagan administration is insisting that the nation does not need fusion power for another 70 years, and that the science and technology effort should be slowed down. Meanwhile, the Japanese government has committed its resources to demonstrate the commercial feasibility of producing energy from fusion by 1993.

If the United States slows its fusion program and loses the lead in this crucial energy technology, the Japanese will be in a position to export fusion power plants, with attendant plasma-torch steelmaking technologies, back to the United States in the next century.

The United States, with its obsolete steel industry, has no right to complain that the Japanese and others are producing cheaper steel and other materials, and will have even less right if its greatest research and development capability, the greatest in the world, is shut off. The future of the U.S. steel industry rests on its ability to marshal the required resources to leapfrog today's technology and prepare to meet the world's future needs.

The decline and fall of U.S. steel: a case study in de-industrialization

by Lydia Schulman

If the United States were to embark on a serious economic recovery program, one of the first bottlenecks would be its shrinking, antiquated steel industry. In fact, to gear up the economy, it would be necessary to begin importing steel on a large scale—much as America did from 1971 to 1974, the last period of relative economic growth.

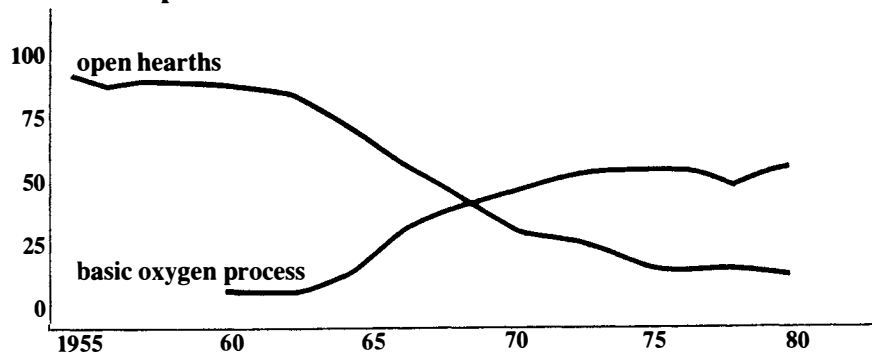
The U.S. steel industry is currently producing at around 40 percent of capacity utilization, a rate lower than the average level during the worst four years of the Great Depression, 1932 to 1935. Its shipments collapsed by approximately one third during the first five months of 1982 compared with the previous year, as auto, construction, capital goods, the railroads, the oil and gas industry, and other major steel users succumbed to Federal Reserve Chairman Paul Volcker's high interest-rate policy.

Industry employment is currently lower than at the depths of the last Depression. At the end of the first quarter, the

industry employed 234,000 hourly production workers, compared with 339,000 in 1978 and a high of 544,000 in 1953—statistics that mean that America's highly skilled work force is being permanently lost to lower-skilled jobs and welfare.

U.S. steelmaking capacity has shrunk from a peak of around 168 million tons per annum (of raw steel) in the mid-1960s to an estimated 151 million tons at present. Most of this capacity—high-cost, outmoded facilities that should have been replaced years earlier—has been shut down since the first quarter of 1975, when the full effects of the Oil Hoax and recession hit. The U.S. Commerce Department is projecting a slight net increase in capacity over the 1980s through "rounding out" programs and improved efficiencies. However, the economists admit that this projection depends on how much more capacity is shut down in the coming months and years. They anticipate that more of Bethlehem's Lacka-

Figure 1
Raw steel production in the United States by furnace type, 1955 to the present



This graph shows the replacement of open hearth furnaces, a 19th century technology, by the basic oxygen process, a more sophisticated technology which uses pressurized oxygen blown into the furnace to catalyze the refining process. This replacement accounted for a sizeable jump in steel making

productivity beginning in the 1960s. Note how the installation of BOP furnaces leveled off in the 1970s, and how open hearths persisted. In 1978, 15 percent of U.S. steel was still being produced by open hearth furnaces, after Japan had torn down the last of its open hearths.



wanna, New York plant will be closed, along with more of U.S. Steel's Homestead, Pennsylvania plant and even some of its newer Fairless Works in Alabama.

U.S. Steel, the industry leader, is notorious for its policy of "diversifying" out of steel—to the point where only one-third of its sales are now in steel. Real estate, chemicals, and oil and gas (following U.S. Steel's \$4 billion purchase of Marathon Oil earlier this year) make up the bulk. Other companies, including Bethlehem—the number two firm—have adopted a policy of not investing one cent more in older plants and equipment, literally running their assets into the ground before junking them. According to a survey of various Wall Street analysts, U.S. steel capacity could be reduced by as much as 40 percent over the next several years. In other words, American steel production could be permanently held

as low as the current depressed levels.

The more serious problem, indeed, the root of the current crisis, is the American steel industry's miserable record of capital investment. In the 1970s, steel capacity was being replaced at a rate of only 2.5 percent per year—a capital-replacement cycle of 40 years, the worst of any industry in the economy. What money was spent went into piecemeal modernization of aging plants—the replacement of a furnace here, a rolling or stamping mill there. As a result, U.S. steelmaking capacity stagnated quantitatively and qualitatively. And steelmakers had to pay the price of diverting an increasing share of outlays—now around 20 percent—to nonproductive, antipollution devices for antiquated plants.

The Japanese, by contrast, built entirely new, "greenfield" plants, seizing every opportunity to take advantage of the most modern technologies and economies of scale, as well as optimal plant location to minimize transportation costs of raw materials and of shipping the final product. Between 1957 and 1976, Japanese steel companies invested approximately the same amount in steel facilities as their U.S. counterparts; however, production capacity in Japan increased by 979 percent compared with 34 percent in the United States. Moreover, the Japanese companies had built 100 million tons of the most efficient, greenfield steel producing capacity, while the U.S. steel makers had installed only 11 million tons of greenfield capacity. (See Hans Muller and Kiyoshi Kawahito, *Steel Industry Economics*, 1978.)

A world without steel

A soon-to-be-released study by the U.S. Commerce Department on steel in the 1980s maintains that as GNP grows higher over this decade, the American economy will become less and less steel-intensive. Hence, the study concludes that steel demand is not one of the possible constraints on economic growth in the 1980s and, implicitly, the shutdowns throughout the industry are a necessary adjustment to a "less steel-intensive," "post-industrial" future.

The conclusions of the Commerce Department's steel experts follow from two methodological errors. First, they confuse real economic growth with gross national product (which includes inflated real-estate values, interest charges, and all types of fluff). Second, they project forward the post-1975 shift in the U.S. economy away from high-technology, tangible-goods production (machine tools, nuclear plants, infrastructure, housing) toward a post-industrial "information society" (personal computers, solar reflectors, downtown "rehabilitation" projects like Baltimore's boutique-lined inner harbor).

Said one Commerce Department economist who worked on the study, higher GNP growth in the 1980s will be composed of smaller autos that use less steel and electronic controls for machine tools, but not more machine tools. "One could argue that the United States will need to replace its railroads, bridges, and other infrastructure," he said, but that possibility was not figured into the department's projections on steel demand. Nor, according to the Commerce Department's projections, will the United States be producing more nuclear plants, houses, or tractors. Presumably, the future American population will eat Apple computers.

Technological obsolescence

The technological obsolescence of the U.S. steel industry became a national scandal in the late 1970s. Especially under recessionary market conditions, the U.S. steelmakers were in no position to compete with the technologically advanced, lower-cost Japanese producers. The U.S. industry's recent modernization drive has consisted solely in shutting down vintage-1900 facilities and in more piecemeal installation of modern equipment—large blast furnaces, new coke ovens, continuous casting—which the Japanese steel industry has had for more than 20 years.

Thus, Japan's ability in 1976 to produce a ton of steel 30 percent more cheaply than the United States was boosted to a 40 to 45 percent cost advantage by 1981. In 1980, Japan produced 136.4 tons of steel for every 1,000 manhours, while the United States produced 96.7 tons in the same labor time. Japan's yield had risen from 38.6 tons per 1,000 manhours in 1964, when the United States was producing 81.2 tons.

The U.S. steel industry is far behind Japan and other countries on all the key measures of technological advancement.

Greenfield capacity. These plants offer all the advantages of economies of scale, full integration and computerization, state-of-the-art technologies, and optimal siting—direct access to deepwater harbors, which greatly reduces the cost of iron ore, for example. On average, new greenfield plants produce a ton of steel in half the manhours of old

plants. Only two greenfield plants have been built in the United States over the last 25 to 30 years—U.S. Steel's Fairless Works in Alabama and Bethlehem's Burns Harbor, Indiana plant. U.S. Steel shelved its plans to build a 4-million-ton facility in Conneaut, Ohio after recession hit the steel industry in the mid-1970s.

Continuous casting. Continuous casters produce semi-finished steel shapes directly from hot liquid steel, eliminating the time, energy, and raw steel wasted in producing ingots and then reheating the metal and rolling it into desired shapes. Today, less than 20 percent of American steel is produced by continuous casting, the lowest proportion of all advanced industrial nations. In the summer of 1981, Japanese steel manufacturers were producing 70 percent of their steel by this method. As a result, the "yield" from raw to finished steel—a key measure of productivity—is low in the United States: 75 percent compared with higher than 85 percent in Japan.

Energy efficiency. Thanks to much wider use of continuous casting, newer and larger coking ovens and blast furnaces, and greenfield steel facilities designed to capture waste heat, Japanese companies presently use 30 percent less energy to produce a ton of steel than American companies.

Outlook For U.S.-Japan Economic Relations

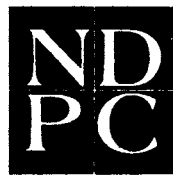
EIR's new 95-page Special Report shows why U.S.-Japan economic frictions will intensify unless U.S. economic policy is fundamentally changed. The furor caused by the "Hitachi computer espionage" case may be dwarfed by the use of a "national security clause" limiting Japanese exports to the U.S. The report details how administration officials designed the administration's strategy of economic tension with Japan, and how they manipulate congressional reflexes to carry out their "post-industrial" plans for both Japan and the United States. The report includes:

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Panelists: Gene Mahoney, President,
Central Labor Council, Fayette
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Emil Dicembre, President,
Cement Masons Local 56

11:00 a.m. **'The Post-Industrial Threat to
the Steel Industry'**

Speaker: Richard Freeman, Economist, EIR

Panelists: Jim Olson, Field Engineer;
John Ballant, USWA Local 1397

2:00 p.m. **'Great Enterprises in the
Developing Sector'**

Speaker: Uwe Parpart, Research Director,
Fusion Energy Foundation

Panelists: To be announced

7:00 p.m. **'Infrastructural Improvement in
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Panelists: Tom Shetterley, Vice-President,
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Can Sharon's reign of terror be brought to an end?

by Daniel Sneider, Middle East Editor

Sources close to Israeli intelligence have revealed that the mafia-style terrorist attack on a Jewish restaurant in Paris Aug. 9 was carried out by organized-crime circles known to be closely linked to Israeli Defense Minister Ariel Sharon and Chief of Staff Rafael Eytan.

According to these sources, the aim of the attack, which was followed by the bombing of a Jewish-owned bank, was to justify intensified Israeli attacks on west Beirut and to strengthen the hand of the Sharon-connected organized-crime faction in Israeli politics. The attack was carried out not along "Palestinian terrorist" patterns but was the work of a Maoist-Nazi terrorist sect operating out of Bologna, Italy.

The Paris murders are only the beginning of a worldwide wave of terrorism, aimed at Jews and moderate Arab governments, as well as Americans. Thus, continued toleration by either the United States or Israeli Prime Minister Menachem Begin of Ariel Sharon's military and terrorist capers will have disastrous consequences for Israel, the region, and the entire world.

In an open letter dated Aug. 6 to Prime Minister Begin, National Democratic Policy Committee leader and former presidential candidate Lyndon H. LaRouche forewarned Begin of the "hideous, worldwide chain-reaction now being set into motion around military actions in west Beirut." If elements in the Palestine Liberation Organization around Yasser

Arafat are destroyed by Sharon's rampage in Lebanon, and if the sane forces among Arab leaders are undermined, Khomeini-style Islamic fundamentalism will spread throughout the region, LaRouche warned, unleashing a petroleum-shock crisis that could bring down the economies of Western Europe and cause unimaginable suffering in the developing sector.

Only the "Old Nazi" International controlled by the monarchist oligarchy of Europe and its appendages in the United States and the Middle East could imagine it will somehow profit from this chaos, LaRouche states. Instead of doing the dirty work of their Nazi enemies, instead of "cleverly" allying with the Nazis and their Falangist offshoots in Lebanon in pursuit of a misconceived plan of survival, LaRouche urges Israel to create its own "Arab allies," starting with the Arab citizens of Israel itself. Let us create a great movement among the Arab people, he says. Let us destroy Khomeini and Khomeinism, and create water and nuclear energy to ensure regional prosperity. Quarrels over real estate can be brought to an end by creating real estate, by bringing in water and nuclear energy and transforming desert into arable land.

This approach, says LaRouche, will foster Islam in the humanist tradition of ibn Sina, and is in the tradition of Judeo-Christian republicanism, as set forth by the injunction in Genesis to be fruitful, multiply, and subdue the earth.

Since the start of the Lebanon crisis two months ago, U.S. special envoy Philip Habib has refused to deal with the overall Palestinian problem and has instead focused on the logistics of evacuating the PLO from Beirut. Such an approach ensures not merely the continuation of the Palestinian problem but sets the stage for the export of Palestinian radicalism throughout the region and the destabilization of every Arab government in the Middle East.

Arab diplomatic sources in Washington report that the Mubarak government in Egypt has told the State Department that it will not accept the PLO evacuees unless there is a commitment from the Reagan administration to seriously pursue a political solution to the Palestinian problem, including full-scale autonomy for the occupied West Bank and Gaza, and the withdrawal of the illegal Israeli settlements from those lands. These sources report that the initial State Department response was to refuse Egyptian conditions, telling the Cairo government that the talks are only aimed at getting the PLO forces out of west Beirut.

U.S. acquiescence to Israeli conditions for the destruction of the PLO, combined with the continued brutal Israeli bombing of Beirut as negotiations continue, is clearing the way for a wave of anti-U.S. and anti-Jewish radicalism throughout the Arab world, strengthening Islamic irrationalist forces like the Muslim Brotherhood against moderate Arab governments like that in Cairo.

"The image of the United States is at the lowest level everywhere in Egypt, from the bottom of society to the top," a senior Egyptian military source reported. There is a general deterioration of the situation in the region. People in Egypt are now "asking whether Egypt will be the next military target of Israel."

Similar reports of radical agitation are coming from the Persian Gulf. Last week, a demonstration of 50,000 took place in Kuwait, with members of the Kuwaiti parliament participating. Protesters carried anti-American banners and called for a new oil embargo.

Arab press sources in Paris allege that the events in Kuwait and the terrorism in Paris are part of the same operation, citing in particular the strengthening of the Muslim Brotherhood in Egypt and Jordan and the revival of the battle cry "War Against the Jews." British intelligence is playing a key role in manipulating this racist madness.

An Israeli journalist similarly pointed to a wider chain of command over the wave of terror and chaos now erupting out of Sharon's war in Lebanon. "More actions of this sort will occur in the next days," the Israeli source predicted. "There is a wave of anti-Semitism sweeping France and the people in control are a combination of the old Nazis, reconstructed after World War II and now operating out of Argentina, Sweden, and Germany, with the New Left and right extremists created since the 1960s who are using anti-Semitism for their own purposes."

There are faint signs that Sharon could find his wings clipped. On Aug. 12, the White House issued its strongest statement since the start of the Lebanon war, blaming Israel for deliberately sabotaging U.S. efforts to bring about a peaceful settlement of the crisis. Reagan phoned Begin and "expressed his outrage" over Israel's new round of bombing raids on Beirut, charging Israel with halting "Ambassador Habib's negotiations ... when they were at the point of success."

On the same day, the Israeli cabinet held its stormiest session ever, with Sharon falling under attack for having ordered the new attacks on Beirut without informing the rest of the ministers. Trade Minister Gideon Patt accused Sharon of acting unilaterally and said that President Reagan's anger at Israel was justified. The cabinet then stripped Sharon of the *carte blanche* that he has up to now exercised in Lebanon, stipulating that henceforth all military actions had to have the specific authorization of Begin.

The only minister to jump to Sharon's aid was Yuval Neeman, the new Minister for Science and Development and head of the neo-fascist Tehiya Party. Neeman, a nuclear physicist and Sharon crony, is building up a "super-ministry" of science, which aims to accelerate the Israeli nuclear and defense programs to make Israel self-sufficient in military technology and immune from arms supplies pressures. Neeman was intimately involved in the Israeli nuclear bomb construction project.

The Sharon mafia

At least one thread of the "Old Nazi" international mafia runs back to Sharon and his close collaborators in the Begin government who have directed the Lebanon operation and who, according to Israeli intelligence sources, hope to use the war to oust Begin and install Sharon as Prime Minister. Sharon is known to be backed by Meshulem Riklis, whose U.S.-based Rapid-America Corporation is said to be the center of a drug and organized-crime operation.

Nahum Goldmann, the former president of the World Jewish Congress, attacked this Sharon mafia in a recent speech on West German radio, characterizing Sharon as a "savage man" who is not only "terrorizing Beirut" but also his own cabinet. Goldmann, who is known for his advocacy of an overall Middle East peace settlement based on Arab-Israeli cooperation for economic development, said that the "behavior of Israel is going to bring the reappearance of anti-Zionist and anti-Semitic currents."

The wave of chaos unleashed by the invasion of Lebanon will place all governments in the area in jeopardy. One British intelligence-linked Arab expert in London snidely predicted that the Arabs "will have a lot of trouble with their own people. There will be a rise of irresponsible behavior, and a lot more terrorism. There will be a proliferation of wild actions."

An open letter to Menachem Begin

What follows are brief excerpts from an Aug. 16 open letter from EIR founder Lyndon LaRouche to Israeli Prime Minister Menachem Begin. Mr. LaRouche begins by stating that spokesmen for patriotic Israeli and other Jewish circles have appealed to him to help save Israel from destruction. "This appeal has touched me deeply; I cannot refuse it." He notes that since April 1975, he has been working to bring together Arab and Israeli spokesmen on behalf of a genuine peace solution entailing justice for the Palestinians, and consistent with the vital self-interests of both the Arabs and Israel.

... If the elements of the Palestine Liberation Organization around Yasser Arafat are destroyed by the current onslaught against Beirut, the forces of "Arab moderation" throughout the Middle East are defeated. The satanic beasts of Asharism, the admirers of that modern al-Ghazali, Ayatollah Ruhollah Khomeini, are unleashed throughout the Arab world.

The immediate consequence of such a development must be a general petroleum-shock crisis which brings down the economies of Western continental Europe, and unleashes unimaginable suffering throughout most of the developing sector. The economy of the United States of America, already teetering on the edge of general, chain-reaction financial-collapse, will plunge into a new "Herbert Hoover" depression, worse than that of 1931-1933.

Immediately, the Nazi International, based in such centers as Geneva, Lausanne, Liechtenstein, Muenchen, Madrid, will unleash their pestilence of lunatic "separatist" movements throughout the nations. Terrorism such as the world has not yet seen since NATO launched terrorism in 1969, will afflict every nation of the world.

In consequence of such a cascade of developments, Israel would soon cease to exist. . . .

The government of Israel remembers bitterly who these Nazis were. They were the families backing the blue-shirt fascists of Richard Graf Coudenhove-Kalergi, the evil black

oligarchy of Bavaria, Baden-Württemberg, the old Austro-Hungarian Empire, the Astors and Churchills of Britain, the Morgans and Harrimans of the United States of America. It was Churchill and the Morgans (Allan Dulles), who saved the hard-core of the *Allgemeine SS* during 1943-45 negotiations, and who restored that Nazi apparatus around the coordinating center of the Swiss Nazi Party's headquarters in Geneva and Lausanne. It was the Organization Consul and the Thule Society which created Hitler, and Israel's government remembers which Venice-centered oligarchical families were behind those monstrous organizations of the 1920s.

Then, why is Israel, so to speak, in bed with these evil oligarchical "families" today? Why is Israel allied with those same forces which created Hitler, in the Middle East today? . . .

The proper answer is well known. True, there are Jewish gangsters, called in Tel Aviv the "Frankfurt Mafia," and there are British agents of influence, such as Ariel Sharon. We speak not of such unhappy degenerates. We do not speak of such ex-Jewish creatures as Max Fisher or Meshulam Riklis. We speak of those who are honestly Jews, who have fallen into false thinking.

The Jew says, "We are a tiny people, and Israel is a tiny nation. We must be ferociously clever. We must be constantly at war. In war, 'all is permitted.'" . . .

The best way in which to destroy a victim is to induce him to become very, very clever. The Jew thinks he is using the Venetian oligarchy. The Venetian oligarchy gloats, and, with the recent developments around Beirut, begins to leer satanically. The Jew has become so clever, he is about to destroy Israel with his consummate cleverness.

Let us work to create a great movement among the Arab people. . . . If war cannot be avoided, let there be war, but let it be war for a just cause, a war to make way for the works of peaceful brotherhood. May Egypt prosper so! . . .

The Middle East is a region without sufficient water. Let us create water for the region, with high energy-flux-density sources of process-heat. Let us unleash nuclear energy to provide water for prosperity of the region. Let the Mediterranean flow into the Dead Sea, let it flow into the Qattara Depression. Let us build a political movement for good throughout the region with water and nuclear energy. Let us give the group around Yuval Neeman some proper work to do. Let us master, as we could quickly, thermonuclear fusion, and thus master the power to produce as much water as we require cheaply. Let Jew say to Arab, "This is our promise. Help us, that we may bring life-sweetening fresh water to you."

Let us destroy Asharism—no Arab or Jewish child of the future is safe as long as Asharism stalks the Middle East. But, as to Jew and Arab, especially Jew and Palestinian Arab, let us now, immediately declare: "Let them unite around a common banner of brotherhood and progress, to play their part in crushing the evil, oligarchical 'families,' so that mankind may, at last, have peace."

The Iran-Iraq war, the superpowers, and the British game-plan for savaging the Gulf

by Thierry Lalevée, European Bureau Chief

By the end of this month, the Persian Gulf region may very well undergo a crisis of international dimensions as a result of a reactivation of the 23-months-old war between Iran and Iraq, coupled with an increased destabilization of the Gulf sheikhdoms, including Saudi Arabia. This will be the direct consequence of the Lebanese crisis and of the inability of the Reagan administration to act as forcefully as the situation required in checking the Israeli military drive into Lebanon. Such a crisis will in turn provoke a new oil shock—with disastrous economic consequences. Eventually, it will most likely lead as well to a showdown between the superpowers; in the words of a senior Soviet analyst to the *Los Angeles Times* this summer, “Iran is the one place in the world where there exists the risk of a direct confrontation between American and Soviet troops.”

London—together with certain Israeli forces around Ariel Sharon and Yuval Neeman, is orchestrating the crisis with the aim of confronting the United States with yet another major foreign-policy failure. London and Jerusalem furthermore aim to force President Reagan to hand over his foreign policy to a “professional,” Henry Kissinger—the most hated man in the Middle East, in the Arab countries and Israel alike. London wants to re-emerge as the region’s sole protector and controller in the wake of the formation of two new “empires”—Israel and Iran—swallowing up, under British strategic control, the dismembered Arab states.

“Two hundred years of chaos in the Middle East” is London’s perspective for the region, in the words of Philip Adam, director of the London Ditchley Foundation—a process through which the “colonial creations” which are today’s Arab states “will collapse and be split into smaller units and entities.”

It is nothing less than the destruction of the entire region which is planned by these modern followers of key British lunatic Arnold Toynbee, the man who for 50 years oversaw Britain’s intelligence operations which are to be of use today—from the Islamic Asharite current represented by Iran’s Khomeini to the Arab world’s Ikhwan al-Muslimun, the Muslim Brotherhood. As Arab diplomatic sources have been warning, this means the destruction of more than 6,000 years of civilization on a scale unequalled even by the Mongol hordes. “Our civilization is being wiped away. The populations are turned into beasts. Racialism will re-emerge, Arabs

against Jews, Persians against Arabs.”

President Reagan recently received a direct warning to that effect when Egyptian Foreign Minister Hassan Ali presented to him the full consequences of America’s passivity against Israel. The 50,000-strong demonstration in Kuwait on Aug. 8 under the banner of “Death to America” was the first sign of things to come.

Khomeini’s role

A key pawn in that plot is Iran’s Khomeini and his ability in the upcoming weeks to mount a successful military offensive against Iraq as a first step toward the “Islamicization” of that country and the region. Iran’s offensives in Iraqi territory have so far met defeat; more than 27,000 Iranian soldiers are reported to have been killed, that is, butchered, as most were untrained “Baseej” or people’s militias deployed on the front line as human waves. The defeats have reinforced those inside Iran who see the war as pointless, a view shared by most of the Iranian army leaders who, like the general chief of staff, recently warned against pursuing the war further as Iran’s economy collapses, and threatened to resign if the Pasdarans (revolutionary guards) or the Baseej were not withdrawn from the front.

The ongoing economic collapse has provoked a credibility crisis for Khomeini in the eyes of the large part of the population which had supported him till now; dissatisfaction is now visible in the ranks of the army and even of the lower-level clergy. As an example, take the cancellation *sine die* of plans by some of Khomeini’s most fanatical followers in the so-called Meshed Mafia led by Ayatollah Golpayagani to try Ghotbzadeh and Ayatollah Shariat-Madari for conspiracy against Khomeini as a first step toward a major purge inside the clergy itself, despite an announcement in early July that the trial was soon to begin. Fears of a major religious and theological split forced that postponement, and the same happened to plans discussed last May to dissolve the Ministry of Defense and the regular army, in order to establish a ministry of the Pasdarans. The idea was quickly tabled when the army opposed it.

Hence Khomeini’s ability to wage a war relies more or less exclusively at this point on Iran’s supporters in London, Damascus, and Jerusalem.

Over the past few months, Damascus has emerged as

Khomeini's most loyal friend, politically and militarily, out of its own hatred of the Baathist regime in Baghdad. As reported by the Beirut correspondent of the West German newspaper *Hanauer Anzeiger*, Syria was the prime mover behind the July 15 Iranian military offensive. A month earlier, in mid-June, the Syrian and Iranian Foreign Ministers had met in Damascus to discuss carving up a dismembered Iraq, once an Islamic regime led by Khomeini puppet Ayatollah Baghr Hakim were installed in Baghdad. A few days later, Syrian Defense Minister Tlas flew to Teheran to complete the details; the Syrian ambassador to Teheran General Younes informed the Iranians in early July of an ongoing Iraqi military reorganization, transmitting Assad's evaluation of the need to attack Iraq earlier than planned, on Iraq's national day, rather than at the end of the month of Ramadan.

To prove its good faith, Syria itself redeployed troops at Iraq's borders while making a few overflights above Iraqi territory, as a signal that it could enter the war at any chosen moment.

Iran's second-best ally after Syria has been none other than Israel, the country Khomeini is supposedly dedicated to destroying. Intelligence sources have reported that Palestinian weapons seized by the Israelis in Lebanon were quickly recycled for hard currencies for Israel's benefit while benevolent arms dealers organized their shipment to Iran.

Israeli military help to Iran has been going on for quite some time, as former Iranian Prime Minister Shahpour Bakhthiar underlines in his accompanying interview. Israel's aims have been twofold from the beginning: to use Iran to destroy a most hated enemy, Iraq, while again developing relations with the Iranian military, "to be useful some day," in the words of many Israeli analysts. Such a connection has allowed the Israelis to even give military tactical advisers to the Iranians, and it is expected that under such sponsorship-Iran will shift its focus of operation from Basrah into central Iraq. There may be a direct strike at Baghdad aiming perhaps at replicating the Israeli siege of Beirut, in time for the first series of conferences preparatory to the non-aligned summit.

London's manipulation

Seeming to support Iraq in the first months of the war, as part of a strategy aimed at wooing the Arab world when the Carter administration was detestably involved in negotiations with Teheran, the British have for quite some time shifted their operational focus toward Teheran against Iraq. A clear sign was given last February when the Iranian military negotiated a huge arms deal in London.

Over the past few months, British intelligence officers have been advising the Iranians to go for a rapid dismemberment of Iraq, beginning with the creation of an "Islamic republic of Basrah" as a first step toward splitting the country into smaller entities. Their focus on Basrah is prompted by their wish to re-establish that particular region as a key British operational base. The model is the former sheikhdom of Muhammara, of which Basrah was the capital, ruled in the

early part of the century by Sheikh Alkhaz'al. As early as 1839, the British East India Company had established there the first British-sponsored Freemasonic lodge, which functioned as a conspiracy center for Britain's intelligence operations under the guise of "pan-Islamism" or "pan-Arabism." Under the guidance of the British-controlled "Grand Lodge of Hamburg," the Basrah center sponsored the networks from which the present leaders of the Iranian revolution came, such as Beheshti and Khalkhali. An attempt by the British to establish the sheikhdom as an independent entity failed in the early 1920s, and the "Islamic Republic of Basrah"—cutting Iraq from any outlet to the sea—is nothing but a re-activation of that old plan.

Activation of the old secessionist tendencies of the Chaldean or Assyrian synthetic religious cults in Iraq is also under way. A creation of Basrah's Freemasonic lodges these cults have re-surfaced in Teheran in the form of a "Chaldean liberation movement" which a year ago claimed responsibility for the murder of two Iraqi diplomats in the U.A.E.

Yet Britain's master card is obviously the Kurds, used again and again, not only against Iraq, but also against Iran, Syria and Turkey. Under the sponsorship of the British-Kurdish Friendship Society, led by the maverick Lord John Kilbracken, a Kurdish upheaval in Iraq is being planned to coincide with an Iranian military offensive. Kilbracken, just back from Iraq, detailed in a recent article in the *London Guardian* how the Iraqi army will be forced to be deployed at two simultaneous fronts. Between 10,000 and 15,000 Iraqi troops are already blocked in Kurdistan, while Kurdish rebels are being organized out of Damascus.

For London, Iran is nothing but a pawn, and as an "Iranian empire" is mooted, British anthropologists working out of Cambridge and Oxford are busy profiling Iran's own tribes for a similar split of the country.

The Middle East and the superpowers

Within that political geometry, the two superpowers will soon face a crisis none of them really wanted, but which stupidity and *Realpolitik* helped produce. Ironically, while both superpowers welcome, for quite different reasons, the Iranian revolution as a "bulwark against communism" and a "true anti-imperialist revolution" respectively, Washington and Moscow have been forced by other realities to shift toward a neutrality vis-à-vis Iran and renewed support for Iraq.

Talk of resuming diplomatic relations between Washington and Baghdad has not materialized, but only a few weeks ago U.S. Defense Secretary Weinberger blasted Iran for attacking Iraqi territory, while American support has been channelled to Iraq via Saudi Arabia and Jordan, and there are rumors that Secretary of State Shultz is expected to crack down on the Israeli-Teheran connection.

Similarly Moscow, out of the need to better its relations with the Arab world in the wake of the Lebanese crisis, has been supporting the U.N. resolutions calling for an immedi-

ate cease-fire between the two countries—resolutions supported by Iraq. And when Baghdad threatened to break the 1972 friendship treaty should Moscow fail to renew its military deliveries, the Soviets speedily came through, and Baghdad, in a good-will gesture, released a score of Iraqi communists from jail. Predictably, Teheran answered by arresting Iranian communists and banning the main Tudeh newspaper *Mardom*, driving underground once again the communist Tudeh leadership led by “Ayatollah” Kianouri. With the Soviet Baku radio beaming into Iran characterizing Rafsanjani as a “rat” or Montazeri as an “ass,” a slow deterioration of Iranian/Soviet relations began a few weeks ago; on Aug. 6 Tass blasted Khomeini for the first time for heading a “theocratic regime.” In between, mullahs of various ranks suspected of sympathy for the Tudeh had been purged. Hojateislam Khomeini, the man who had controlled the Iranian “students” at the American embassy, was voted out of the post of deputy speaker of the parliament and Nabui, the man who had negotiated the release of the hostages, was forced to resign as deputy prime minister.

Disillusioned by the present regime, Moscow has obviously not abandoned its hopes of controlling the country by proxy. Aware of the ongoing process of internal political disintegration, it remains ready to act. This is where British intelligence and its allies will intervene as they know that Khomeini will launch Iran into a desperate flight forward against its neighbors or internally, rather than admit defeat. Such an action would in turn force the Americans to intervene in the region to protect their allies in the Gulf. But an American military presence would force the Soviets to react on profile, too, and intervene in northern Iran. That’s London’s scenario, and that will be realized unless the superpowers enter into an agreement which 1) would curtail Iran’s military supply lines; 2) back up the moderate Arab countries against Iran and the threat of radicalization of the region; 3) make the commitment that whatever happens in Iran as a result of such steps would be entirely an internal matter and thus the business of none of them. Then London’s manipulation and bluff could be called and the region stabilized.

Interview: Shahpour Bakhtiar

Iranian ex-Premier on Israel’s intrigues

The following interview with Shahpour Bakhtiar, former Prime Minister of Iran, was conducted by Mary and Thierry Lalevé in Paris, on July 7.

EIR: Could you tell us your view of the situation in the

Middle East, and particularly the situation in Lebanon?

Bakhtiar: I can tell you that Khomeini will once again show his real face after the withdrawal of Iraqi forces [from Iran—ed.]. He will find another alibi, another diversionary maneuver. One day it is the American hostages, another day it is the war with Iraq, another day it is the call to open the gates of Jerusalem to the Islamic forces. All that has as its main aim to divert the attention of the population in Iran, which has many problems.

I think that following the withdrawal of Iraqi troops from Iran, Khomeini is going to say, “I am going to go to Iraq to impose my Shiite doctrine.” This is contrary to international order. It is like Hitler, who said, “I possess the truth. I am going to impose it on others.” And Khomeini’s flag will fly perhaps over Iraq, Jordan, Egypt, or the states of the Persian Gulf.

As for Lebanon, I think personally that the country can hope to free itself from a certain number of contingencies. I knew Lebanon when I was very young, when I was at the Lycée Français in Beirut when I was about 16 or 17. It was a beautiful country, where several communities—Jews, Armenians, Druzes, Orthodoxes, Maronites, Shiites, and Sunnis—lived in peace.

But the problems of the Middle East will not be solved in Iran or in Lebanon. The problems are infinitely more complicated. The problem of the Persian Gulf, for example, is that these countries are not really countries. These countries did not exist when I was a boy. Names like Bahrain or Kuwait existed, but that was all. Then oil was discovered. It was expensive; the Western world needed it, and some people got rich. These countries are not viable countries. When the oil runs out, the burning desert will return. These countries are not like Iran, Iraq, Turkey, or even Lebanon, which have other resources, not only oil. All these problems exist, and will not be solved by the Iran-Iraq war.

EIR: What do you think about the relations between the Soviet Union and Khomeini?

Bakhtiar: The essence of Khomeini is archaic. It is a dictatorship. It is a total absurdity. The Soviet Union would not be happy if there were a social-democratic regime in Iran. She would prefer a regime more like the Shah’s, knowing perfectly well that it would finish badly one day, a regime like the Khomeini regime, where there is disorder, killings, executions. “That is good,” think the Soviets, saying to themselves, “We will wait our turn, we will wait till the fruit is ripe and falls from the tree.” That is why the Soviets and Khomeini do not have bad relations. They understand each other. I find the Soviet Union even more cynical than Khomeini.

EIR: What do you think about Israeli aid to Khomeini?

Bakhtiar: Khomeini has received technical assistance, especially military, mainly for aviation—spare parts, maintenance, repairs, and so on—during the war. . . . Israel had

different aims. First, to be sure that the Iraqi army, which was a threat, could no longer be operational. That is now the case. After all that has happened between Iran and Iraq, neither the Iranian army nor the Iraqi army is operational. Israel had other aims too: to help the Iranian army defeat the Iraqi army, which it considered its enemy, as far as possible, then, they intend to tell the Iranians later, "we helped you, don't forget!" I don't think that the Israelis can remain friendly with Khomeini for very long—unless Khomeini is really pro-Israeli!

I think there is no doubt that Khomeini knew that spare parts were coming from Israel. The Israelis did this mainly to put the Iraqi army to the test, which they have done, and also to infiltrate the Iranian army, to have contacts, relations, and so on. Whether they have succeeded or not, I don't know.

EIR: How do you see the situation inside Iran?

Bakhtiar: One thing can be said. Given the problem of Lebanon, and other problems, neither the United States nor England has a plan to solve the problems in Iran. They said to themselves, "After all, there is a mullah, the county may be suffering, but we don't care!" The communist danger is not immediate for them. Evidently, there is communist infiltration which started some time ago. But it is not yet obvious, it is not yet urgent, they think.

Resistance is crushed inside Iran, by Khomeini's terrorism. It is unimaginable. I lived in France during the German occupation. There was the Gestapo, and I knew what it was, as a soldier in the French army. I don't think the Gestapo ever acted like the Pasdarans [Revolutionary Guards]. . . .

Now, Khomeini says, "Whoever I, or any other mullah, declares impious, or agnostic, could be executed without trial by anyone." You can see what results this can lead to.

Therefore, it is simply not possible for the Iranian people to make any signs of insurrection at the moment. That has to be organized from the outside, but with armed elements inside the country. Otherwise, there is no solution. Countries like the United States or England have no plan to help us, to send an expeditionary corps, which we do not want, as it would cost us dearly later.

EIR: What are your own plans for the future?

Bakhtiar: I can answer all your questions, except to talk of my plans! It is our duty to fight Khomeini with all our means. Someone asked me one day, "Now that there is peace, what are you going to do?" I said, "This is their business. I never agreed with this war, never. Now, if Mr. Saddam and Mr. Khomeini have no arguments with each other, or if they want to shake hands, that's their business. I have another task—to fight Khomeini. We will continue, we have to fight, there is no other solution. We must live fighting or disappear.

EIR: What do you think of the Iranian exile movement?

Bakhtiar: There is a lot of romanticism in all this. There are two groups that I distinguish completely, at least two groups.

I am leaving aside those who are described as the fervent supporters of Reza Pahlavi. In principle, those people were not very clean. They have their interests; they want to return to loot the country. Let's leave those people aside, as well as the communists, who simply execute orders received. For the rest, there is one group which I call "dissidents," and another I call "opponents," those who said no to Khomeini from the very first day, or even before. The dissidents are those who collaborated with Khomeini, and somewhere along the road, they said, "I don't like that." But in principle, these people were expelled by Khomeini, they did not resign. Look at Bani-Sadr. I must admit, I find that Khomeini's government has done one legal act in the last two years . . . the ouster of Bani-Sadr, in conformity with the constitution. . . .

There is one problem in Iran, you know. People say that the mullahs are indecent. But the children of mullahs. . . .!

Interview: Dr. Mehdi Rouhani

Islamic leader declares that Khomeini will fall

The following is an interview with Dr. Mehdi Rouhani, the spiritual leader of the Shiite community in Europe, and an important opponent of Ayatollah Khomeini. The interview was conducted in Paris by Mary and Thierry Lalevée, on July 8 1982.

EIR: How do you view the events of the last three years in Iran?

Rouhani: According to our tradition, the Shiite clergy represents a symbol of popular will, and it took the leadership of the revolution. The clergy wanted to take power and eliminate the civilians. I think that this was a danger for the Shiite clergy, and this danger still exists. Even faith and good will can never replace experience, which is necessary to run a country. This is what is happening in Iran. It is the result of political ignorance and the intolerance of the Shiite clergy, religious and political intolerance. I think that sooner or later the regime will be overthrown. There is no doubt about that. If you talk about the revolution, a popular movement, it does not exist any more. Those who used to support the revolution are now against it. Once they have power it is difficult to take it from them.

EIR: If the Khomeini regime is overthrown, there will probably be a big anti-religious movement. How do you see that?

Rouhani: I don't agree, for the reason that there are many well-respected religious representatives inside Iran who are leading the opposition to events in Iran. If the clergy were

unanimously supporting Khomeini, perhaps you would be right. I have proof that 90 percent of the Shiite clergy today is against Khomeini. If they do not show their discontent, it is primarily because they are not able to do so. And, of course, they risk the death sentence.

There will, of course, be an anti-religious wave after Khomeini, but we hope to be able to brake it, especially because our people are very religious after all. [On June 30] in Meshed, there was a demonstration on the occasion of the anniversary of the assassination of Beheshti and his friends. Afterwards, they hanged, in public, a condemned man. When I heard this news, I was shocked. Do you organize a ceremony to condemn terror, and then at the same time assassinate someone publicly?

EIR: It is like human sacrifice.

Rouhani: Indeed. The ceremony was to condemn terrorism, and they did the same thing! That is what is happening now in Iran. This does not correspond at all to our religion, to our tradition, or to logic. This is something quite separate, and I don't know really how they stay in power. I don't think they can stay in power very long. In one year at the most, Khomeini will be overthrown.

EIR: Do you have any news of the Ayatollah Shariatmadari, who is now under house arrest for his opposition to Khomeini?

Rouhani: I learned recently that the trial of those implicated in the plot against the Islamic revolution was supposed to start next Sunday. Shariatmadari has been named in this plot. [The trial has been cancelled—ed.] I think it is a crime to prosecute such an important religious leader. It is a severe blow to the feelings of unity between followers of the religious leaders, in Azerbaijan, Teheran, or elsewhere. According to our Shiite law, the religious leader has a certain infallibility. He is considered as a doctor. When a doctor errs, he is not really responsible. Religious infallibility is similar. If he has committed an error in his analyses, he is not really responsible. Here it is the concept of infallibility which is in question. If the trial goes ahead, I intend to take a position against what they want to do.

EIR: Khomeini's taking power has recreated ideas in the West, associating Islam with the Mongol hordes, with intolerance, and so forth. You have been involved in work with other religions. Could you tell us more about it?

Rouhani: The Islam I know respects other religions. At each period, there has been a prophet. The prophets succeeded each other, in order to perfect knowledge and divine law throughout history. With this philosophy, for the same reason that we believe that Abraham, Moses, and Jesus were prophets, I think that Mohammed was also a prophet. He came to perfect older religions, and at the same time he recognized previously existing religions.

I think that religions are something like caravans, each different team heading in the same direction and with the

same fate. We all believe in a single God, and we believe in the resurrection. On this road, even if we are equipped differently, we ought to collaborate together to avoid misunderstandings.

I think that if there were a religious council, where the great religions could really collaborate together, sincerely, this could very easily help solve international problems. Each religion has its own influence on its followers, and if they joined together, this could help resolve international problems.

Five years ago, in Iran, I formed a group of monotheists, where people from different religions took part, especially Catholics. Unfortunately, the revolution took place, and I could not continue my project.

EIR: Do you see a role for the different religions in the Lebanon situation?

Rouhani: The fraternity of Abraham—I agree with them, I collaborate with them, but I think religion is not only theories, discussions, and speeches. I think you have to *act*. Of course, I don't think that religion should be at the center of the administrative power, but I do think that religion should be a force which can intervene at the necessary moment in the interests of humanity.

What I reproach the fraternity of Abraham for, is that they do not have an active role, and they content themselves with talking. That is not enough.

I would like to create an active monotheist movement, which could intervene. It could even have a seat at the United Nations.

EIR: Six months ago, the Vatican issued a new encyclical, called *Laborem Exercens*, which opposed the Malthusianism that is spreading in present society.

Rouhani: That is very good, I entirely agree. Religion for me is not simply a relationship between man and God, it is more than that. Religion means the way man can contact man, and man, society, and together a relationship to God. Once I have said that, it means I have to intervene in the social, cultural, and political affairs of my country, and of humanity. What the Pope is doing is therefore excellent.

I would only ask the Pope to be a little more objective and impartial. The Pope should place as much importance on the question of Lebanon, as he does to Poland. This is the only thing I criticize the Pope for. I can make this reproach as I am his friend. Unfortunately, he does not act in the same way [on both issues—ed.].

EIR: Do you intend to write to him or to meet him to discuss this?

Rouhani: I was very close to Pope Paul VI, and he invited me to visit him several times. Unfortunately, these relations have not continued with the present Pope. My relations with Pope Paul VI were based on total collaboration—it is not simply a question of a meeting. We hope that the Pope will be a man for the whole world.

Mitterrand, Wharton, and Tavistock are out to butcher the city of Paris

by Dana Sloan

On June 30, the Socialist government of French President François Mitterrand announced its intention to present to the National Assembly this fall a scheme to break the city of Paris up into 20 independent municipalities, permanently ending the French capital city's centuries-long role as the economic, political, and cultural center of the French nation.

This plan originated about a decade ago, at the Philadelphia, Pennsylvania Wharton School, a U.S. outpost of the London Tavistock Institute, when French President Georges Pompidou and the French regional planning agency DATAR requested that the Wharton School map out a program for halving the population of Paris. Pompidou's request was taken up by Wharton's Worldwide Institutions Research grouping, and incorporated into a project which resulted in a 1981 proposal for the creation of Hong Kong-style "international cities," administratively decentralized, and economically and politically separate from the nations they happened to be located within, on several continents in both the Third World and the industrialized sector.

It is not properly surprising that Mitterrand should be the French president to move the decentralization proposal for Paris from the drawing boards to implementation. Mitterrand, after all, was groomed and put into power to preside over the dismantling of the French nation-state, by associates of the same Tavistock Institute that oversaw development of the Paris plan. The French Socialist Party which carried him into power was molded out of the remnants of the French section of the Worker's International during the 1950s, by leading Tavistock Institute operatives in France such as Michael Crozier. Crozier's influence was wielded in large part through the Club Jean Moulin, most inappropriately named for the Gaullist Resistance leader betrayed to the Nazis in 1943 by Mitterrand's Vichyite friends. Crozier's energies, and those of other Club Moulin collaborators, including Jean-Jacques Servan-Schreiber of *L'Express* magazine and her Majesty's Ambassador to Paris Lord Gladwyn, were directed almost exclusively to unsuccessfully sabotaging the return to power in 1958 of Charles de Gaulle, the founder of the strongly centralized Fifth French Republic.

Nothing in Mitterrand's performance since he assumed the French presidency following the defeat of Valéry Giscard d'Estaing in May 1981, has indicated that he will depart from this pedigree. To the contrary: a few months before his announcement of the Paris balkanization plan, at the Versailles economic summit of industrialized nations, Mitterrand grant-

ed the International Monetary Fund surveillance rights over the entire French economy. This was not only a blow to French national sovereignty, but provided a vital impetus to the designs of the feudalist European oligarchy, masters of the Tavistock planners, to dissolve all of the continent's nation-states into the decentralized and deindustrialized "Europe of the regions" confederation of ethnic and regional entities so long championed by such fascists as Count Otto von Hapsburg and his environmentalist allies.

For this design to be successfully implemented, Paris must be economically, politically, and culturally destroyed. Like Mexico City—the political and cultural center of one of Ibero-America's most ambitiously developing nations—and Philadelphia—the historic birthplace of American republicanism—the two other targets of the Tavistock-Wharton School "international cities" project, the city of Paris is a unique phenomenon among all the cities of its continent. Throughout French history, Paris has dominated the political, cultural, and economic growth of the nation. It has been, and remains, France's leading population center; in fact, no other city in the country can claim major metropolitan status. Despite anomalies and problems in its pattern of growth, it serves as the symbol of national unity, without which the French nation would be severely diminished.

Where is the opposition?

Since the release of the Paris decentralization plan, the major French opposition parties have closed ranks around Jacques Chirac, the mayor of Paris and leader of the neo-Gaullist RPR party, as their chosen spokesman against the plan. Chirac, who helped oust Giscard and elect Mitterrand by instructing his machine to vote for the Socialist candidate in May 1981, is now hitting the president hard on the 20-cities scheme. But his opposition comes largely from the fact that Wharton's blueprint to decentralize and deindustrialize Paris will disperse his base and destroy the power of his office.

In fact, neither Chirac nor any spokesman of Giscard's ousted UDF party has challenged the balkanization scheme as an attack on the French, or other nations. Nor has any opposition leader identified the Tavistock-centered network of planners, think tankers, futurists, and environmentalists behind the push for "international cities" transformation of other cultural and political centers worldwide.

This blindness to the actual threat posed by Wharton's

decentralization scheme has persisted to the point that warnings against Tavistock and its oligarchist backers by Jacques Cheminade, secretary general of the European Labor Party in France (POE) and challenger to Chirac in next spring's elections for mayor of Paris, have been characterized by UDF leaders as attempts to divide the opposition to Mitterrand on this question. This wrongheadedness on crucial questions of national survival results from Tavistock's long-term pollution of France's policy-making institutions. Tavistock-spawned policies have infiltrated the programs and thinking of each of the major French parties. We shall see below one example of how this occurred, with a review of the activities of DATAR, a national agency devoted to regional affairs, over the last two decades.

Tavistock/Wharton's plan today

In the early 1970s a team of Tavistock Institute researchers centered at the Wharton School in Philadelphia began what they termed an "international cities" project. Dr. Howard Perlmutter, Director of Worldwide Institutions Research at Wharton and Dr. Hasan Ozbekhan, dean of the Wharton School Systems Science Department—both direct collaborators of Dr. Eric Trist, Tavistock's director during the 1950s—headed the team which, at the request of President Georges Pompidou and the French regional planning agency, DATAR, began to map out the program for halving the population of greater Paris and *shifting the capital of France to the city of Orleans*.

As Dr. Perlmutter put it in one of his writings on the project: "Paris is given to the world and the capital of France is moved to Orleans. It is now considered to be a plan for the city, but a plan in steps. . . . Some day the city will be given to the world through a series of steps. . . . Very few people outside the political process would understand such a program. . . . Someday people will discover the change."

At the time the report was commissioned, DATAR was headed by Michel Monod, a member of the environmentalist, oligarchy-controlled Club of Rome, who is now also a member of the Hudson Institute. The project coordinator in France was Michel Albert, a political collaborator of Socialist fellow-traveller Servan-Schreiber. The latter has now been designated by President Mitterrand to operate a World Center for Computers (mini-computers and artificial intelligence) in Paris, which is designed to help accomplish one of Dr. Perlmutter's stated objectives: "Industry will disappear altogether (from Paris), all that will be left will be télématique. We proposed, and it is already being done, that nobody will ever build a new factory in Paris again."

The role of DATAR

Since its creation in 1963, the DATAR (Délégation à l'aménagement du territoire et à l'action régionale) has been committed to precisely such a policy, though it rarely comes out publicly with the kinds of brazen statements that its co-thinkers from other countries dare express. The economic

approach of the DATAR, which has now been incorporated into all aspects of economic policy under the Socialist Party government, has always been Malthusian redistributionism: sharing the poverty instead of creating new wealth, which explains why the Tavistock Institute's psychological-sociological manipulation techniques have always been such a crucial component of the policy. Recently, the watch-word for this approach has become "solidarity"

The origins of DATAR go back to the immediate post-war period, with the publication of the book *Paris et la Désert Français* by geographer Jean-François Gravier. The idea of Paris as an octopus whose growth was responsible for stifling the development of the rest of the country was incorporated into official policy by Eugène Claudius-Petit, who served as Minister of Reconstruction and Urbanism from 1948 through 1955 and briefly as Minister of Labor under Prime Minister Pierre Mendès-France. Claudius-Petit had parliament create the first National Fund for "Aménagement du Territoire" (regional planning) which offered special incentives for firms to close shop in Paris and relocate elsewhere, and required special authorization for expansion of facilities within the city. Before taking office as a minister, Claudius-Petit was President of the National Assembly group of the Union Démocratique et Socialiste de la Résistance (UDSR), Mitterrand's party of the time.

Today DATAR is headed by Bernard Attali, the twin brother of Jacques Attali, Mitterrand's top "Young Turk" adviser, temporarily serving as chief of staff of the presidential Elysée palace. Bernard Attali had just finished a two-year stint as head of financial operations of the Club Méditerranée, the international tourism network which has been the subject of numerous investigations for acting as a front for Israeli intelligence and for laundering of "dirty" money.

The importance of DATAR far exceeds its 3 billion franc annual budget, according to a high-ranking DATAR official. It has veto power over any investment of significance in Paris, and applications for any building or enterprise needing more space than 1,000 square meters are usually rejected. Until the 1981 presidential elections, DATAR reported directly to the Prime Minister, but now has its own ministry, currently occupied by the technocrat Michel Rocard.

Critics of DATAR have pointed out that DATAR's powers are unconstitutional, since they deprive the legitimately elected representatives of the city's citizens of elementary powers granted to all other city governments: namely the ability to give approval to economic projects considered to be in the interests of the city.

DATAR's policy of deindustrializing Paris also provides a poor cover for throwing lower class immigrant workers out of the country. Speaking at a DATAR conference in Nice in May 1977, Minister of Equipment and Regional Planning Jean-Pierre Fourcade said so in so many words. "In the industrial domain, continuing the decentralization of sizeable firms which no longer have their place in the Paris region" will be important, he declared, "notably because they only

What the think tankers say about their plans

From an interview with Dr. Howard Perlmutter, Wharton School Worldwide Institutions Research director:

Wharton's Worldwide Institutions Research center is engaged in "charting the end of the nation-state, which is the cause of all wars and dissension and will eventually be the cause of nuclear holocaust unless we get rid of it." According to Perlmutter, a book he plans to co-author with Eric Trist, *Social Architecture for a Human Future*, "will cover the breakdown and restructuring of the major institutions of society. We will be studying how to totally redesign all of the major institutions The main thesis is that as the world economic system integrates, nation-states will have to disappear. . . . Restructuring must go on at the level of the individual's own thinking in society."

"Paris could no longer be French, and no longer belong to the French nation—which was in any case not a viable institution in its form at the time."

From an interview with Dr. Hasan Ozbekhan, dean of the Wharton School Social Systems Science Department:

The growth of population in the Third World is a great tragedy, and unless population there is reduced rapidly, our whole universe will undergo decay and dissolution. It is now a foregone conclusion that we are entering such an era. . . .

The nature of our task, of Eric Trist's task, is the normative design of new institutions which can establish a new order for the post-industrial society. By normative, I mean *we* must decide how things ought to be, not how they are.

Excerpts from the DATAR report "Paris: Ville Internationale," May 1973:

"There is no doubt that great periods of cultural creativity have corresponded to the great, sometimes ostentatious freedom of expression for new forms. We have only to think of surrealism or existentialism. . . . In order to be born and to express itself, cultural innovation requires a heterogenous and permissive environment, what used to be called bohemianism. . . . This is the major problem: Paris is too classical, too institutional, it has not adapted to the new dimension of culture which has spread and imposed itself in advanced industrial societies: mass culture.

develop there by using foreign labor power, whereas they could, if they were set up in the provinces where they could recruit local labor with ease, contribute very efficiently to the solution of the employment problem."

Beyond balkanization

The Mitterrand government has plans to increase Tavistock's role in national economic planning as well as in its approach to foreign policy. A subsidiary of the government's Atomic Energy Commission, Compagnie Internationale de Services en Informatique (CISI), has just announced its plans to buy up control of Wharton Econometric Forecasting Associates (WEFA). Directed by Lawrence Klein, Jimmy Carter's economic taskforce chairman for the 1976 presidential campaign, WEFA has pioneered the use of computer technology for quantitative econometric models, the kind that have been used for projects ranging from the Club of Rome's infamous *Limits to Growth* to President Carter's genocidal *Global 2000 Report*. Klein, like others at Wharton, was trained by networks of Tavistock's psychological warfare division.

The "futures" movement (in France, the "futuribles"), is playing its role in the decentralization and deindustrialization movement as well. One of the most renowned names in futurology, Pierre Massé, was also the first to get "aménagement du territoire" integrated into national planning when he directed the drafting of the Fourth Plan for 1960-65.

Just how far do the Tavistock futurists intend to go in "reducing" Paris? Although this would take decades and a few more oil shocks, Paris should be decentralized out of existence altogether, according to one current. In the June 1974 issue of *Futures* magazine, on whose board sits Wharton's Hasan Ozbekhan, Dr. James Bellini of the Hudson Institute's Paris office redraws a map of Europe in a study called "Europe of the Regions in the 1980s." Paris is not included in any of the three "greater European regions" defined.

Cultural degradation also underway

As the policy of destroying the industrial infrastructure was being put into effect, the cultural side of the project was also begun, in 1969, when President Pompidou commissioned the Paris museum that has now become the atrocity known as the Centre Beaubourg. Here is the kind of deliberate ugliness designed to "restructure" individual thinking, as Dr. Perlmutter might say. It is not surprising that as one walks around the back of this mass of exposed drainage pipes one encounters a scene of social hedonism rivaled only by New York's Central Park.

That is not the only part of Paris that will soon resemble New York if the Socialist government has its way. Not the New York of large office towers, but the New York of collapsing social services, subways that seem like a passage out of Dante's Inferno, a spreading drug plague, and violent crime.

The Frankfurt mafia: Part III

To understand the politics in the West German state of Hesse requires Volker Hassmann's expose of the Dope, Inc. networks planted there.

In Parts I and II of this series, Mr. Hassmann, who is a European Labor Party candidate for next month's state parliament in Hesse, described how Tibor Rosenbaum and Meyer Lansky, the kings of the Israeli-Swiss narcotics syndicate, set up operations in that West German state and its financial center, Frankfurt. Wilhelm Hankel of the Hessische Landesbank (Helaba) brought his bank into collaboration with Rosenbaum's Swiss-based Banque de Crédit Internationale (BCI). The BCI's collapse in 1974 created a scandal that led to the fall of the Hesse government of Social Democrat Albert Osswald, himself a member of the board of both Helaba and the BCI.

This concluding installment investigates the unravelling of that scandal, and points the finger at those organized-crime-tainted individuals who must be put in the docks if the drug traffic is to be wiped out in Hesse. Could it be that these same networks are behind the assassination last year of Hesse Economics Minister Heinz Herbert Karry—an "insider" who was known to oppose certain of Rosenbaum's and Hankel's operations?

This article is translated and slightly abridged by Susan Welsh from Neue Solidarität, May 6, 1982.

And so it happened that a governor of Hesse came to be seated on the board of an international drug bank. Hankel became Vice-President of the BCI Executive Committee; Hessische Landesbank Foreign Department head Karl Claus likewise joined the board, and Credit Manager Wolfgang Wagemann headed up the BCI's credit department. But the most luckless figure was Governor Osswald, who was treated as a figurehead.

The key person was Hankel. He stage-managed trips for Osswald, including trips to Mexico. Osswald didn't need to be bothered with anything, so Hankel assured him; it was all thoroughly planned out. If Osswald would just meet with the local representative of that Geneva bank for a short discussion, then he could devote himself to "the scenic and cultural attractions of the country."

Hankel arranged a trip to New York for the Hesse governor, and a luncheon at the International Monetary Fund—not without reassuring the former stenography teacher that "the conversation will be in German." Some years after the Helaba affair, Osswald was no longer playing the scapegoat whom people could kick around however they chose. He published a list of 19 other members of the Helaba board of directors who had themselves received financial benefits. They had all done the same thing: received more or less "normal" credit under "normal" conditions, just as he had, but "they kicked me in the butt with pointed shoes."

Helaba and the BCI

Helaba's entry into the BCI promised to be lucrative for both sides. The board of Helaba authorized a payment of 450,000 deutschemarks to Rosenbaum to carry out the deal, made via a Liechtenstein broker named Pierre Beckhardt. Rosenbaum received only half of that sum, and nobody knows where the rest ended up. In return, Osswald received 50,000 marks in contributions from Rosenbaum, who treated them as a private gift. Osswald maintained that this was a contribution to the Social Democratic Party—a loan which was paid back. The circumstances surrounding another dubious contribution were never cleared up either, as Hankel wrote to Osswald in the spring: "He [Rosenbaum] is sending a little contribution to your special fund, which you can disburse as you see fit."

There is one thing Hankel and his friends could not be accused of. They could not have known that the BCI, despite injections of liquidity, would crash. Rosenbaum evidently did not let his German friends in on everything. So the crash came, and Hankel swore later on that he "never knew much about the business of the BCI."

A special investigator for the Hesse state parliamentary commission came to the conclusion that the Helaba representatives on the board of the BCI did not have a great deal of influence that would have enabled them "to lessen the evident risks and to shift the business activity of the BCI in the

direction of the activity of a normal bank.” But what if they had not wanted to do that? And what about the Hesse Christian Democratic Union (CDU), whose chairman Alfred Dregger [now a candidate for governor in the fall 1982 elections—ed.] had defended the BCI against attack? The investigatory committee reached the conclusion that there was no reason to accuse the board of making a decision that was “unjustifiable from the banking standpoint[!]” Therefore both the commission report and the CDU motion concerning it had resort to words like “mysterious” and “unfathomable” in order to bypass the real scandal.

Yet financial genius Hankel cost the Hesse taxpayers millions. Between 1973 and 1976, Helaba suffered 3.2 billion deutschemarks in losses, which the state of Hesse had to cover with DM 1 billion and the Hesse savings banks with DM 1.3 billion. Helaba stood on the verge of bankruptcy. The publication *Blick durch die Wirtschaft* commented on Jan. 25, 1975: “The Hessische Landesbank now has to include one-third workers on its board of directors. Cynics say that now for the first time at least the board will include experts.”

What really caused the break-up of the Helaba-BCI axis is still partially unclear. It was not only Rosenbaum’s real-estate disasters that led to the run on the BCI in 1974. It all seemed to begin with worries at Helaba, and Walter Hesselbach of the Bank für Gemeinwirtschaft [West Germany’s trade-union-run bank—ed.] had a certain role to play. Hankel, as chief of Helaba, had acquired from Hesselbach a majority holding in the Frankfurter Investitions- und Handelsbank (IHB) and supposedly only noticed much later that he had gotten a rotten egg. The IHB’s ship was going down, along with two big clients, and there was nothing more that could be done to salvage it. Hesselbach had sold the IHB to his good friend Rudolf Münemann, the financial wizard of the German economic miracle, just as the latter’s star was beginning to sink. Another good friend of Münemann was Leopold Bröker, then president of the Landeszentralbank in Hesse and later Hankel’s successor at Helaba.

It was Bröker and Hesselbach who assisted the unfortunate Münemann, in the end phase of his financial empire, to exit from the stage of high finance. Hankel exposed Hesselbach’s maneuver in foisting off on Münemann a bankrupt bank, in a dossier whose publication Osswald, however, was able to prevent.

In February 1973 Helaba ran into growing difficulties, due to the BCI failures and the IHB takeover. The head of Helaba’s Foreign Exchange Department committed suicide. Hankel left the sinking ship in March 1974, after Helaba had tried in vain to extract itself from the BCI.

Meanwhile Bröker had taken over the leadership of Helaba and the Swiss Banking Commission had promised Rosenbaum a new injection of liquidity. That was in July 1974; on Sept. 10, Hesse Economics Minister Heinz Herbert Karry of the Free Democratic Party resigned his post on the board of directors of Helaba. Bröker and Karry had had a falling

out with each other. Alfred Dregger, the CDU state chairman, stepped in to defend the BCI.

Hesse Governor Albert Osswald was under particular pressure during this hectic period, as Rosenbaum was threatening to leak word of their collaboration to the press if Helaba stopped backing him up. It was soon after the state parliament election on Sept. 24 that Bröker had a fatal heart attack.

Up to this time the full extent of Helaba’s losses was not yet known. On Oct. 6 Claus of the Board of Helaba and the BCI arranged a meeting with Bank Hapoalim [an Israeli bank whose links to the international drug trade are discussed in Part II—ed.] to shore up the BCI.

But in the end this rescue attempt came to nothing. Helaba’s efforts to pull out kindled new anxiety about the creditworthiness of the BCI empire. When clients from the Israel Corporation’s financing scandal began making their way to Frankfurt, Osswald simply gave his shares in the BCI back to Rosenbaum. (Part II described how the Israel Corporation, which administered foreign contributions to Israel, had invested in Rosenbaum’s BCI, causing a scandal. Israeli Foreign Trade Ministry official Michael Tsur, later jailed, was influential with both the Israel Corporation and Wilhelm Hankel—ed.) The Swiss authorities were furious, and demanded that the shareholder with 50 percent of voting rights in the company also take responsibility for the business transactions of the partners. A panic broke out and a run began on the BCI; the bank had to close.

On the eve of the election, Osswald resigned his post as governor of Hesse.

The run on the BCI had taken place during the summer. *The New York Times* already knew about a telephone conversation between French financier Baron Edmond de Rothschild, a factional adversary of Rosenbaum within the Israeli-linked financial world, and one of Rothschild’s business partners in Germany. The partner informed Rothschild that funds from the Israel Corporation had been used for the “BCI, which is in financial trouble.” That business partner was Walter Hesselbach, who thereby contributed his share to raising concern about the BCI.

Was it also Hesselbach who gave the publication *Platow-Brief* a tip about Bröker’s secret plans for injections of liquidity? At any rate, quite a few tips must have been making the rounds at that time, since at that very moment a certain individual drew his assets out of the BCI. The greater part of the BCI’s services had been at the disposal of that man: Meyer Lansky himself.

Dr. Tibor Rosenbaum died in 1980. The BCI had ceased existing as a financial institution. Yet Lansky’s organized-crime syndicate with all its banking networks continued to function. The drastic increase in the drug trade in recent years alone indicates what a volume of funds has to be processed by the international money-laundering apparatus.

Eight years later, many have now forgotten the Helaba affair. That a West German governor sat on the board of an international drug bank whose role had been generally known

since 1967, perhaps should be seen today as just an historical episode.

But organized crime today has at its disposal the same networks and channels of influence that it did at that time. The lessons of the Rosenbaum affair should therefore be drawn, and the clues that have come to light should be investigated further.

Frankfurt's operatives today

It was no coincidence that Rosenbaum and Lansky were able to lock their operations so solidly into Frankfurt in particular. French author Jacques Dérogy describes Josef Buchmann, Frankfurt speculator and secret king of the district around the Central Station [Frankfurt's drug and pornography center—ed.], as Lansky's outpost after World War II. Like Frankfurt's well-known real-estate king Ignatz Bubis, Buchmann got into the Israeli hotel market early and has been involved in the diamond trade. Both these enterprises overlap historically with the laundering of dirty money from drugs, arms profiteering, and prostitution.

Just how much money could flow through which transactions of these speculators is unknown to the author. What is known is that a number of speculators of Jewish descent in Frankfurt's West End invested enormous sums during the 1960s. It would be illuminating if one could reconstruct today how much came from capital gains and how much from other sources. The Hessische Landesbank was also very much up front during those years in financing these operators. In Buchmann's case no one should think that such assumptions could hurt his reputation. The bordello king of the postwar years is responsible for his own reputation.

Another of the big Frankfurt speculators was banker Ali Selmi, whose sister was arrested in Switzerland with a suitcase full of heroin. Selmi was business manager for Lebanese financier Albert Albela, who also worked for the Casino du Liban, a revolving door for the drug trade in the Middle East with connections to Meyer Lansky's Intrabank. Albela became known in Frankfurt, among other reasons, for his intensive efforts to get the franchise to build the underground garage at the Frankfurt Airport. Here too financial contributions to politicians and their parties were involved. The court proceedings on the dark dealings of the Selmi Bank would fill up several file cabinets.

Another clue leads in the direction of the speculator Georg Wintner, suspected of being an important figure in the circle of organized crime vaguely characterized as the "Hungary Circle," which meets regularly in a Frankfurt hotel. According to *Stern* magazine, Wintner was heavily involved in dealing in fake Italian "old masters." In 1969 he had to leave the Federal Republic of Germany, because he had "miscalculated" in a real-estate investment in Israel and lost DM 2 million. But Wintner had good lawyers, such as Dr. Karl-Heinz Schmitz, whom informed observers believe to be close to the arms and heroin traffic. Schmitz helped him to return to Germany, where he set up a diamond business in Frankfurt.

Investigations are currently proceeding which should indicate to what extent Tibor Rosenbaum was laundering funds of the Hungary Circle.

Since the beginning of the 1960s the heroin trade in Frankfurt, with brief interruptions, has been firmly in the hands of "Israeli gangsters," as Frankfurt Chief of Police Dr. Gemmer once said. A big catch was made in 1973 with the arrest of the heroin gang of "Big Joe" Amiel, who according to Dérogy is part of the Israeli mafia along with Rosenbaum and Lansky. He was detained for questioning and then sent abroad. Other defendants either disappeared mysteriously or "died in prison of drug overdoses." When the son of former Israeli Defense Minister Moshe Dayan popped up as the liaison man in Israel, the judge quietly ended the investigation.

In 1981 a bloody battle raged between rival gangs in the Frankfurt Central Station district. Meanwhile a special commission was set up to find the nerve centers of organized crime. The commission reported that "criminal activities were found which pertain to organized crime, as, for example, power struggles among Israeli gangsters over drug markets." Police Chief Gemmer served notice to the "clever Israeli businessmen behind the drug trade."

It can only be hoped that these initiatives will not be discreetly deflected as were so many others in the past. Organized crime has its own political lobby; that is the lesson of the Helaba-Rosenbaum affair.

And perhaps traces will lead from the dens of the drug syndicate and its financiers to the murder of a politician: Hesse Economics Minister Heinz Herbert Karry. It was he who did not approve of Helaba's dealings with the BCI. As an "insider" to Israeli politics he would certainly have known about Rosenbaum's role.

Should it turn out that Karry, as is suspected, was murdered by the Revolutionary Cells, the successor organization to the Red Army Fraction [otherwise known as the Baader-Meinhof Gang—ed.], then traces would lead to one of the most glittering figures in the tawdry world of Swiss finance: François Genoud, a banker in Lausanne, an old Nazi, and a leading member of the black fascist Malmö International.

Genoud financed from behind the scenes Swiss terrorist Bruno Breguet, who is considered the right-hand man of the notorious terrorist "Carlos," and who pulls the strings of terrorism in Germany. He works with Magdalena Kopp of the Revolutionary Cells, whose group has recently been activated in particular in the Rhine-Main area [near Frankfurt—ed.] and in Switzerland. Genoud's Lausanne Banque Commerciale Arabe (BCA) ran the arms trade between the Casino du Liban, a launching-point for the Lebanese drug trade, and certain French groups.

But in the case of Karry's murder, too, a mantle of silence has fallen. The arm of organized crime is a long one, but it can be cut off once one pulls aside the screen that hides the intrigues of the Rosenbaums and the Lanskys, and exposes the control points of organized crime.

***Razones's* reasons to go to the IMF**

Advisers linked to McNamara's Overseas Development Council want acceptance of the IMF's conditionalities.

Rumors are flying here that Mexico will soon go to the International Monetary Fund to get a desperately needed infusion of loans. Businessmen have reported to *EIR* that the decision has been made to swallow some national pride and accept the conditionalities which usually accompany such loans (see article, p. 6).

This brings to my mind the fact that the most ardent proponent of the IMF path recently has been a group of economists, sociologists and journalists who are entrenched in the magazine *Razones*.

Making a deal with the IMF would signal "an expression of confidence by the highest financial authority that we can solve our economic problems," the magazine said in an editorial earlier this month.

Razones presented its pro-IMF reasons conveniently the same week as a vicious speculative assault on the peso forced the López Portillo government to adopt a dual exchange system.

Such a servile attitude toward the "highest authority" of the British-created Bretton Woods system is not necessarily strange among some circles here. What makes *Razones's* pro-IMF position particularly important is the influence that some of its contributors seem to have on President-elect Miguel de la Madrid.

The *Razones* crowd is especially strong in a task-force recently formed by the PRI ruling party to produce a government program for de la Madrid. The task force is composed of multiple ad hoc commissions on for-

eign affairs, industry, culture, agriculture and other areas.

The magazine's editor-in-chief, Samuel del Willar, is head of the task-force's "Commission on Moral Renovation." The presence of radical promoters of the "Christian-Marxist dialogue" such as *Razones* writer Miguel Angel Granados, on the commission makes the content of this "new morality" rather suspicious.

But more suspicious than anything are the group's international connections—to such centers of Malthusian and zero-growth ideologies as the Club of Rome of Aurelio Peccei, the Brandt Commission and the U.S.-based Aspen Institute.

The group is closely linked to the Washington-based Overseas Development Council (ODC) headed up by Vietnam War instigator, Robert McNamara. *Razones's* correspondent in the United States, Katherine Thorup, co-directs a Mexico-U.S. study group of the ODC.

As official representative of the Brandt Commission in the United States, the ODC is a key promoter of genocidal low-growth policies for the Third World and is now concentrating on a project to destabilize and destroy the Mexican economy.

No doubt Mr. de la Madrid would be rather amazed that his advisors' friends in Washington have plans to "force Mexico to the edge . . . and plunge the country into chaos," as expressed recently by an ODC official.

The magazine also heavily overlaps with the "Tepotzlán Group,"

whose members include Club of Rome members Saburo Okita (former Japanese Foreign Minister) and Victor Urquidí, head of the Colegio de Mexico. As previously reported in this magazine, the Colegio de Mexico is the main vehicle of zero-growth thinking into this country's academic world.

The Tepotzlán Group—which includes *Razones* collaborators Manuel Camacho and Jorge Hernández Campos, first came to our attention over a year ago, when they were actively organizing a symposium on Mexican affairs with the "mother" of U.S. environmentalism, the Colorado-based Aspen Institute.

Some prudent political circles probably relaxed when this symposium failed to take place: Nonetheless, in June 1981, the Tepotzlán crowd managed to bring here the environmentalist movement's "granddaddy" himself, Aurelio Peccei, for a meeting on "technetronics." They also managed to have the Secretary of Planning and Budget (SPP) co-sponsor this meeting.

Last month Camacho traveled to Washington to brief certain think tanks and others on what foreign policy de la Madrid will be following. According to the Mexican press he visited such liberal quarters as the Council of Hemispheric Affairs (COHA).

Days after the meeting, COHA put out a document asserting that de la Madrid would discard López Portillo's Central American policy and that such a conclusion was based on discussions with Camacho.

The party's president, Pedro Ojeda Paullada, had to publicly refute the document and de la Madrid went to the press to state that he indeed will follow the guidelines outlined by President López Portillo in his Central American policy.

Kissinger, Craxi, and Monaco

Behind the latest government crisis is the former Secretary of State, and a murderous organization based in Monaco.

Giovanni Spadolini has been re-appointed to the Italian premiership by the nation's President, Sandro Pertini, and will attempt to form a new government—the old having collapsed in the first week of August. Stability does not appear likely, even if Spadolini succeeds in welding together a coalition of the various parties and factions of his own Christian Democrats.

The Italian government crisis hit within a week of the publication in Italian newspapers of evidence that Henry Kissinger had been responsible for the 1978 kidnap-murder of former Italian premier Aldo Moro by Red Brigades terrorists. One day before the parliament recessed for the annual holidays, the fascist Italian Socialist Party of Bettino Craxi, the faithful instrument of Kissinger in Italy, received the order to provoke a governmental crisis, and nine Socialist ministers suddenly pulled out of the coalition with the Christian Democrats.

Not only was Henry Kissinger named in the Italian press as the man who had set up Aldo Moro for assassination. It was further revealed that Kissinger is a member of the Comité of Montecarlo, a secret Masonic society of prominent oligarchical retainers based in Monaco. The Comité is now under investigation as the group that ordered the terrorist massacre in the Bologna railway station on Aug. 2, 1980, killing 81 people.

That Kissinger is now deploying against the Italian government in revenge is corroborated by the presence in Rome over the past month of State

Department underling Michael Ledeen. Ledeen, an aide of former Secretary of State Alexander Haig, was dispatched by Haig to Italy last summer when the Italian press charged that both Kissinger and Haig had been involved in founding the Montecarlo Lodge's sister organization, the Propaganda-2 Freemasonic society, which coordinates both left and right terrorism. Ledeen was sent to Rome with orders to quash that investigation.

Italian authorities now fear a serious outbreak of terrorism throughout the country in a repeat of the "100 Days" of chaos unleashed by Kissinger in 1978 in which context the kidnap-murder of Aldo Moro was carried out. The only way to halt the destabilization process is to hit Kissinger himself. For this reason the line of investigation into the Comité of Montecarlo takes on crucial importance.

There are 400 names on the list of the Comité's members, including important financiers and politicians. When the Propaganda-2 came under scrutiny in 1979, its head, Licio Gelli, moved its base of operations into Monaco. But the Comité of Montecarlo Lodge is much more important than its predecessor; it is an international lodge whose members are important British, American, and Swiss personalities. Its membership overlaps heavily that of the Trilateral Commission.

The statutes of the Comité read: "The members of the Comité, even before being accepted in it, must already have the most powerful position

in some sectors of the political, cultural, economic world." On these premises, Gelli developed a plan for a "white coup d'état" in Italy, that is, a progressively takeover of its institutions. Between 1979 and 1980, the Comité was structured into 33 divisions, every sector with its own chief corresponding to an institution of the country to take over.

Then on April 11, 1980, the Comité oversaw a terrorist atrocity. The Bologna railway massacre was decided upon in Montecarlo's Hotel de Paris and was planned in Buenos Aires, where Gelli met with Black International terrorist coordinator Stefano Delle Chiaie. The Bologna magistrates now have warrants out for the arrest of Delle Chiaie and his associates.

Monaco, a country of 25,000 people, serves as the private paradise of the international oligarchy.

Everything in Monte Carlo is controlled by the Société de Bains de Mer, which controls the casino and the hotels. This includes the Hotel de Paris.

The Société was created at the beginning of this century by Edmond Blanc, a relative of Prince Rainer, whose niece later married into both the oligarchic Radziwill and Thurn and Taxis families of Europe.

Monte Carlo is today a base for characters like organized crime's Roy Cohn. Cohn recently participated at the most important public event of Monte Carlo, the gala of the Red Cross. The gala sported other interesting persons: Jacques Sarlie, a jet-setter who is a close friend of musicians like Herbert von Karajan, and of politicians like Rossi de Montelera of the fascist Pan-European Union; Italo-American agent Robert Memmo; and two close friends of Roy Cohn, "Baron" Portanova and Prince Trubetzkoy.

International Intelligence

LaRouche on Kissinger makes Argentine headlines

La Razon, the largest-circulation afternoon daily in Buenos Aires, published *EIR* founder Lyndon LaRouche's charges against Henry Kissinger under banner headlines Aug. 9. *La Razon* printed the entirety of a National Democratic Policy Committee release which warns of Kissinger's attempt to move into a policy-making role in the Reagan administration, Kissinger's involvement in the forced resignation of Panamanian President Aristides Royo, Kissinger's ties to the Propaganda-2 drug and terror apparatus, and Kissinger's plotting against LaRouche and his wife Helga Zepp-LaRouche.

The daily also quotes LaRouche on Kissinger's extramural activities, including the case of the waiter who was murdered during a homosexual orgy in Acapulco, Mexico.

The NDPC release was distributed in Argentina by the state-run TELAM press agency, and it was picked up by the regional press in the country as well as in Buenos Aires. The release was also run by the Lima, Peru, daily *Diaro de Marka*. Argentine sources are reportedly very anxious to publish further information on Kissinger's dirty operations in their country.

OAU summit in Libya postponed

The annual summit of the Organization of African Unity (OAU) scheduled for Aug. 5-8 in Tripoli, Libya, was postponed on Aug. 7, after a two-thirds quorum of the heads of state of the 51 OAU members did not materialize. Libyan strongman Muammar Qaddafi was to have been named president of the OAU for the coming year.

This was the first OAU summit to break down since the organization was founded in 1963. A split in the OAU would eliminate the only continent-wide organization for dealing with the problems confronting

Africa and posing unified solutions.

Most of the absent heads of state wanted to prevent ratification of OAU membership for the Polisario "liberation group" in Morocco. A few were protesting the assumption of the presidency of the OAU by Qaddafi.

When it became clear that a quorum would not be reached, Qaddafi attempted to organize a breakaway group of what he termed "progressive" heads of state, to "liberate" the continent.

This effort has been derailed for the moment. A committee of five heads of state has been established to persuade those who didn't attend to do so some time between now and the end of the year.

SPD awakening to the Green menace?

Some leaders in West German Chancellor Helmut Schmidt's Social Democratic Party have begun to heed the warnings of Helga Zepp-LaRouche and the European Labor Party (EAP), and have started denouncing the budding Hitlerites of Germany's "green" environmentalist-terrorist movement.

As a result, the national daily *Die Welt* on Aug. 11 for the first time gave accurate coverage of the EAP campaign against the Greens, in a story about unfavorable reactions to the recent meeting between Muammar Qaddafi and several Green leaders. The executive committee of the Green Party voted Aug. 8 to ask Green leader Roland Vogt to resign because of his well-publicized ties to Qaddafi.

"The EAP has provocatively addressed the state election race [in Hesse]," *Die Welt* reports, "with a sign in the Munich pedestrian mall reading 'The true leader of the Greens is Qaddafi.'"

The SPD general manager in Hesse, a notorious Green sympathizer named Peter Glotz, changed his tune and said that the SPD views "any cooperation with the Greens as completely out of the question." He also announced that the Sept. 26 state elections were a "decisive crossroads" for the coun-

try, and that the SPD would campaign hard on the crucial international role of Chancellor Helmut Schmidt—exactly the EAP's emphasis for months.

North Rhine-Westphalian Governor Johannes Rau claimed that pro-Green noises allegedly made by him were misquotations by the press. "Those who vote Green have always ended up with black consequences," he said.

In Hamburg, the SPD, which was preparing to negotiate an informal coalition with the Greens, was embarrassed to learn that its prospective negotiating partner, the leader of the Green Alternative List caucus in the city council, was arrested for participating in an illegal house-occupation.

Antidote for Schmidt to Bohemian Grove

European Labor Party Chairman Helga Zepp-LaRouche Aug. 9 issued her second "open letter to the Social Democratic Party" in West Germany, calling on the SPD to mobilize to deal with the economic crisis. Every insider in politics, she states, now expects that the world monetary system could collapse by September, triggered either by a catastrophe in the Middle East or by chain-reaction banking failures.

For this reason, she explains, Chancellor Helmut Schmidt is under great illusions if he feels relieved at the outcome of his recent trip to the United States. The people around Secretary of State George Shultz are bragging that they managed to orchestrate a controlled environment around Schmidt. They consider Shultz better at managing a crisis than the inept Alexander Haig; Shultz's job is to reassure Schmidt, while the Kissinger faction works to block any pro-industrial recovery program and sabotage Western European exports to the developing sector and the East bloc.

What is needed, says Zepp-LaRouche, is a new credit system to finance world trade and productive investment. The kind of infrastructural development projects necessary are obvious—all that is needed is the

political will to implement them. Such projects could include a second Panama Canal, new irrigation systems for India, and nuclear energy for the developing sector. The population must mobilize for these goals, she concludes—"not run around with suntanned but empty faces!"

British predict 'new Black September'

A top British intelligence expert on the Middle East told a European-based journalist that there will soon be "an upsurge of terrorism and assassinations" throughout the Middle East, based on the imminent regrouping of the old "Black September" Palestinian terrorists.

"Israel has encouraged the perpetuation of the PLO by other means, the London-based expert claimed. "There will be a resurgence of terrorism, although you can't say for sure who it will be against, since the awful thing about wild terrorism is that it is indiscriminate. The Palestinians have been forced into a new Black September-type operation. It will not be led by Mr. Yasser Arafat, that much is for sure. His own radical wing will oust him. Arafat will go down in the pantheon of martyrs, but he's not the guy to run the next stage of the operation."

He further insisted that "the so-called moderate Arab states are doomed. The seeds of destruction are automatically being sewn, as long as they can't bring to bear in an effective way their influence on the United States to do something. Look at the recent anti-American demonstrations in Kuwait. These are the first three of this magnitude since 1956. . . . You should expect a rise of Libyan-style Arab nationalism throughout the region, and I wouldn't be surprised to see a nut case from the air force do something in Saudi Arabia. If regimes are not overthrown as such, they will have to undergo notable behavior changes to survive.

"And while all this is going on," he concluded, "the Soviets are sitting back and laughing, watching the U.S. dig its own grave in the Mideast.

Qaddafi, Bulgarians stir up Balkans

EIR was not surprised when the head of state of Bulgaria suddenly made public his affection for Libya's Muammar Qaddafi, even though the martial law government of Poland is now under threat of terrorism from Qaddafi-directed networks. On July 13 Todor Zhivkov sent a message of anti-imperialist solidarity to Qaddafi, who had just completed a meeting with environmentalist separatists who are preparing a wave of terrorism in both Western and Eastern Europe. Zhivkov proclaimed Qaddafi a "great friend with whom I am linked by the bonds of friendship and mutual and genuine trust."

Qaddafi, while often depicted in the U.S. press as an ally of the Soviet Union, is first and foremost a puppet of the Italian Propaganda-2 Freemasonic lodge. For its part, Bulgaria was long a Venetian colony and Venetian intelligence continues to enjoy numerous assets in Bulgaria and throughout the Balkans.

Qaddafi dispatched Dom Mintoff, Prime Minister of Malta, to Bulgaria for an extended stay, and for a one-day visit with Hungarian head of state Janos Kadar. Recent weeks have seen Bulgaria aiding and abetting Muslim and Croatian separatists in Yugoslavia. Mintoff's trip, together with Zhivkov's friendship with Qaddafi, augers ill for the Balkan powderkeg.

It also suggests that Bulgaria is finding friends among the most dangerous enemies of the regime of Polish General Jaruzelski. No sooner had Jaruzelski announced that martial law would be relaxed as part of an apparent arrangement that would bring Pope John Paul II to Poland early next year, than the word went out throughout intelligence circles in Europe that "Poland may turn into another Ireland" by next year. A source of this terrorism will be those elements of the Solidarnosc group linked to the Italian Red Brigades and the terrorist network directed by Qaddafi.

Solidarnosc was created and continues to be run by the British Foreign Office, with help from the AFL-CIO and State Department.

Briefly

● **MEXICANS** are talking about a bumper sticker which refers to a well-known American lawyer. The sticker is said to show a rat carrying a protest sign reading: "Roy Maricón is a disease carrier."

● **HOSTAGE TO KHOMEINI**, the bestselling exposé of how the British-dominated Carter administration installed a psychotic terrorist in power in Iran, was released in a Farsi (Persian) edition at the beginning of August. The work by Robert Dreyfuss and Thierry LeMarc (pen name of *EIR* European Bureau Chief Thierry Lalevéé) has been through two English-language printings.

● **NICOLAE CEAUCESCU** is in trouble. Intelligence sources say the Romanian leader could be toppled by a Soviet-backed "palace revolution" within two to three months.

● **BELISARIO** Betancur made attendance at a performance of Beethoven's Ninth Symphony one of his first acts following his Aug. 7 presidential inauguration. "There's no better way to inaugurate a government," observed Luis Galán, who split the majority Liberal Party in a three-way race which caused the defeat for pro-drug Liberal ex-President Jaime López Michelsen.

● **HELMUT SCHMIDT** says he is under the impression that the only American political figures who care (about Europe) are those of the East Coast Establishment, as reported by a hometown newspaper in Hamburg.

● **THE ARCHBISHOP** of Mexico, Corripio Ahumada, called on Mexicans to hold on to their love for their fatherland during the current economic onslaught. "We must believe that those who are at the front of the nation, who have taken measures that affect all of the population and are truly harsh, have done so on the basis of necessities which the nation confronts, and are seeking the well-being of all the country," he said Aug. 8.

Financiers predict a crash in September

by Lyndon H. LaRouche, Jr.

It is the almost consistent opinion of the leading financial circles of Switzerland and London that a general financial collapse will erupt on a world-scale during the coming month of September.

Technically, a highly probable September 1982 financial crash could be postponed into early 1983. If concerted action were taken by a combination of London and Switzerland financier-interests, a threatened September crash could be "papered over," and postponed into 1983. Since the timing of the crash depends upon such decisions in London and Switzerland, it is impossible to predict "objectively" exactly what month the collapse will actually erupt. All one can say objectively is the following:

It is probable that a new worldwide financial collapse—a "Crash"—will occur as soon as September 1982, and it is certain that both the President and the Congress have been behaving like a pack of imbeciles on the issue of financial and economic policies.

Two kinds of 'crash scenario'

There are two possible versions of a September "Crash" scenario. The first version assumes that the Israeli attack on Beirut does not trigger a shutdown of Middle East petroleum flows into Western Europe. The second assumes that such a shutdown occurs: in which case, the West German and Jap-

anese economies immediately collapse.

In the first version of the September Crash, it is the U.S.A. which is hit hardest: a general, chain-reaction collapse of thrift and commercial-banking institutions, with Chase Manhattan and Citibank rated by London and Switzerland as among those almost certain to collapse during that period.

Beginning with the lunatic actions of President Nixon and Treasury Secretary John Connally, during and after August 1971, sanity and long-term solvency began to leak out of the U.S. banking system at an increasing rate. As a result of the continuation of the high-interest-rate policies launched by President Carter and Paul A. Volcker during October 1979, the U.S. banking system proved it had learned nothing from the earlier collapse of the Real Estate Investment Trust financial bubble of the 1970s. Led by the arrogantly ignorant major commercial banks of New York City (excepting the more sly and clever Morgan Guaranty), the banks supported Volcker's "controlled disintegration" policies, and borrowed and loaned their way into a bigger and better financial bubble. The bubble is about to pop; the chain-letter bubble is about to collapse.

To make matters worse, the relatively sanest head of government in the trans-Atlantic community, West German Chancellor Helmut Schmidt, has been hoodwinked into swallowing a pack of delusions about the policies of Henry Kissinger, Helmut Sonnenfeldt, and Secretary of State George

Shultz. Schmidt has shown that he clearly believes that he has an agreement, an agreement which, in fact, does not exist on the U.S.A. side. Schmidt has no sense of the urgency of his insisting on immediate and profound changes of policy from the Reagan administration.

So, probably, the financial structures will go kerplow in September and October, and the Republican Party will be given a mud-bath by the voters in the November 1982 elections. President Reagan will become virtually an impotent "lame duck" President, and Vice-President Bush will strut about, waiting to become the new 1932-Herbert-Hoover candidate for the 1984 election campaign. Currently, President Reagan is avoiding doing anything which might upset the Republican chances in the November 1982 elections! "Whom the gods would destroy, they first make mad."

London is looking forward, with a heathen passion of devoutness, to a general incineration of a goodly portion of the Middle East's petroleum outflows. If London's British-trained agent of influence, Israel Defense Minister Ariel Sharon, succeeds in butchering the moderate command of the Palestine Liberation Organization, in West Beirut, several things pleasing to London (and amusing to onlooking Moscow) will erupt.

Worldwide, there will be an eruption of international terrorism against Jewish and U.S.A.-denominated targets, as well as a scattering of other targets of opportunity: Armenian terrorism in France, terrorism against U.S.A.-denominated targets in West Germany, Camora-Red Brigades blood-bath in Italy, and the first large-scale deployment of terrorist forces now waiting to be unleashed in the United States.

Worldwide, the Nazi-International-coordinated collection of tribalist and other separatist movements, will be unleashed, with cooperation of the network of anthropologists traceable to New York City's American Museum of Natural History. These separatist movements are essentially interchangeable with the complex of international terrorist groups, also coordinated by the Nazi International.

The Nazi International, reconstituted by agreements of Winston Churchill and Morgan interests (Allen Dulles) during the close of World War II, is used as principal cut-outs for a network of oligarchical "families," the same families which backed Hitler at various points during the 1920s and 1930s. They control international terrorism, using the Switzerland-based Nazi International as a principal cut-out, operating partly beyond the screens of anonymity provided by Swiss and Liechtenstein banking, and through such channels as the Hapsburg Documentation and Information Center of Madrid.

In the Middle East, two forces are most to be watched. The first are the legions of the Pol Pot of Iran, Ayatollah Khomeini, assaulting from the eastern flank of the Arab world. Within the Arab world, there are the fanatical spawn of the British SIS Arab Bureau's Ikhwan, the Muslim Brotherhood. Caught between the two, in the enraged aftermath of an Israeli strike into the heart of West Beirut, most of the Near-

Asian Arab world, and possibly also Egypt, goes up into Asharite flames.

Under such conditions, world-market petroleum prices zoom to about \$100 a barrel or higher. The British Petroleum marketing cartel and the Aspen Institute's Robert O. Anderson clean up financially, while Japan, continental Europe, and most of the developing nations slide toward a new dark age.

Under such conditions, added to a general financial collapse inside the United States, there will be a plummeting of conditions of life inside the United States to levels beyond the imagination of citizens presently. However, we must not speak of such things. This will only annoy a President Reagan, who is firmly resolved to do nothing to change policy until after the November 1982 elections.

If President Reagan had the guts to do so

If President Reagan summoned the guts to do so, this whole nasty business could be stopped right now.

The scenario for Reagan to follow is this:

On Sunday night, Aug. 15, President Reagan must appear to deliver a major message to a nationwide television audience. The President will appear with a large portrait of President Franklin D. Roosevelt visible behind his left shoulder. He would begin to speak:

"... Just a little less than two years ago, most of you elected me to be your President for four years. You elected me to perform the duties of my office with no consideration for any public-opinion polls, newspaper headlines, or state or local elections. You put upon my shoulders the duty to protect the best interests of this nation; you assumed that I would not allow any petty influence of party or pressure-group to prevent me from fulfilling my constitutional duty in this office.

"Tonight, I am acting to justify that trust which many of you placed in me a little less than two years ago. First, I will tell you the bad news, and then the good news.

"My friends, we are in an economic depression. Whoever says we are not simply does not know what he is talking about. Some people have said that the recession has bottomed out. That statement is false. At the present rate, no one knows how far down bottom will be.

"It is much worse than that. The very highest circles of finance in London and Switzerland have stated repeatedly that an international financial crash will erupt during the coming month of September. I do not know whether that prediction is exactly accurate. I do know that the financial institutions of the world are on the edge of what could become the greatest financial crash of this century.

"That is the bad news. Now, for the good news. With your support, to put massive pressure on the Congress, we can stop this new depression here and now.

"Tonight, I have sent a letter to Federal Reserve Chairman Paul A. Volcker, ordering him to submit his letter of

resignation to my office by midnight tonight. If he is watching this broadcast, he can turn off the TV set and sit down to write that letter of resignation now. The economic policy of the United States is no longer a matter of his concern.

“At the close of the Sabbath, just after midnight tonight, I shall have used by executive powers to put into immediate effect a number of emergency measures which are the first step in stopping this depression.

“To spare you an explanation of the complicated technical details now, I shall tell you what the most important of those emergency actions will be.

“I am renetizing the gold reserves of the United States, at a fixed price of \$500 an ounce.

“This is not a gold-exchange system. This does not mean that there will be one dollar in gold on deposit for every dollar of currency in circulation. It means that those foreign central banks which enter into a \$500 an ounce gold-reserve agreement with the United States, will be assured that there is \$500 in gold for every \$500 of U.S.A. Treasury currency notes placed into international circulation from this time forth. The U.S.A. Treasury’s gold-denominated issues of currency notes issued from this time forth shall be as good as gold in international markets.

“We are restoring the policy of gold-reserve-backed U.S. Treasury currency notes as the lawful currency of the United States.

“To bring this anti-depression action into full effect, the Congress must assemble immediately to pass emergency legislation I am sending down tomorrow morning. I desperately need your help to ensure that the Congress does what it should do, and do very promptly, on these anti-depression measures. There is no time to be wasted in long, drawn-out procedures, or adding on irrelevant riders and amendments.

“I do not control the Congress. You, the citizens do, if you make up your minds to it.

“First, the Congress must enact an emergency bill, according to the Congress’s powers and responsibilities under Article 1, Section 7 of our Constitution, accomplishing a general reform of the Federal Reserve System. This act will make the Federal Reserve System in effect the Third Bank of the United States.

“This Act will do several things which are absolutely indispensable to prevent our recovery measures from leading to a renewal of monetary inflation, as well as providing the mechanisms for a general and rapid economic recovery.

“Full regulation will be restored to the banking system of the United States.

“The lending power of the private banking system of the United States hereafter will be limited to two forms of lending. First, the lending of deposited savings of currency. Second, the lending of issues of U.S. Treasury gold-reserve-denominated currency notes.

“No foreign financial institution may do business with or within the banking system of the United States unless it provides the U.S. Treasury auditors full transparency, and

proves, by means of such auditing transparency of its off-shore operations, that it is conducting business according to standards equivalent to those of a U.S. banking institution.

“Those measures of regulation are indispensable to choke off the causes for monetary inflation. In a moment you shall begin to see why this is so important for our recovery.

“In addition to the emergency act to reform the Federal Reserve System, I shall ask the Congress to authorize the immediate issuance of \$400 billion in U.S. Treasury currency notes.

“These notes are not for government spending. They are for lending, through local banks, to get our farms and factories and construction back to work once again. He,” pointing to the portrait of Roosevelt, “would have done exactly the same were he alive and President today.

“These notes are to be loaned out at between 2 percent and 4 percent interest rates. They will be loaned only for certain purposes. These purposes will include investment in production of agricultural and industrial goods, and investment in important kinds of basic infrastructural improvements by governmental or private organizations.

“Let me give you an example. Let us assume that you, one of our citizens, is a farmer or manufacturer, or owner of a construction firm. You have a legitimate investment in producing wealth. You negotiate a loan agreement with your local banker. You offer security, and your local banker agrees to invest a percentage in the total value of the loan agreement. Your banker takes that loan agreement to a branch of the reformed Federal Reserve System. If the Fed approves the loan, the Fed will write that banker a Federal Reserve cashier’s check for somewhere between ten percent to sixty percent of the total value of the loan agreement. The banker will be charged between 2 percent and 4 percent for the loan of the value of that check, and he will be allowed to add a small service charge for administering that part of the loan.

“Those of you who are about as old as I am, will remember how he,” pointing again to the Roosevelt portrait, “handled our problem of wartime mobilization. If you were a farmer or industrialist, with a war-production contract or sub-contract, you went to your local banker, drew up a loan agreement and went through just about the same procedure I just described to you.

“Of course, back then, most of what we spent went directly or indirectly for war. Since military goods aren’t consumer goods or machine-tools, military spending on that kind of scale was very inflationary. This won’t be. We will be producing useful consumer goods and useful capital goods, the kinds of goods people buy.

“If you will call your congressman right now, and tell him you insist on his supporting these actions to stop the depression, you can make this night a night to tell your grandchildren about, the night we pulled ourselves together to stop a worldwide depression.”

Do you think President Reagan has the guts to do that? Would you support him with all-out support, if he did?

Henry Kissinger sets his sights on a 'lame-duck' President Reagan

by Richard Cohen, Washington Bureau Chief

In Vail, Colorado, on Aug. 13-15, former Secretary of State Henry Kissinger will assemble a cast of his most important co-conspirators for very private sessions at the summer home of a Kissinger-plaything, former President Gerald Ford. With slight window-dressing, it is a meeting of the old Nixon-Ford policy team that Kissinger used to direct, and the core of the projected next Kissinger administration under lame-duck Ronald Reagan.

Among those who are expected to be present are the Kissinger-installed consultant and troubleshooter for Secretary of State George Shultz, Helmut Sonnenfeldt; Kissinger political ally Alan Greenspan; and former Federal Reserve Board Chairman and Kissinger's "Schmidt handler," Arthur Burns, in addition to a menagerie of former Kissinger executive-branch operatives and Kissinger-associated Congressmen.

Forty-seven top executives from Fortune 500 firms, former British Prime Minister James Callaghan, and former French President Valéry Giscard d'Estaing will also be on hand. The three days of meetings are sponsored by the Washington-based American Enterprise Institute (AEI), and will be attended by its executive director Irving Kristol.

These sessions will plot the final stages of a now fast-paced seizure of control by Kissinger and his friends of the key points of power in the Reagan administration. Kissinger and others will outline a dramatic post-November-election shift.

As this journal alone has reported, Kissinger, Greenspan, and Fisher led a failed attempt at the 1980 Republican National Convention to pressure President-elect Reagan to yield control over the most important national security and budget-making positions in his new administration. Kissinger and company crudely tried to "break" Reagan politically and psychologically by offering Ford as a "co-President."

And as *EIR* exclusively reported, these evil forces never halted their attempts. Starting in July 1981, *EIR* warned that the Swiss-based Bank for International Settlements (BIS), in league with Swiss, London, and New York bankers, had decided in June to make the President's commitment to a three-year personal income-tax cut the wedge for "breaking" the President.

Kissinger and company will then turn on the television the night of Aug. 15, to watch Ronald Reagan's address to the nation. The purpose of the address will be to pressure recalcitrant GOPers in the House of Representatives to vote for the three-year, \$99 billion tax increase which has already passed the Senate.

Now, President Reagan's decision to launch an all-out fight for the BIS-sponsored tax hike could have only occurred with the President recognizing the immense political implications, including the resultant civil war in the Republican Party. The decision thus signals that Reagan has already decided not to run for a second term.

Bush, Baker and Buckley

Kissinger et al. consider this transformation into a "lame-duck" President as the key factor in securing irreversible control over the Reagan administration between now and November. My sources here say that Kissinger forces have entered into a secret arrangement with the faction in the White House associated with Vice-President Bush and elements in the "New Right" controlled by William F. Buckley, Jr. to secure that goal. Moreover, the rising star of opposition to Reagan's "sellout," Rep. Jack Kemp (R-N.Y.), had his strings pulled by the people behind Kissinger.

There are no real disagreements on major foreign-policy questions between the Bush and Kemp camps. They are two sides of the same destructive coin, and while Bush and Kemp battle it out in a controlled fight over who should succeed Reagan, Kissinger is to be firmly ensconced in control of U.S. foreign policy.

A crucial role has reportedly been played over the course of the past two months by Bush's ally Jim Baker, who sold the President on what some believe will be his final script. Bush and Baker were reportedly the pivotal figures in securing a White House deal with Federal Reserve Board Chairman Paul Volcker. According to one source, Volcker has proposed to step down before the end of 1982. Volcker is also said to have pledged a "fair deal" on interest rates between now and November in exchange for an all-out presidential battle on behalf of the tax hike. A long-time Reagan intimate told me that the President is now convinced that

income-tax cuts have failed, and foolishly sees cutting the federal deficit, as promoted by Volcker and the BIS, as the only means of restraining interest rates.

The Bush-Baker group has successfully conjoined the Volcker deal to an absurd November GOP campaign strategy which has thrown conservatives and party stalwarts into a tizzy. In order to compensate for the "sellout" to the BIS, Baker has mustered polls by his own pollster Richard Wirthlin, Meese's pollster Arthur Finkelstein, and Deputy White House Chief of Staff Michael Deaver's pollster Robert Tetter, in order to convince the President that he must remain firm on all other positions during the campaign. The President has been told that he must not renounce the third year of the personal income tax cut. The President has been told that he must appear to stand firm on all foreign policy issues between now and November, including his pipeline sanctions and strong support for Israel. This is presented as the only way to offset expected conservative defections and maintain what his pollsters say is his strongest card in the November elections—his "image" as a man who does not waver.

While the President has bought this package, most Republican and Democratic political consultants believe that this approach will only exacerbate the dramatic losses for Republicans in November.

Kemp and Kristol

While the Kissinger group gloats over the tragic gullibility of the President, it is important to note the attendance of Kristol at the Vail affair. Two years ago, Jack Kemp told me that the most important figure influencing his economic outlook was the Social Darwinist Irving Kristol. As *EIR* reported, it was back in September 1981 when Kemp, directed by a group at the *Wall Street Journal* led by Jude Wanniski, the Swiss-based Mont Pelerin Society, and the Swiss-connected Siena Group of Robert Mundell, jointly rewired the outspoken Congressman. While still thumping for "supply-side" tax cuts, Kemp began to urge a broad reorganization of the world monetary system based upon a harshly contractive version of the gold standard.

Kemp walked into the Oval Office on Aug. 4 to "challenge" the President's new tax policy. One week before the Reagan-Kemp meeting, *Conservative Digest*, published by Richard Viguerie and Howard Phillips, devoted an entire issue to a frontal assault on the President's policies, quoting some 100 prominent conservatives. The sole issue around which conservatives of the "New Right" are being mobilized is the tax hike, and Jack Kemp is their acknowledged spokesman.

A few days prior to his ostentatious run-in with the President, Kemp also held a private pow-wow with leading conservatives on Capitol Hill. Trusted participants included Richard Rahn, chief economist for the U.S. Chamber of Commerce; former Treasury official Paul Craig Roberts; Reps. Newt Gingrich (R-Ga.), Robert Walker (R-Pa.), Mickey Edwards (R-Okla.), and Sens. Steve Symms (R-Ida.); Robert

Kasten (R-Wis.). Also in attendance were two friends of the President, Lyn Nofziger and Martin Anderson. (Washington sources say Nofziger's attendance could have only occurred with the sanction of the Teamsters and allied leaders within the building trades.) Nofziger and Anderson were recently taken to the woodshed by Reagan, who got them to reverse their opposition to the tax hike.

Kemp's assumption of leadership against the President and Kristol's presence at Vail indicate that the Kemp operation is nothing other than a move by Kissinger and company to contain conservative rebellion against Reagan's capitulation to the BIS and Kissinger. Sources close to Kemp say that he thinks he may obtain a consummate chance to influence the President in September. The President may be in store for a new betrayal from Volcker as well at that time, in the form of interest-rate hikes.

Counter to LaRouche program

Kemp's distracting volleys against the President and his diversion of conservative opposition to Kissinger's policies are considered an essential "safety net" by Kissinger and his friends. Both are also seen as counters to the broad emergency economic recommendations of *EIR* founder Lyndon H. LaRouche, Jr.; Kissinger's preoccupation on this point is said to be obsessive.

Should Reagan, as the economy falls out from under his feet in the coming weeks, grow anxious and enraged at his current set of advisers, Kemp serves as Kissinger's main block between a desperate President and his base. Kemp is to be inserted as the President's conservative "conscience," to keep him away from LaRouche's program for economic recovery. Kissinger was reported to have met privately in New York with a friend of Roy Cohn's, William F. Buckley, in a discussion which, like meetings with others on the West Coast, included containment of the LaRouches.

The Kissinger-Buckley meetings devised further maneuvers to weaken opposition to Kissinger's takeover of the White House. Buckley is mobilizing his forces within the "New Right" to propagate the absurdity that Kissinger is now an acceptable born-again conservative. On July 24, several days after Kissinger held private meetings with George Shultz, *National Review* editor Jeffrey Hart took to the editorial pages of the Unification Church-financed *Washington Times* to declare that Kissinger had learned from his past mistakes, was now acceptable, and should be named Secretary of State. On Aug. 10, in a move also clearly coordinated with the White House, Buckley also appeared in the *Times* to chastise those conservatives who are attacking the President on tax policy. In private comments, representatives from the British-run pseudo-conservative Heritage Foundation backed up Buckley; both Buckley and Heritage are reported to have inordinate leverage at the Moonies' *Washington Times*, the paper through which the President is scheduled to soon speak in a private "bombshell" interview aimed at coopting his new opponents on the right.

Moynihan 'unfit to hold public office'

by Nora Hamerman, Editor

Daniel P. Moynihan's face is currently redder than usual. The senior U.S. Senator from New York wanted to run unopposed for the Democratic renomination to the Senate this year, and rigged the state Democratic convention to keep out any opposition. Now Mel Klenetsky, a 37-year-old "LaRouche Democrat" who ran a strong challenge to Edward Koch in last year's New York City mayoral campaign, has filed over 30,000 petition signatures, three times the required amount, to qualify for the ballot in the state's Sept. 23 senatorial primary.

Klenetsky charges that Moynihan, a creature of the Harriman liberal machine in the Democratic Party, is "morally unfit to hold any public office." His campaign is about to issue a dossier showing that Moynihan's entire career has been as a puppet for Harriman, the family which advocates genocide against the non-Anglo-Saxon races in order to preserve British control over the world's raw materials.

Klenetsky held a press conference at Moynihan's headquarters Aug. 10 to announce that 30,500 signatures collected in two weeks were being filed that day in Albany. Moynihan's campaign manager, Tim Russert, said the Senator would challenge the petitions. Russert accused Klenetsky and the National Democratic Policy Committee, Lyndon H. LaRouche's political action committee, of using the Democratic Party "as a forum to preach blatant anti-Semitism."

"I think it's very interesting that someone who is advocating a policy of genocide, someone who has been pushing 'population control' against the Third World and American minorities for decades, someone in the Harriman wing of the Democratic Party which pushed the eugenicist doctrine to kill Jews in the 1930s, should make that kind of scurrilous, slanderous remark about an opponent who happens to be Jewish," Klenetsky said. The Brooklyn-born Klenetsky's parents are Polish-Jewish immigrants.

Mel Klenetsky has challenged Moynihan to debate him "anywhere, anytime." So far, however, Moynihan has avoided campaigning entirely. Rabbinical sources in New York admit that Moynihan, who counts on support from Jewish voters, has trouble maintaining the air of sobriety expected by Jewish audiences.

A deeper reason for Moynihan's reluctance is his vulnerability on the issues. Minority voters have not forgotten his notorious recommendation in 1969, when Moynihan was a

member of the Nixon cabinet, to treat the urban poor with "benign neglect." Nor have they forgotten that in 1979 Senator Moynihan opposed rebuilding housing in the South Bronx, a largely black and Hispanic community which has been ravaged by insurance- and real-estate-company-inspired arson: "People don't want housing in the South Bronx or they wouldn't burn it down," Moynihan declared.

'Morally unfit for office'

A brochure issued by Klenetsky gives a sample of his dossier on Moynihan. Among its points:

- Pat Moynihan's career in politics began when he was an aide to New York Governor W. Averell Harriman in 1955-58. The Harrimans were the major U.S. funders of Nazi "eugenics" in the 1920s and 1930s; the family-funded Eugenics Records Office drafted the immigration laws that kept Jews from escaping Hitler to the United States in the 1930s and kept most Jewish refugees out in the 1940s. In the 1950s, "eugenics" resurfaced with the old personnel and the new name of "population control." Moynihan has made "population control" a theme of his career.

- Moynihan's carefully cultivated public image as "friend of Israel" is a fraud. He has been silent on Israeli Defense Minister Sharon's arms sales to the rabid anti-Semitic Aryan, Ayatollah Khomeini, which Klenetsky says "will backfire on Jew and Arab alike." His real loyalty is to Great Britain—a British diplomat called him Britain's "greatest friend in the Senate" during the Malvinas crisis. Moynihan threw away the U.S. treaty obligations to Argentina and lied that NATO obliged the United States to back Britain (it didn't).

- Moynihan is also no friend of labor, although he has successfully wooed trade-union support in past elections. He invented "workfare," the Nixon scheme to throw the unemployed into former union jobs and slave wages—busting the unions in the process. Moynihan has abstained or voted against every Senate resolution to bring down the interest rates which are collapsing U.S. industry and agriculture—and the Social Security system, which Moynihan claims to defend.

- Moynihan supposedly "stood up for America" at the United Nations, where his 1975-76 stint as ambassador was the springboard to his senatorial campaign. Moynihan followed Henry Kissinger's orders to block the Non-Aligned countries' demand for a New World Economic Order. The result: pro-Soviet sentiment increased in the Third World, British control over the United States was consolidated and now we have a world depression, with a real danger of World War III.

"The only underdeveloped country Moynihan seems to like is Communist China," Klenetsky observed. "As Ambassador to India he followed Kissinger's orders to sacrifice our relations with India to the deal with Peking. China ran the Pol Pot massacre of nearly half Cambodia's population, which Moynihan also backed, and now they're practicing infanticide and forced abortions on their own people."

Soft position on pipeline covers for new controls

The 22-to-12 decision by the House Foreign Affairs Committee to rescind the export controls that President Reagan has imposed on the Soviet gas pipeline deal, coupled with hearings in the Senate Foreign Relations Committee, may be the opening shots of a "re-evaluation" of East-West economic relations whose purpose is to impose harsher long-range economic controls. The House vote, taken on Aug. 11, was widely presented as a rebuff by the "soft-liners" to the stand taken by President Reagan. Paul Tsongas is readying similar legislation in the Senate.

But, as Aug. 12 and 13 hearings in the Senate Foreign Relations Committee revealed, there is a longer-range strategy on the agenda. Former Ambassador to NATO Robert Ellsworth testified on Aug. 13 that current U.S. efforts to halt the pipeline would be fruitless, but that the debate must move from the pipeline issue, to the larger one of Western credits to the East bloc: "The ability of the West to provide large-scale credits to the East is a strategic commodity of the highest value. And it could be used to shift the dynamics of the dialogue with the Soviets." He went on to call for the West to declare Poland in default, after taking necessary steps to protect Western banks, and then force the Soviets to underwrite the economies of Eastern Europe in exchange for political stability and further Western credits.

Both Myer Rashish and Richard Cooper, the former a State Department official in the Reagan administration until recently, and the latter a Carter administration official, agreed with Ellsworth that the President's decision on the pipeline would be ineffective. While also disagreeing with the original European decision to go ahead with the pipeline deal, Rashish

insisted on the need for a coherent Western structure to "manage" East-West economic relations, much as NATO "manages" East-West military and strategic relations. Cooper testified that the long-term economic and military-strategic evolution of the Soviet Union can be influenced if economic relations or sanctions are approached from a broad and coherent standpoint.

Former Secretary of State Haig recently urged that the Western nations adopt a series of guidelines to govern their economic relations with the Soviet Union and East bloc.

Where was the Senate when it counted?

The Senate passed the "Symms Amendment" Aug. 11, "reaffirming" the Monroe Doctrine with respect to stopping Soviet, Cuban, and other communist influence in the Western Hemisphere. Senators who during the Malvinas war had no problem walking on the grave of President Monroe's Secretary of State John Quincy Adams, who insisted there was no "community of principle" between the sovereign republic of the United States and the British colonialist system, also had no problem jumping on board that great principle of statecraft called attacking "godless communists."

The Symms amendment, named after its sponsor, Sen. Steven Symms (R-Idaho), failed by two votes last April, after a State Department "screw-up" withdrew administration support for the measure. Jesse Helms, the lone opponent of U.S. support for the British in the Malvinas War, in a statement for the Congressional Record the same day, indicated that the State Department "screw-up" was cover for the "decision by Secretary of State Haig to grant Britain all the

aid it needed to triumph over the Argentines. . . ." "As we now reflect upon the so-called mediation which followed, is not the intention of the State Department to take sides in this dispute all too clear?" Helms asked. "Is it not now equally clear that the United States should have demanded that both sides back up and cool off?"

In testimony before the House Foreign Affairs subcommittee on Inter-American Affairs, Rep. Eldon Rudd (R-Ariz.) unintentionally underscored the absurdity of the Symms Amendment as he outlined how even strong allies of the United States like Venezuela were likely to orient more toward Cuba and the Non-Aligned movement, while others would be strengthening their trade and other ties with the Soviet Union.

As practical steps, Rudd suggested that the United States "remove all remaining embargos and restrictions" on trade with Argentina, "inform the British of our clear interest in a final negotiated settlement" of the Malvinas issue and "in no way . . . support financially continued British military presence on the islands."

Schmitt, Heckler launch science and technology act

At an Aug. 5 press conference, Sen. Harrison Schmitt (R-N.M.) and Rep. Margaret Heckler (R-Mass.) announced the introduction of the National Science and Technology Improvement Act, which would, in Schmitt's words, "strengthen the research capabilities of academic institutions and encourage men and women to assume careers in science, engineering and technology." Working with the White House Office of Science and Technology Policy (whose "free-market" ideology has severely damaged the necessary federal role in

research and development), Schmitt and Heckler have tried to construct a "limited-scope" bill which will have administration support. With that White House backing, they hope that the legislation can move quickly.

In their remarks accompanying introduction of the bill, the sponsors point to the 77 percent decrease in pre-college mathematics teachers over the decade of the 1970s. They also note the related collapse of interest by students in these areas, citing one study which showed that by the end of the third grade, almost one-half of elementary school students have decided that they do not want to study science.

The legislation includes: 1) a grant program directed at young, non-tenured college instructors in an effort to provide them with research money and stem the exodus to more lucrative industry jobs; and 2) a National Science Foundation mathematics and science improvement program to enable pre-college math and science teachers to keep pace with new developments in their fields at NSF-sponsored summer seminars.

If it's worth doing, it's worth doing right

After months of nearly solitary attacks on the Federal Reserve Board's policies, House Majority Leader Jim Wright (D-Tex.) has signed on to sponsor the "Balanced Monetary Policy Act" introduced earlier by the ring-leader of the "Paul Volcker Protection Squad," Senate Minority Leader Robert Byrd (D-W. Va.). The legislation, introduced in early August by Byrd and 30 other Senate Democrats, mandates the Federal Reserve Board to target both monetary aggregates (as they do now) and interest rates, as they did prior to the October 1979 monetarist shift at the Fed. The legislation, as one Capitol Hill veteran put it, is

"mouthwash," since it leaves Fed control over monetary policy intact.

The importance of the legislation is political, not economic. The entire House Democratic leadership is co-sponsoring the bill along with Wright, and Wright is receiving advice from, among others, Bank for International Settlements agent Rep. Henry Reuss (D-Wis.). The intent of Robert Byrd and Tip O'Neill, who have done nothing but protect Volcker for the past two years, is to lay the blame for the interest-rate-led depression in the lap of the hapless President Reagan. It is significant that there is behind-the-scenes speculation that Jack Kemp (R-N.Y.) and his crowd will jump onto the legislation in their continuing efforts to discredit the administration.

Wright, along with a few mavericks like Sen. John Melcher (D-Mont.), had tried to make stopping Volcker's usurious policies a facet of a bipartisan approach to the White House over the past 18 months. More recently, Wright called for Volcker's resignation. In a press conference Aug. 12, shortly before introducing the legislation, Wright outlined his own genuine commitment to "bring interest rates back down to a reasonable level. . . . The Fed has demonstrated its unwillingness to act unless mandated by Congress to do so," Wright said, and it's "time for Congress to resume its historic responsibilities to the American people." Pointing out that interest rates averaged 6.5 percent for the 20 years up to the October 1979 change in Fed policy, and 16.4 percent for the two years following Volcker's change, Wright blasted this Fed policy as "deliberate, not accidental" and an "economic disaster for the country."

But, by throwing in his lot with O'Neill and Byrd, Wright has been effectively neutralized and compromised.

Henry Reuss, who seems to have

bamboozled Wright, is chairman of the Joint Economic Committee.

Gore introduces Harrimanite arms-control

Albert Gore (D-Tenn.) introduced the outlines of a new arms-control proposal for the START talks, focusing on ending first-strike capability through elimination of multiple warhead capacities. Gore incorporated President Reagan's guidelines on the ceiling for numbers of warheads, a move which his aides say is specifically designed to make his proposal acceptable to the administration.

The Gore proposal was first made earlier this year, and was the subject of meetings in Moscow held by an American delegation led by a close Averell Harriman associate, Bishop Paul Moore of the Cathedral of St. John the Divine in New York. Moore reported favorable responses from ranking Soviet officials and from Georgii Arbatov of the U.S.-Canada Institute.

Since that time, Gore has been in discussion with Averell Harriman, who advised him to revise the proposal to make it more acceptable to the Reagan administration.

The latest version of the proposal—incorporating the Reagan warhead guidelines—was presented by Gore to a meeting of "arms control experts" at the Aspen Institute in Colorado this month.

An aide to Gore said that it is thought that it will be possible for Secretary of State George Shultz to help change the administration's negotiating policy on START. "The problem has been that arms control was viewed as a factional issue inside the administration," he stated. "Now with Haig gone and Shultz in, we can take some of the heat out of the discussion and begin to change things."

National News

NDPC: 'straighten out Washington'

Warren Hamerman, Chairman of the National Democratic Policy Committee, issued a statement Aug. 9 announcing that the 600 chapters of the NDPC were initiating a "long overdue campaign to straighten out Washington."

The NDPC proposal, Hamerman stated, "issued in full bipartisan spirit, is that at least a majority of government officials must be heterosexual."

Hamerman listed the following emergency measures: 1) that 51 percent of all Senators and Congressmen, including representatives from California, must be heterosexual; 2) the chairmen of both major parties must be heterosexual; 3) cabinet officers and flag-rank military officers can no longer maintain "closet secrecy" on their indiscretions; and 4) State Department and Justice Department employees shall not "be allowed 'phased withdrawal' to the 51 percent affirmative action quota level, but must comply fully with the new requirements along with other departments."

The urgency of this remedial program, according to Hamerman, is the national security of the United States. "The very fact that the KGB could have blackmailed and 'turned' Henry Kissinger with the aid of a British Secret Service file on his faggotry is reason enough for action.... Our nation can ill afford a repetition of the Kissinger case where our national security becomes compromised to protect the closet life of the high-ranking official involved...."

Pig links Cohn to Kissinger

A filth-smearing pig, with the words "Henry Roy" written on its side in red paint, and a heart in between "Henry" and "Roy," was dumped into the American Bar Association

session debating ethics and the press in San Francisco Aug. 8, according to the *San Francisco Chronicle*.

The message on the pig, the *Chronicle* reported, "remains a mystery.... However, one of the speakers at the afternoon meeting was Roy M. Cohn, chief counsel of Sen. Joseph McCarthy's Communist-hunting subcommittee in the early 1950s."

According to a spokesman for the Hyatt Regency, where the session was held, no one had any idea why the pig was released or who released it. However, sources are speculating that the "Henry" of "Henry Roy" might just be Cohn's long-term associate, former Secretary of State Henry Kissinger.

Why is Houston chief protecting Kissinger?

The exposure of Henry Kissinger's peculiar sexual practices has so flustered Lee Brown that the recently appointed Houston Police Chief had two International Caucus of Labor Committees (ICLC) organizers arrested at the beginning of August as they were distributing *EIR* founder Lyndon LaRouche's "Politics of Faggotry" Kissinger exposé.

ICLC organizers Ivan Gutierrez and Mike Maddy were incarcerated more than 30 hours in Brown's jail before being released without charges. The arrests came the same day that a pig some political observers identified as Henry Kissinger was loosed in a downtown Houston public plaza.

As the ICLC got out the word of the arrests with a leaflet entitled "Faggot-Run Houston Police Department Arrests ICLC Organizers: Why is Queer Police Chief Protecting Kissinger?" two other ICLC members were arrested inside the Houston police headquarters as they got the leaflet to police and other public servants eager to find out who is behind the new top cop.

Before his recent appointment in Houston by the new mayor Kathy Whitmire, who won her seat with backing from the homo-

sexual lobby, Brown headed the police department in Atlanta at the time of the string of black child murders.

As the ICLC leaflet notes, Brown "is best known for running the cover-up of the homosexual sex-ring murders.... When the character of the Atlanta killings is recalled—that the victims were induced to participate in a homosexual prostitution ring, then killed as part of 'snuff' movies—it is obvious why Lee Brown and Roy Cohn's cronies in Houston would react so strongly to the ICLC's exposure of Henry Kissinger's homicidal faggotry."

Friedman attempt to disqualify Oliver

Fernando Oliver, National Democratic Policy Committee-endorsed candidate in the Democratic primary in the 18th congressional district in the South Bronx, expects an extraordinary challenge to his qualifying petitions from Roy Cohn associate Stanley Friedman. Friedman is chairman of the Bronx Democratic Party.

Although Oliver submitted five times the required number of petition signatures for ballot status Aug. 10, which campaign workers have confirmed are 90 percent valid, Friedman is so determined to remove him from the race that 26 lawyers are working around the clock to disqualify Oliver's signatures.

Reliable sources report that effort will cost Friedman \$1 to \$3 million.

Oliver's opponent, Robert Garcia, is co-sponsor with Rep. Jack Kemp (D-N.Y.) of the free-enterprise zone bill that would set up sweatshops in devastated areas of the nation's cities.

At stake in the race is Oliver's challenge to the entire Friedman-Cohn political machine in the Bronx. According to a recent *New York Times* article, Friedman's current support for Garcia is motivated by his need to "clean up" his longtime stigma as a racist. Friedman, according to reliable sources,

has ambitions to become head of the New York State Democratic Primary. If Oliver, who has consistently attacked the denounced Garcia as a mere spokesman for Friedman's and Cohn's policies, can defeat Garcia, Friedman's attempt to take over the state Democratic apparatus would be effectively defeated.

State nominee was youthful eugenicist

W. Allen Wallis, whose confirmation hearings for Undersecretary of State for Economic Affairs come up in early September, collaborated with his wife on a paper presented at the 1932 Third International Congress on Eugenics.

The paper, on which Wallis consulted as a statistician, focused on the distribution of pure Nordic racial characteristics in the population. The participants in the conference elected as their president Dr. Ernst Rudin, the head of the German Society for Racial Hygiene, and the architect of Hitler's and Goering's mass extermination programs.

Wallis is a top official and former treasurer of the Mont Pelerin Society, an organization of "free-enterprise" ideologues.

Chicago primed for race riots

The counterinsurgency and terrorist linked apparatus in the city of Chicago, led by Muslim-Brotherhood financed Jesse Jackson, is primed to create race riots in the city this summer. The immediate pretext for racial confrontation is Mayor Jane Byrne's appointment of two white women, Prudential Life executive Estelle Holzer, and interim school superintendent Angeline Caruso, to the Board of Public Housing.

Jackson and his associates are using the annual Chicagofest, a "bread and circuses"

affair, as the means to provoke outright confrontations that a series of incidents over the past month have built towards.

Since Byrne's appointment, Jackson has called for a total boycott of Chicagofest. A number of "top-name" black performers and black and white vendors have pulled out, and reports are now circulating that "unknown persons" used physical threats to enforce the boycott.

Press coverage, of the boycott and related incidents particularly in the *Chicago Sun-Times*, has been consistently provocative.

Chicago is facing an extremely precarious financial situation. The city is dependent for a \$12 to \$14 million-per-day cash flow on the Continental Illinois bank, which is rumored to be in serious trouble. Most area industry is heavily involved in the bank.

Terrorist taint to AFL-CIO appointee

The Lane Kirkland leadership of the AFL-CIO appointed terrorist-connected Irving Brown as Director of International Affairs. Until three months ago, Brown headed the AFL-CIO European office. Brown will replace Ernest Lee at the AFL-CIO headquarters.

The appointment is a decision to upgrade the federation's role in intelligence operations against certain governments in both Eastern and Western Europe, which were the subject of unpublicized discussions at the executive council meeting held in New York City the first week in August. Brown is a controller of the international Solidarist movement.

Brown, a protégé of former Communist Party U.S.A. editor Jay Lovestone, was exposed this spring as the AFL-CIO's contact with Luigi Scricciolo, now imprisoned as a member of the terrorist Red Brigades, and the former head of the Italian labor federation UIL's international affairs department. Brown collaborated with Scricciolo in support operations for Poland's Solidarność.

Briefly

● **REP. LARRY MCDONALD**, (D-Ga.) a self-proclaimed "conservative" and member of the John Birch Society, had as a worker for his 1978 campaign David Grauer, the "kiss-and-tell" male prostitute who detailed to ABC-TV the blackmail operation run out of the Washington, D.C. escort service, "The Stables."

● **ROY COHN** met with Democratic Party Chairman Charles Manatt and Sidney Korshak, whom the Justice Department has named as one of the "top five underworld figures" in the nation, during his recent visit to the West Coast, sources report. The three are said to have discussed Henry Kissinger's assignment to eliminate *EIR* founder Lyndon LaRouche, and his wife, Helga Zepp-LaRouche.

● **MGM**, United Artists, and 20th Century Fox, have reportedly received a \$35 million loan from former CBS chairman William Paley, to keep them from going bankrupt. Paley's son-in-law, Steven Ross, is head of the huge Warner Communications conglomerate. If the Paley bailout goes through, the entertainment industry may be opening itself up to charges of violation of the anti-trust laws.

● **STANLEY WEISZ** and Eugene Ciusio, co-defendants of former Rep. Richard Kelly of Florida in his Abscam conviction earlier this year, were both found guilty on all counts in a re-trial. Kelly's conviction was overturned May 14 by Washington Federal District Court Judge William Bryant, who termed the Abscam entrapment operation "outrageous."

Editorial

The oligarchy has no clothes

An insight into the dilemma faced by the international oligarchy in its machinations to carry out "controlled disintegration" of the world economy was afforded to *EIR* by an official of the Swiss-based Bank for International Settlements last week. The problem with the central bankers' current plans for handling a monetary crisis, he confessed, is that "they want the patient to contract a mild disease, to be vaccinated to avoid the epidemic. But it's the wrong moment to vaccinate. The patient," the international financial system, "is so weak, it might contract the disease for good, and die."

The simile is apt for the quack-salvers now gathered around the corpse of the Bretton Woods monetary system. The latest august body of doctors to come to our attention is "Kissinger Associates," which has set up for business in New York and Washington. Besides Henry Kissinger, who will be remembered for having worked wonders for the Chilean economy and for the salubrious oil price rise after his 1973 Middle East war, the firm's major operatives include former British Foreign Secretary Lord Carrington, former Arco chairman and current head of the Aspen Institute, Robert O. Anderson, and Pehr C. Gyllenhammar, a member of the Board of Trustees of Aspen and the President of Volvo in Sweden.

Readers of this review need no introduction to the Aspen Institute, even if they don't already share the visceral hatred for Robert O. Anderson's war on water resources and high-technology energy of our readers in the U.S. Western states. It was Aspen that mapped the Khomeini takeover in Iran, it is Aspen that has been actively plotting the overthrow of West German Chancellor Helmut Schmidt, and it is Aspen that recently issued the blueprint for reduplicating the Iran "revolution" south of the Rio Grande.

The fairly obvious conclusion to be drawn is that the circles who run Kissinger have nothing to offer any nation in the world except destruction.

One often hears in developing countries today the wishful delusion: "We must remain credit-worthy." Ostensibly, unless this precious commodity called "credit-worthiness" is protected with utmost zeal, the angered international financial institutions will withhold new is-

suages of credit. But this is a delusion on three counts.

First, during winter 1981-82, the continuation of the Volcker measures in the United States triggered the eruption of a second worldwide "Herbert Hoover" depression. This will lead into a general, chain-reaction collapse of financial institutions by early 1983 at the latest. In these conditions, the external debt of all developing states will be pushed into a condition of irreparable default, and there will be no margin of international lending to provide refinancing or any other significant form of new credit.

Second, as a matter of policy, the principal international financial centers, including the irregular Eurodollar market, have resolved to "de-couple" from further financial commitments to Ibero-America, Africa, and Asia—barring a handful of possible exceptions among the nations of those continents. Rather, the appearance of "threatening not to lend" is being used merely to seduce credulous governments into accepting cruel, arbitrary devaluations and savage austerities.

Third, it is the commitment of forces behind former U.S. Secretary of State Kissinger to destroy the nations and populations of the "South" through scenarios which combine austerity, insurrections, and regional warfare, to unleash the depopulation effects of perpetual "Thirty Years Wars" for decades to come.

Nor will these effects be limited to poor countries; the oligarchy fully intends to turn the Dark Age thus unleashed back into the OECD countries, destroying every nation-state.

The debtor nations must realize they have the upper hand. The mass of non-performing debt gives them the collective edge on the overextended creditors. They can make an offer no advanced-sector banker or government could refuse—and survive. "Either you come to terms and reorganize this debt our way, to generate the credit we need to build up our economies—or you won't get a penny."

Kissinger and Co.'s "debt weapon" is a trick with mirrors—the threat of withholding future credit they don't intend to give anyway. Now, let those who actually hold the debt weapon wield it to bring into being the New World Economic Order.

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