

# EIR

Executive Intelligence Review

April 19, 1983

\$10.00

LaRouche-Riemann model: cheap oil won't prime recovery  
The necessity of building a second Panama Canal  
EIR makes a visit to Nigeria

**François Genoud: terrorist  
controller for the Swiss banks**



# EIR

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

**1. What is the Trilateral Commission?**

The most complete analysis of the background, origins, and goals of this much-talked-about organization. Demonstrates the role of the Commission in the Carter administration's *Global 2000* and *Global Futures* reports on mass population reduction; in the Propaganda-2 Freemasonic scandal that collapsed the Italian government in 1981; and in the Federal Reserve's high interest-rate policy. Details the Commission's influence in the Reagan administration. Includes complete membership list. \$100.

**2. The Global 2000 Report: Blueprint for Extinction**

A scientific and political refutation of the Carter administration's *Global 2000 Report*. Includes a review of the report's contents, demonstrating that upwards of 2 billion people will die if its recommendations are followed; a detailed presentation of the organizations and individuals responsible for authorship of the report; analysis of how the report's "population-control" policies were applied in the Vietnam war and the destruction of Cambodia, El Salvador, and Africa; analysis of environmentalist effort to "re-interpret" the Bible in line with the report. \$100.

**3. The Club of Rome in the Middle East**

A dossier on the role played by the Club of Rome in promoting "Islamic fundamentalism." Focusing on two organizations, the Arab Thought Forum and Islam and the West, both of which are intimately tied to the Club of Rome, the report shows how the Club uses "Islamic fundamentalism" as a political tool to promote neo-Malthusian, anti-development ideas throughout the Middle East. \$250.

**4. Mexico After the Devaluation**

One of the most-discussed documents circulating in Mexico, this report describes in detail the role played by the U.S. Federal Reserve Chairman Paul Volcker and the Swiss-based Bank for International Settlements in organizing a credit cut-off against Mexico. Describes

the demands being made by the International Monetary Fund for economic "reforms" in Mexico, and why these demands are being resisted. Much information on Mexico's economic conditions and political factions is included. \$250.

**5. Who Controls Environmentalism?**

A history and detailed grid of the environmentalist movement in the United States. Analyzes sources of funding, political command structure, and future plans. \$50.

**6. U.S. Policy Toward Africa**

A case study of the "new" North-South policy of the Reagan administration, showing how economic policy toward Africa is being shaped according to the anti-technology, zero-growth guidelines of the Carter administration's *Global 2000 Report*. Discusses in detail the role being played by the AID and World Bank in implementing this policy, under directions primarily from Henry Kissinger, David Rockefeller, and the Ford Foundation. Includes profiles of the administration's top ten policy-makers for Africa. \$250.

**7. Kissinger's Drive to Take Over the Reagan Administration**

Full analysis of Henry Kissinger's attempt to consolidate control over the administration for the Trilateral Commission wing of the Republican Party; and the implications for U.S. foreign and domestic policy. Presents profiles of Kissinger's collaborators inside the administration, including recent administration appointees. \$250.

**8. Outlook for U.S.-Japan Economic Relations**

Detailed analysis of why U.S.-Japan economic frictions are likely to escalate in the coming months unless U.S. economic policy is changed. Features a strategic analysis of the U.S.-Japan relationship; analysis of the five key areas that friction will increase; evaluation of the political intent behind "Hitachi spy case"; and interviews on U.S.-Japan relations with leading Reagan administration officials. \$250.

## EXECUTIVE INTELLIGENCE REVIEW

I would like to receive these EIR Special Reports:

Order Number(s) \_\_\_\_\_

Bill me for \$ \_\_\_\_\_  Enclosed is \$ \_\_\_\_\_

Please charge to my  VISA  Master Charge

Card No. \_\_\_\_\_

Signature \_\_\_\_\_ Exp. Date \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone (\_\_\_\_\_) \_\_\_\_\_  
area code

**Make checks payable to:**

Executive Intelligence Review, Dept. MC-1, 304 West 58th Street, 5th floor, New York, N.Y. 10019 (212) 247-8820.

Founder and Contributing Editor:

*Lyndon H. LaRouche, Jr.*

Editor-in-chief: *Criton Zoakos*

Editor: *Nora Hamerman*

Managing Editor: *Susan Johnson*

Features Editor: *Christina Nelson Huth*

Art Director: *Martha Zoller*

Contributing Editors: *Uwe Parpart,*

*Nancy Spannaus, Christopher White*

Special Services: *Peter Ennis*

INTELLIGENCE DIRECTORS:

Africa: *Douglas DeGroot*

Agriculture: *Susan Brady*

Asia: *Daniel Sneider*

Counterintelligence: *Jeffrey Steinberg*

Economics: *David Goldman*

European Economics: *Laurent Murawiec*

Energy: *William Engdahl*

Europe: *Vivian Freyre Zoakos*

Ibero-America: *Robyn Quijano,*

*Dennis Small*

Law: *Edward Spannaus*

Middle East: *Thierry Lalevée*

Military Strategy: *Steven Bardwell*

Science and Technology:

*Marsha Freeman*

Soviet Union and Eastern Europe:

*Rachel Douglas*

United States: *Graham Lowry*

INTERNATIONAL BUREAUS:

Bogotá: *Carlos Cota Meza*

Bonn: *George Gregory, Rainer Apel*

Chicago: *Paul Greenberg*

Copenhagen: *Lent Thomsen*

Houston: *Harley Schlammer,*

*Nicholas F. Benton*

Los Angeles: *Theodore Andromidas*

Mexico City: *Josefina Menéndez*

Milan: *Marco Fanini, Stefania Sacchi*

Monterrey: *M. Luisa de Castro*

New Delhi: *Paul Zykofsky*

Paris: *Katherine Kanter,*

*Sophie Tanapura*

Rome: *Leonardo Servadio*

Stockholm: *Clifford Gaddy*

United Nations: *Peter Ennis*

Washington, D.C.: *Richard Cohen,*

*Laura Chasen, Susan Kokinda*

Wiesbaden: *Philip Golub, Mary Lalevée,*

*Barbara Spahn*

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

Nachrichtenagentur GmbH, Postfach 2308,

Dotzheimerstrasse 164, 62 Wiesbaden.

Tel. (06121) 44-90-31.

Executive Directors: Anno Hellenbroich,

Michael Liebig

**In Mexico:** EIR, Francisco Días Covarrubias 54 A-3

Colonia San Rafael, Mexico DF. Tel: 592-0424.

**Japan subscription sales:**

O.T.O. Research Corporation, Takeuchi Bldg.,

1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160.

Tel: (03) 208-7821

**Brazil subscription sales:**

International Knowledge Information System Imp.

Rua Afonso de Freitas 125, 04006 Sao Paulo Ltda.

Tel: (011) 289-1833

Copyright © 1982 New Solidarity

International Press Service

All rights reserved. Reproduction in whole or

in part without permission strictly prohibited.

Second-class postage paid at New York,

New York and at additional mailing offices.

3 months—\$125, 6 months—\$225,

1 year—\$396. Single issue—\$10

Academic library rate: \$245 per year

# EIR

## From the Managing Editor

**T**his week we make life uncomfortable for many of the individuals who generated political chaos and economic devastation, over the past decades. Our Special Report features a section of a dossier, prepared by our European counterintelligence chief, Paul Goldstein, on François Genoud, the Swiss banker who runs what the Klaus Barbie case recently brought to world attention as the still-flourishing Nazi International. Genoud's business connections on the one hand, and his sponsorship of "Islamic fundamentalist" terrorists like Ahmed Ben Bella on the other, come together in a cross-section of the drug, weapons, and coup apparatus which will have to be dismantled if nation-states are to survive.

In our Economics section, we make life uncomfortable for Secretary of State Shultz and others who have wittingly lied that lower oil prices will rescue the world economy, and who have insisted that the less-developed countries must obediently accept credit cutoffs and murderous austerity. See our LaRouche-Riemann model study on the effect of downward oil prices, and our report on this month's conference of the Group of 77 Third World nations, dispatched from Buenos Aires by correspondents Peter Ennis and Dennis Small.

In our National section, we raise the question as to why the Democratic Party leadership's arguments against the President's beam-weapons program sound so much like those of Yuri Andropov. (The answer has to do with old Averell Harriman.)

Coming up are a Special Report on the precarious situation around the Dome of the Rock mosque in Jerusalem, the target of "Temple Mount" Christian fundamentalists and the crazed factions in Israel, and a thoroughgoing overview of the global debt time bomb.

*Susan Johnson*

# EIR Contents

## Interviews

### **41 Samak Sundaravej**

The head of Thailand's Citizens Party talks about domestic politics, and ridicules ecologists.

### **44 Demetrio Vergara Stanziola**

The author of a technologically unique plan for a second Panama Canal at sea level explains the proposal.

### **48 Fernando Manfredo**

The deputy canal commissioner discusses labor questions and canal capacity.

## Departments

### **15 Dateline Mexico**

The San José Accord flap.

### **49 Middle East Report**

A question of time.

### **64 Editorial**

Productivity and national security.

## Economics

### **4 Debate over debt strategy breaks out in the G-77**

**Documentation:** The text of the call for a unified debtors' strategy by the secretary-general of the Latin American Economic System (SELA), Carlos Alzamora.

### **7 Ibero-America receives threats from creditors**

But Mexico is offering support for Ecuador's "debtors' cartel" initiative.

### **9 Why cheaper oil cannot buy a U.S. economic recovery**

The LaRouche-Riemann econometric model's findings.

### **12 PIK program: a hoax for farmers, and a threat to U.S. food supplies**

The "Payment in Kind" budget-cutting maneuver will evidently rob the consumer without paying the producer.

### **16 International Credit**

Next phase of creditors' cartel.

### **17 Domestic Credit**

What makes interest rates go up?

### **18 Business Briefs**

## Special Report



Second from right: Ahmed Ben Bella, the former Algerian president, current terrorist controller, and close collaborator with Swiss banker François Genoud.

### 20 The Genoud networks and the plan to set the Mideast on fire

An overview of the Nazi International, coordinated by Switzerland's François Genoud, and a report on the latest effort to deploy the International's Khomeini-style networks throughout the Middle East.

### 22 François Genoud, terrorist controller

In counterintelligence format, a dossier on the shadowy protégé of the Swiss banks, the Schlumberger interests, and the Allen Dulles networks in Anglo-American circles.

## International

### 28 Tailspin in Western Europe over U.S. defense policy

"We need to preserve nuclear blackmail!" cries the Royal Institute of International Affairs.

### 30 Soviet press rallies the party for laser technology

The *Ekonomicheskaya Gazeta* has published a map of economic applications of the U.S.S.R.'s beam-weapons program.

### 31 Soviets move to unlock technology bottlenecks

### 32 The real threat in Central America: Kirkpatrick, Sharon & Company

### 34 In defense of Nigeria

*EIR* board member Allen Salisbury challenges the international media.

### 36 African officials blast Club of Rome, IMF

### 38 Thailand: the choices as elections approach

### 41 The Kampuchea issue: a 'patient stance'

Our correspondents report from Bangkok on the present government's foreign policy, and the political alignments domestically.

### 42 The world needs a new sea-level Panama Canal

### 50 International Intelligence

## National

### 52 Bipartisan government in 1985, pledges LaRouche

The *EIR* founder identifies the Reagan nuclear defense strategy as an irreversible turning point for national morality and scientific capability, and reviews the possibilities of his presidential candidacy from that point of view.

### 55 Harriman Democrats are recycling the Andropov line against beam weaponry

Their plans to turn both the United States and the Soviet Union into "post-industrial" swamps are in utter jeopardy.

### 56 SPIS: offshore banks aid drugs and crime

The Senate subcommittee report on dirty-money laundering calls a spade a spade.

### 58 How the FBI was set up as a national Gestapo

Part I of a new series describes the Bureau of Investigation's unconstitutional sweeps in the name of law enforcement before and during World War I.

### 62 National News

## Debate over debt strategy breaks out in the G-77

by Peter Ennis and Dennis Small in Buenos Aires

Nicaraguan Foreign Minister Miguel D'Escotto reiterated before the Group of 77 meeting the call for a debtors' association, first issued at the Non-Aligned Conference in New Delhi. "Just as the developed countries have united as creditors, we developing countries should unite ourselves as debtors, not to impose solutions but, on the basis of respect for national profiles of each debt and each credit, to find solutions which make possible the prosperity of all," D'Escotto told the conference of the Third World cabinet ministers.

The call for an association of the debtors issued by the secretary-general of SELA, Carlos Alzamora, in the name of that institution (see below) has further shaken up the environment at the conference, breaking through the effort to depict the Ibero-American nations as totally opposed to such bold actions. The statement counters the arguments that have been circulating to keep separated the necessary combination of countries for an Ibero-American debtor's cartel, and reflects SELA's optimism about the openings that have begun to show at the conference in such countries as Brazil and Argentina.

Alzamora's argument, like D'Escotto's, is that the developing sector countries should at least consider the levels of coordination which the creditors have achieved, a view increasingly heard in the halls of the G-77 meeting and in the pages of the Argentine and other Ibero-American press.

While there was lots of talk "around" the conference of a debtors' cartel, inside, in the speeches of the ministers to the plenary session which began on April 5, the tone has been a careful one, widely characterized as "moderate" and "pragmatic," as has been the case with most of the official docu-

ments which have formed the basis for the discussion within the conference committees. Nevertheless, many of the speeches contain paragraphs on debt and other issues that reflected the huge fight on the issue of the debtors' cartel that surrounds the conference proceedings.

### Argentina sets a 'pragmatic' tone

The ministerial level of the conference was inaugurated April 5 by Argentine President Reynaldo Bignone, and he gave what most delegates called a completely "flat" speech. He used many of the "correct" words, such as the usual call for a "new international economic order," but the tone was characterized by the following statement: Bignone said the developing countries should act with "political common sense in order to avoid being carried away by attitudes which could lead us to extreme positions."

Bignone pointed out the big problem the developing countries are having with debt. But he motivated action to alleviate the problem as necessary "to preserve the world economic order," rather than to construct a new one. "The debts of many countries will have to be refinanced at convenient terms and interest if the world economy is to be kept afloat." He also said, "It is hoped that" private banking sources will not increase conditionalities on their loans.

Several delegates pointed out that they were interesting paragraphs in Bignone's speech. First of all, Bignone directly linked the decline in world trade to the debt crisis, arguing that "the strangulation of world trade" has come about because "settlement of the debt or merely the payment of the interest on them absorbed a large part of the resources that

otherwise might have been earmarked for imports.”

He also paid some lip service to forces calling for a debtors' cartel by saying that the developing countries “must exchange information, share experiences and realize that the problem of the debt is not the unilateral responsibility of the debtors, but also concerns the creditors, and that both parties, in a common effort, must overcome this pressing problem.” For their part, the developing countries must act with “a high degree of responsibility”—an explicit rejection of the formation of a debtors' cartel.

Overall, Ibero-American delegates in particular were divided in their interpretation of the Bignone speech. One delegate known to strongly favor the debt bomb said he saw “some positive light” in the reference the Argentine president made to need for “exchange of information.” The same delegate linked Bignone's comments to a comment made the day before by Brazil's Saraiva about the existence of a common program of developing countries to deal with the debt problem. But another Latin delegate said, “This is all demagoguery; in the meantime our countries are being destroyed by the IMF.”

### **Latins hint at 'collective action'**

Bignone also made mention in his speech of the economic warfare Argentina suffered at the hand of the British during the Malvinas War, and he called for the developing countries to “agree on the establishment of mechanisms which will enable us to give a congruent response to those who, forgetting international principles and norms, resort to economic pressures as another weapon in the arsenal of their dissuasive power.”

Echoing Bignone on this issue, the Colombian foreign minister said it was appropriate that the Group of 77 was meeting in Argentina, since that nation had directly engaged in a fight against colonialism and that the effort currently being waged by developing countries to obtain a new international economic order is fundamentally the same struggle waged by Argentina. The Colombian minister said that “the iron-clad determination” of Argentina to regain the Malvinas Islands “should inspire all of us.” Bolivia made a similar statement to the plenary, raising the possibility that “the spirit of the Malvinas” might break out among the Latin American delegations, leading to unity on broader issues.

The speech delivered by Brazilian Foreign Minister Ramiro Saraiva was similar to that of Bignone. He said that the debt crisis of developing countries was actually “a crisis of the financial system and even, in wider terms, of the global economic system.” He also rejected the idea that the “problem of indebtedness will be resolved exclusively by the implementation of austerity policies by the developing countries.” However, the minister never even broached the question of how the crisis might be solved.

At the same time he warned the international bankers and

their domestic representative in Brazil, Planning Minister Antonio Delfin Netto, that some in Brazil wish not to continue Brazil's current suicidal course. “How long will the fragile social, economic, and political fabric of the nations of the South be able to resist the shockwaves caused by the economic and commercial policies of the great economic centers?” The crisis if “reaching unbearable levels of political and social tension” in the developing sector, Saraiva said. “Our peoples cannot be deprived of the hope for development. Our countries cannot have their growth prospects treated as a hypothetical byproduct of the recovery of the main countries of the North, which is itself uncertain and precarious.”

The speech by Colombian foreign minister Lloreda Caicedo was the strongest delivered. Speaking on behalf of the Latin American group, Lloreda gave a lengthy description of the debt crisis. He said that even though Colombia is not a country badly affected by the debt crisis, his government recognizes the need for a united front (*frente solidaria*) of the developing countries on the question of debt. He reiterated two proposals earlier put forward by Colombian president Betancur, the first calling for a fund to subsidize interest payments by developing countries and the second calling for a limitation on the percentage of export earnings a developing country would have to spend on debt service payments in any given year.

“We must say to the more advanced countries that despite our material limitations, we have not lost the capacity to think,” Lloreda Caicedo reminded the ministers at the end of his speech. “That we conceive of economy as a science in the service of man, and not man in service of the economy. That we visualize modern technology as an opportunity to redeem and not to destroy. In a word, we are here to lay the basis for a new world economic order which make possible coexistence and well-being.”

Bolivian Foreign Minister Mario Velarde scored British economics. “Instead of finances serving the development of production, the latter is a prisoner of finances. The invisible hand of Adam Smith, in which some still try to believe since it favors their egotistical interests, is strangling the world economy.” The solution must lie in the common interests of North and South,” Velarde added, “not in the invisible hand of he, whom upon killing, can die as well.” Eventually, “those who eat our hunger” must realize, “our lack of bread can one day provoke desolation and hunger for them also.”

### **India presents Non-Aligned stand**

The foreign minister of India, Narasimha Rao, gave a special speech to the plenary in India's capacity as chairman of the Non-Aligned movement. Rao gave a detailed report on the New Delhi summit emphasizing the theme that development and peace are inseparable. His speech was largely constructed from the final documents of the Delhi summit.

Speaking for the Non-Aligned movement, Rao called for “the development of a comprehensive, equitable, multilateral

framework for the restructuring of the debt burden of the developing countries." Indian Commerce Minister Singh, speaking for his government alone, called again for the convoking of an International Monetary and Financial Conference. "The idea is to put in place a monetary and financial system which can effectively meet the development and other financing requirements of the international community, particularly those of the developing countries, and the need for growth-oriented structural changes," Singh stated, in the most explicit statement yet by an Indian official that the conference implies the complete overhaul of the international monetary system, not some vague discussions of "problems."

### Final document being hammered out

As we go to print, the final political statement of the conference—called the Buenos Aires Message and addressed to the countries of the "North"—is in final stages of preparation. It has been hammered out by the representatives of four countries, India, Algeria, Argentina, and Mexico. Worst among them, according to well-informed sources, is Mexican representative Jorge Eduardo Navarete, an anglophile who has the post of Sub-Secretary of Economic Affairs at the Foreign Ministry, and is part of the old "foreign ministry mafia" which hounded López Portillo as well. Navarete is reportedly being "terrible, intransigent, and obsessive" at the meetings of the committee.

On the debt issue, the final economic document which will be issued when the conference ends on April 9, of which *EIR* has obtained an advance copy, does not come in any way near the position adopted at the New Dehli conference, itself a compromise position. In the last days of the conference, this document was converted into a specific resolution to be introduced into the UNCTAD meeting by the Group of 77.

On the debt issue, the group will not make any proposal on private debt, but will only propose action relating to official debts. This decision was taken at the insistence of Brazil and Mexico in particular; their representatives argued that any statement on the question of private debt would constitute interference into their "sovereign" discussions with their private creditors!

The resolution is remarkably convoluted, even by the standards of conference documents. On the crucial issue of private debt, the resolution states: "Notwithstanding the different debt profiles of individual developing countries, a generalized approach is required, including guidelines in dealing with the problem of private debts through rescheduling and/or refinancing, this does not imply a uniform set of solutions."

The Indian proposal for an International Conference on Money and Finance for Development has also been a highly contested issue throughout the entirety of the conference proceedings. At the insistence of a group of countries led by Brazil, Mexico, and Saudi Arabia, with the backing of the Jamaican head of the Finance Committee, Anthony Hill (see *EIR*, April 12), the Indian proposal was *not* included in the documents that will be binding on the negotiations at the June

UNCTAD meeting in Yugoslavia. Instead, the proposal was included in the conference's general political declaration.

Hill personally invited the International Monetary Fund's observer to the G-77 to attend all meetings of the finance committee, despite the fact that the meetings were private and to be attended only by official delegates to the conference. When his antics were questioned, Hill lied that the finance committee's proceedings were "public."

The Queen's agent also tried to organize opposition to a resolution passed by the trade committee, according to which the United States and the European Community countries would be asked to lift all trade restrictions on products from developing-sector nations. Hill was told that if he organized opposition to the resolution, Jamaica would receive special benefits in the context of the Reagan administration's "Caribbean Basin Initiative." When the resolution came up for a vote on April 7 before the G-77 plenary session, Hill told the delegates that approval of the resolution "would not be a good idea." He unsuccessfully tried to garner support for his view, but no one in the room would back him.

---

### Documentation

---

## SELA's Alzamora calls for unity of debtors

*Below is the text of the April 7 statement issued in Buenos Aires by Carlos Alzamora, secretary-general of the Latin American Economic System (SELA).*

In the Group of 77 lies the broad framework of common action and solidarity of the developing countries in their battle for a more equitable participation in the benefits of the world economy to which they offer their labor and resources. But to the degree that each region finds itself affected in a particular way by one or another type of problem, the solution to those problems acquires its own priorities. This is the case in Latin America with the problem of the foreign debt, which is the most pressing of all not only for its intrinsic importance, but because the way in which we solve it will also determine how other problems are resolved. To the extent that it demands, or not, the concentration of all our resources, energies, and efforts, it will be to the detriment of the development and well-being of our own peoples. That is to say, it is essential that we not sacrifice this well-being and security of our own societies to those of others, and that we must find a point of conciliation which allows us to meet financial commitments without strangling our economies or mortgaging our future.

In the process of provoking and organizing this negotiation, it becomes the sovereign and legitimate right of the



debtor countries to form the relationships or associations required for the success of this negotiation, when and however they deem convenient, just as the creditor nations have done. Furthermore, I think it would be very healthy for debtors and creditors to have the greatest organization and coordination possible so as to maintain the delicate operation of placing this gigantic debt under guarantees of discipline and control. It is clear that this arrangement—I refer to a genuine, durable, and viable one, and not one which must be renovated and patched up every day—has no solution within the traditional and orthodox framework, and requires a global and negotiated solution which involves the responsibilities of debtors and creditors, because it is understood that the immense magnitude of the problem surpasses the individual capacity of governments, banks, and international organizations.

In their speeches, the President of Argentina, the foreign ministers of Brazil and Colombia, stressed this point. And from the creditor countries, so have such authoritative spokesmen as Henry Kissinger and Helmut Schmidt, with vision, foresight, and political realism. But if the debtor countries do not formulate their positions and proposals, in the end these negotiations will have to be carried out in the unilateral framework of the creditor nations; and this carries with it a very great responsibility for those who insist on ignoring the problem, or leaving it to fate, when they have an important potential, which, used together, could efficiently protect the interests of our peoples. That the press or public opinion refers to us as a club, cartel, or debtors' union, is only proof that the theme has found an echo in the conscience of our peoples, who follow this process with great intensity. But we should not prejudge the character or the purpose of this type of association already created by the creditor nations. Nor should we confuse it with the idea of collective renegotiation of the debt which is repeated in bad faith to create confusion, and which, because of the variety of actors, circumstances, and characteristics, is both impossible and unnecessary.

What we propose is an agreement on the basic conditions for terms of payment, interests, and conditions by which the debt becomes payable. To establish multilaterally the norms, principles, and guidelines which should govern bilateral processes of debt negotiation. To exchange information and experiences, but naturally not for the morbid pleasure of knowing how the one who preceded us was ruined, but to coordinate and consolidate a negotiating position beneficial to each and every one, which does not bypass realism and which can foresee and be watchful.

Without question, the debtor countries have the right to associate themselves so as to better protect their interests, as the creditors have done, when it is demanded by their sovereign will and the necessities of a negotiation which requires coordination and the simultaneous contributions of the debtors and the creditors to insure viable, efficient, and stable results.

## Ibero-America gets threats from creditors

by Cynthia Rush

On April 1, as delegates to the Group of 77 developing nations conference met in Buenos Aires, the Argentine news service DYN published the text of a message that was reportedly delivered to President Reynaldo Bignone from the country's foreign creditors in Europe and London. The message, communicated through Argentina's ambassador to the European Community, Dante Simone, warned that "any deviation by Argentina in the area of debt payment or violation of agreements with the IMF, could result in the application of what is defined in international forums as 'exemplary punishment,' as a lesson to the other large debtors."

DYN explained that the ultimatum was intended to avert the possibility that Argentina might unite with other Ibero-American debtors to jointly renegotiate their foreign debt, or even opt for a "unilateral payments rebellion." The bankers not only ordered the current government to "scrupulously comply with agreements made with the IMF," but demanded that the next elected government, scheduled to take power in January 1984, continue application of IMF policies.

International wire services published their own reports on the DYN story, which were subsequently run by leading newspapers in Venezuela and Peru as the major weekend news item. An Associated Press wire in Venezuela's *El Nacional* appeared under the headline "Argentina Under Strong Pressures Due to Virtual Entry into Debtors' Club."

These crude threats are being made because the International Monetary Fund and other creditor banks do not have the Ibero-American situation under control.

In a letter to Ecuador's President Oswaldo Hurtado, published by the Mexican press April 6, Mexican President Miguel de la Madrid expressed full support for Hurtado's recent proposal to have all Ibero-American countries taking "concerted action" in the economic crisis.

The Ecuadorean president has proposed that the governments of the region adopt a joint economic program which would be drawn by the Latin American Economic System (SELA) and the Economic Commission for Latin America (CEPAL) and would include an increase in exports and imports among the Ibero-American countries and a favorable renegotiation of those countries' foreign debts. "We are conscious," de la Madrid says in his letter, "that the actions each of us undertake in our countries will not have the positive result we expect if at the same time we do not re-order the

international economy in a just and equitable way.”

### **Calls for debtors' cartel greets Group of 77**

On the opening day of the Group of 77, labor unions shut down Argentina with a general strike protesting economic policy. During the course of the conference, every Buenos Aires daily has been filled with articles debating the merits of a debtors' cartel, some using information from *EIR* on the creditors' cartel known as the Ditchley Group. Buenos Aires is rife with rumors that Finance Minister Jorge Wehbe, a staunch defender of IMF policies, will be removed from office.

Exemplary of the mood in the country was the treatment given Wehbe at the barbecue and rodeo held Easter weekend at the Sociedad Rural, the gathering place of Argentina's pro-British oligarchy. The master of ceremonies at the event, to which all Group of 77 delegates were invited, was Peronist leader Juan Mareco. At one point, Mareco turned to Wehbe and asked "Mr. Minister, do you like the tango?" Wehbe laughingly responded, "Of course, I love the tango." Mareco then asked, "Well then, Mr. Wehbe, suppose we use the tango to organize a debtors' cartel? What do you say?" Eyewitnesses report that Wehbe nearly choked on his fine Argentine beefsteak.

Concern over the Argentine situation is such that U.S. Treasury Undersecretary Tim McNamar flew into Buenos Aires unexpectedly the first week in April after meetings in Brazil to exert additional pressure on the government. McNamar met for an hour and a half with Wehbe, after which he publicly praised the finance minister and the central bank president for their "professionalism."

According to a report in the April 3 *Tiempo Argentino*, Henry Kissinger had told his friends among the Argentine oligarchy that the country "was now like Iran." Kissinger advised them to pack up, sell their holdings, and get out of the country fast.

In an effort to disorient debt discussion, sources close to the finance ministry began to circulate rumors at the Group of 77 conference that the debtors' cartel proposal "originated in London," and is a "British campaign" directed against Argentina.

### **Momentum for debtors' unity**

Yet support for a suspension of payments on the continent's foreign debt continues to grow. According to the April 6 Mexican press, the largest opposition party in Peru, APRA, is now demanding that the government declare a moratorium on foreign debt payments.

In New York, President Hurtado met with all Ibero-American ambassadors to the United Nations April 6 to rally support for his initiative. In statements for the press, Hurtado said he has received overwhelming support from most governments in the continent, adding that at this point his proposal is being discussed by African and Asian representatives

to the United Nations, as well as the president of the Group of 77. To a question posed by an *EIR* correspondent, Hurtado added that SELA and CEPAL will present a first draft of their economic program early May and that such a program will be thoroughly discussed in a coming meeting in Bogotá, Colombia.

### **Brazilian moratorium?**

The international creditors accurately fear that if Argentina bolts from their control, similar action by other big debtors would follow.

Rumors that Brazil is ready to declare a moratorium on its debt have been circulating for weeks. Now rioting has been added to the equation. The April 11 issue of *Business Week* reports "there is more and more speculation in Brazil, even in banking circles, that the government of President João Baptista de Oliveira Figueiredo will declare a moratorium on its foreign debt." That would be calamitous, *Business Week* continues, because "Brazil might then set a precedent for some 30-odd other debt-ridden countries. . . ."

Betting on exactly when the government might take this action is now becoming commonplace, according to sources in Rio de Janeiro. Brazil has used up the new money it borrowed six weeks ago, and most American banks are refusing to increase their exposure. As an executive at a top Chicago bank reported, "I can't believe we are faced with this [having to consider more loans to Brazil] after just having settled the thing; we're not doing anything more with Brazil. . . ." Financial sources estimate Brazil will need between \$4 and \$8 billion this year.

In his meetings with Brazilian economic authorities, McNamar claimed that Brazil was "too competent" to have a debt moratorium and promised that the recovery of the U.S. economy would bring the reopening of financial markets for the country. When Brazil Foreign Minister Saraiva Guerreiro said in Buenos Aires that he opposed the formation of a debtors' cartel, reporters observed "that he has just come from talks with Tim McNamar."

David Rockefeller's new "debt squad," the Western Hemisphere Commission on Debt, will meet later this month in Brazil. The commission's task is to ensure "case by case" debt negotiations, and the enforcement of the IMF's conditionalities.

Venezuela is receiving a visit from the IMF, which is demanding a 220 percent devaluation of the Venezuelan currency, a liberalization of import policies, and the elimination of price controls. Press sources quote government officials terming such IMF conditionalities are "unacceptable." The Venezuelan bolivar was recently devalued from 4 to 8 bolivars to the dollar. The IMF demands, as intended, are already creating anarchist opposition. The Liga Socialista, a terrorist gang, has re-emerged after a long absence, and is now using the motto: "The International Monetary Fund is running the country."

# Why cheaper oil cannot buy a U.S. economic recovery

by David Goldman

Secretary of State George Shultz told the Senate Foreign Relations Committee on Feb. 15 that lower oil prices would bring about American economic recovery, and that this recovery would ward off an international monetary crisis brought about by the debt problems of the developing sector. Privately, the administration does not believe this. State Department officials report in "background discussions" that the recovery argument must be employed to dissuade advocates of debt moratoria among the Ibero-American nations, however dubious the argument's merits. At the Council of Economic Advisers, discussion has begun, tentatively, to focus on the "structural problems" of the American economy which inhibit recovery through conventional means. At the White House itself, the 1939-44 "model" of "self-financing budget deficits" is under discussion as a way forward.

The *EIR*'s LaRouche-Riemann econometric report demonstrates clearly that an oil price decline will have negligible effects on overall output of the United States. In some categories of industry, different price levels make a very big difference; but for the machine, construction, and chemicals sectors, the increase in demand for their products due to lower oil prices just about compensates them for the falling-off of demand due to lower oil industry capital investment.

Should the decline in oil prices produce even a 2 percent rise in interest rates—through OPEC disinvestment in American Treasury securities and a lower deposit flow to international banks—all the positive effects of even a \$20 per barrel oil price would be wiped out. And if the falling oil price destroys the paper-thin financial package that has kept Mexico away from default, the oil price decline might produce utterly disastrous effects.

A \$25 oil price under anticipated production levels would produce a \$66 billion OPEC current-account deficit, i.e., an additional \$66 billion in OPEC financial demand on world credit markets; this compares to a net investment in these markets of an average of \$100 billion during 1980-1981. Under the cited circumstances, Saudi Arabia would find itself in a \$26 billion current-account deficit.

It might be anticipated that the Saudis would swing from a net \$10 billion purchaser of Treasury securities to a net \$10 billion liquidator, adding an effective \$20 billion to the financing requirements of the Treasury. Since the nearly \$300

billion total net borrowing requirement of the U.S. government and its agencies during 1983 has already produced significant upward pressures on interest rates, the consequences of an additional \$20 billion financing requirement from non-OPEC sources relative to last year represents a considerable problem.

Given the generalized crisis of the world banking system, it is impossible to isolate the "OPEC factor" in world interest rates. Nonetheless, it is evident that a sharp decline in OPEC deposits and purchases of Treasury securities will have a decidedly upward impact on short-term interest rates.

Of more fundamental importance than the financial consequences of a reduction in oil prices, however, is the position of the American economy after a decade in which "energy conservation" or high-cost energy alternatives have dominated capital investment.

Five years ago, before the spectacular boom in oil drilling, a price fall from the then-prevailing \$14 per barrel price might have made a big difference. At this point, so much of American investment is bound up in production of expensive energy that a reduction in oil-related investments will cancel out almost all of the positive impact of an oil price reduction.

Since the highest-productivity sectors of the American economy, especially machinery, have depended on high oil prices for a substantial portion of their sales, a drop in the oil price—and a collapse of oil investments—hits the economy's strongest sources of growth. This is sufficient to wipe out the benefits derived from additional consumer income and corporate earnings through lower energy prices.

The final conclusion as such is indisputable: the study on which this article is based assembled (for the first time) complete data on the oil industry's use of rigs, drilling platforms, pipe, chemicals, pumps, trucks, and other capital goods, and examined the effect of different oil price levels on the oil industry's purchases of such goods (as well as export demand for such goods).

Then, the impact of both the rise in consumer and corporate demand was measured against the consequences of lower capital investment, using the LaRouche-Riemann model of the American economy. That economic model has produced the only consistently accurate forecast of the American economy during the past three years.

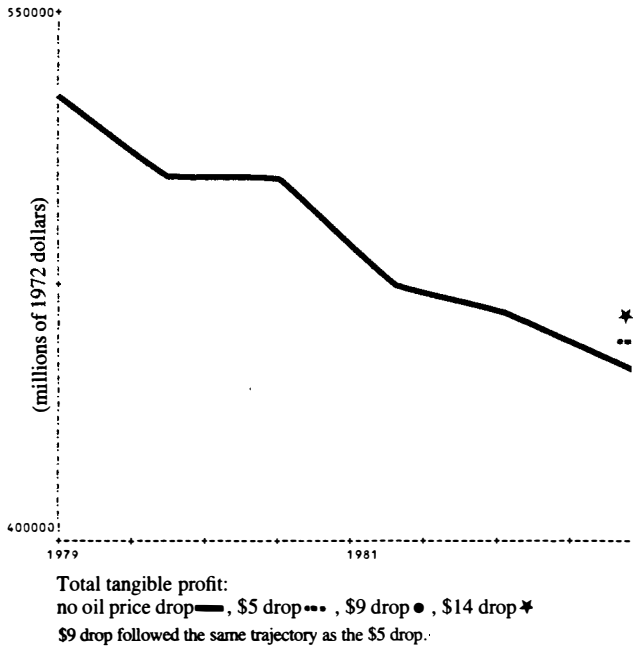
## Cost of expensive energy

Presented in this form, the conclusion is inescapable that Shultz is either lying or thoroughly incompetent in economic policy matters. But another, more disturbing, question is raised: if the economy will not recover as a result of lower oil prices, under what circumstances can it recover?

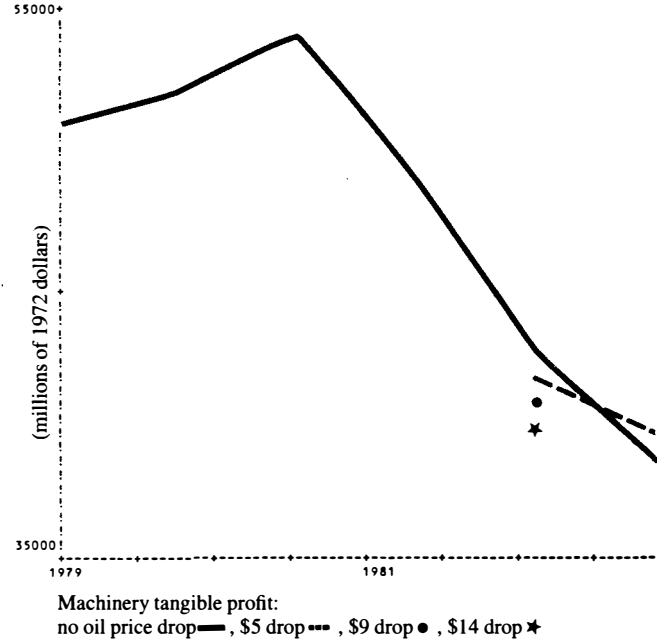
The answer implicit in the study is "under no circumstan-

ces that exclude a technological revolution in American industry." For the past six years, from 1977 through the end of 1982, the U.S. oil industry has engaged in an exercise of exhausting economic supplies of oil; the more it invested in lower-yield wells, the less new output per unit of new investment, to the point that output did not rise even through the peak of new drilling from 1979 to 1981!

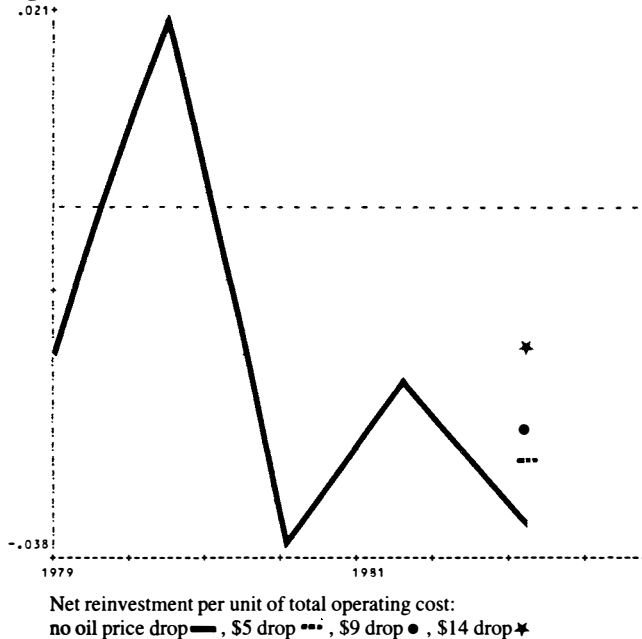
**Figure 1**



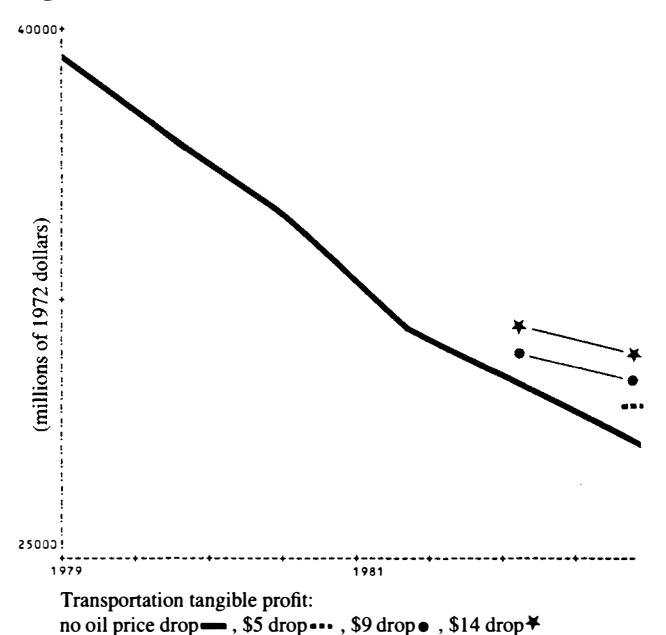
**Figure 3**



**Figure 2**



**Figure 4**



Oil drilling cost 10 times as much per well in 1982 as in 1961, partly because oilmen drilled deeper to find less accessible oil, partly because drilling conditions were less favorable in the new fields opened up. The staggering demands for pipe, rigs, chemicals, and other equipment could only be financed through huge doses of new credit, on the anticipation of higher oil prices. The drop in oil prices over the past year has already forced a reduction of drilling by nearly half, and more is to come. The decline in activity has been punctuated by a wave of bankruptcies that may ultimately hit hundreds of independent oil drilling and equipment firms.

An economy which invests huge portions of its capital into an industry whose output does not rise is in big trouble. One might say that oil is a special case, since the exhaustion of domestic reserves forces a rising cost-curve for new discoveries. But the steel and auto industries are not substantially different. American steel companies, which refused to build modern plants (like the Japanese) and patched up their old facilities, sank billions into "investment" and have less capacity now than five years ago. Auto makers sank billions into redesigning cars and reconstructing assembly lines to produce "fuel-efficient" cars, and now produce fewer cars than they did 10 years ago.

These are not "natural" events; but neither is the oil disaster. By concentrating on "energy conservation" and expensive domestic oil rather than building new sources of cheap power, nuclear generating stations, for example, the American economy spent the majority of its available investment capital during the past 10 years to produce as much, or less, of the things it needs! Had the same—or a quarter of the same—investments been made in nuclear energy, the United States would now be awash in cheap electricity.

Consider the structure of the American economy: about one-quarter of its potential workforce receives unemployment insurance, or early retirement benefits, or welfare, or other forms of federal support, which represent de facto a tax on the country's productive structure. Of the three-quarters employed, there are three service workers for every goods-producing worker; that is, fewer than one-fifth of all working-age Americans are now producing goods. Of these, most who are producing capital goods are consigned to "energy conservation" or exorbitantly expensive domestic oil production; their labor adds nothing to the economy's future capacity to grow.

In the base run used as the starting point against which different oil scenarios might be analyzed, the economy shows negative growth over 1983-84. The model treats the U. S. economy as a single agro-industrial firm, whose output is measured as the constant-1972 dollar volume of tangible goods production, and whose employment of service, government, and other non-goods-producing personnel (including the 23 percent unemployed) is counted as "overhead," just as a manufacturing firm must count as overhead its clerks, sales force, managers, and so forth. This breaks with conventional economic treatment, and rightly so, since the prac-

tice of including all incomes in Gross National Product double-counts the incomes of non-goods-producing workers.

Just as in the case of an individual firm, a nation that devotes more and more of its earnings to overhead expenses (plus interest costs and taxes) will first cut back capital expenditures, and ultimately reduce its payroll and inventories and production level. That is the case of the American economy now. The impact of the federal budget deficit on interest rates, the perennial subject of financial press commentaries, merely reflects what the LaRouche-Riemann model can measure in terms of the physical economy: the legal demands for payments to overhead account, including the distorted employment profile as well as the swollen unemployment and related expenses of the Treasury, exceed the production of tangible goods in excess of the replacement costs of goods-producing industry.

That is, the "fund" for overhead expenses is the tangible profit of goods-producing industry, i.e., production in excess of labor, capital-goods replacement, and raw materials costs. If the demand for overhead is in excess of tangible profit, the difference must be made up through a reduction in the current production inputs, i.e., a decline of output.

This situation is immediately the result of Paul Volcker's credit rampage of the past three years, but also the result of the Carter administration's insane energy policies, as well as the Ford administration's incompetent response to the rise of oil prices in 1973-74.

The result is an economy which is beyond susceptibility to the normal means of bringing about economic recovery. Removing the pressure of oil prices does not work. This is not to say that the economy cannot recover under any circumstances. Were the thin margin of available capital investment to be applied to industries in which technological breakthroughs were occurring, the productivity effects of such investments would transform the economy within a few years, repairing the damage of more than a decade.

That is the promise of President Reagan's beam-weapons program; the massive, Manhattan Project-style investment in this field promises to create a technology-driver for the civilian economy, and the only way out of the present mess. These technologies were examined in detail in *EIR's* Special Report, "Beam Weapons: The Science to Prevent Nuclear War." A preliminary assessment of their economic impact was published in *EIR's* January Quarterly Economic Report for the U.S. economy. A more detailed assessment of the recovery prospects of the American economy through a defense-based "R&D-driver" is in progress and scheduled for May release.

*This article was adapted from a brief excerpt of EIR's new multi-client special report, titled "Oil Price 1983: Problems and Prospects." It includes the full LaRouche-Riemann computer analysis of the oil-price drop's effect on the U.S. economy; a political analysis of London's manipulations of the OPEC pricing structure; and an extensive report on the prospects for U.S. oil and oil-equipment producers. Available for \$250 from EIR's Special Services Department.*

# PIK program: a hoax for farmers, and a threat to U.S. food supplies

by Cynthia Parsons

The U.S. Department of Agriculture (USDA) announced March 22 that 57 percent of corn and sorghum farmers, 62 percent of wheat farmers, and 95 percent of cotton and rice growers have signed up for the Payment in Kind (PIK) program launched by the Department last December. The PIK program will pay the farmer in existing grain, corn, cotton, and rice for *not* planting these crops in 1983, with the double purpose of both reducing agricultural surpluses in storage and reducing the cash farm price supports paid to the farmers by the government by \$1 billion in 1983, and by \$2 to \$3 billion in 1984 and 1985.

Although Agriculture Secretary John Block announced his "delight" in the farmer's rush to enter his PIK program, the future of the program is uncertain. "Phase I was easy," explained USDA's PIK economist Ray Voekel. "Phase II, providing the payment in kind, is a little more difficult."

The government owns only 10 percent of the 4 billion bushels of stored grain, most of which is committed for aid and emergencies and has neither the large amounts of commodities needed to pay the farmers nor the budget to purchase what would be necessary. Given that the PIK program was designed to reduce government cash outlays, under current conditions it will be impossible to carry out!

One of the most serious results of the program is that the USDA cannot predict how acreage reductions will affect the size of the 1983 crop. Even if farmers leave 68 million acres unplanted this year (see table), they are generally taking their lowest-yield acres out of production, and there are indications that they will be attempting to maximize yields from

the acres they plant to cash in on the expected higher prices.

For the first time in over 40 years, the Department of Agriculture, whose projections for crop production are usually accurate to the bushel, will not be able to forecast exactly how much grain will be produced until July. This situation will give the international commodity cartels and futures dealers an open field for speculation, and, if the price support programs are dismantled, a virtual monopoly over world commodity prices.

Although an immediate food shortage will not develop even if the full 82 million acres slated for set-aside are left unplanted, some agricultural economists are estimating that corn production will be down over 3 billion bushels, wheat half-a-billion bushels, rice 40 million hundredweight, and cotton 3 billion bales. The USDA estimates that stocks will be reduced nearly 10 percent for wheat and 45 percent for corn by the fall of 1984.

The United States will be able to grow enough to maintain current domestic and export orders, but the real problem is to preserve the farms for future production. PIK is dangerous because it destroys the pricing mechanisms which have guaranteed that farmers will be able to maintain consistent levels of production over successive years since they were established in the 1930s, and have been a prerequisite for making U.S. agriculture the most productive in the world.

## How it works

Payment in Kind is a voluntary program intended to augment the other set-aside programs, further reducing wheat,

---

## 1983 ARP, PDP, and PIK enrollment

	National total base acreage	Total base acres enrolled	Percent total base acreage	Percent of farms enrolled	Total acres diverted*	Percentage total base acreage
Corn/sorghum.....	101,059,533	78,824,412	78.0	57	39.4	39
Wheat .....	90,806,013	78,308,888	86.2	61.8	32.1	35
Cotton .....	15,446,691	14,607,249	94.6	85.3	6.8	44
Rice.....	4,000,586	3,835,417	95.9	96	1.7	43

\*Rounded millions

Total PIK: 68 million acres (13.3 million acres come under the paid diversion program)

Total acreage reduction: 82 million acres will not be planted in 1983.

Source: USDA

---

sorghum, corn, and cotton production. PIK is intended to reduce government expenditures for storage and deficiency payments for surplus grains.

Traditionally, price supports protect the farmer when market prices are low by having the government intervene and make up the difference between actual prices and a target price set by Congress. When prices are low, or the farmer cannot sell his grain, he can store it in the Farmer Owned Reserves (FOR) until prices rise. When grain is put into the reserve, the farmer contracts it to the government, leaving the grain there for the length of time of the contract. In return, the farmer receives a cash loan repayable with interest.

The PIK plan grants farmers surplus stocks of government-owned commodities in return for agreeing to reduce their crop production. The only specific limit on the proposal is that no more than 45 percent of the base acreage in any one county can be taken out of production. Farmers participating in the PIK program must also comply with the Acreage Reduction Program (ARP) and the Paid Diversion Program (PDP), the two other federal set-aside programs.

The ARP and PDP programs require feed grain and wheat farmers to limit the acreage devoted to those crops in 1983 to an amount at least 20 percent less than the farm's base acreage for those crops. Farmers who plant at that upper limit must also devote an acreage equivalent to 20 percent of the base acreage to approved conservation uses. For each acre diverted to conservation, farmers will receive an amount of grain that is equal to a specified percentage of the farm's per-acre yield: 80 percent for corn and 95 percent for wheat.

The farmer can also take a "10 to 30" option, which means that he cannot plant between 10 to 30 percent of his base acreage in any one crop. When added to the ARP and PDP requirements, this means that a farmer complying with the corn or wheat PIK program would limit his 1983 acreage of that crop to 30 to 50 percent of the farm's base acreage, depending on his level of PIK participation.

The U.S. government does not normally buy and sell grain. To obtain the grain necessary to carry out the PIK program, the administration is actually encouraging farmers to release the grain stored in the Farmer Owned Reserve (FOR), which they had used as collateral for Commodity Credit Corporation loans. The administration has announced that it is willing to cancel loan repayments and interest on that grain if the farmer agrees to turn it over.

For the government to legally acquire grain from the Farmer Owned Reserve (FOR), farmer A must forfeit it by defaulting on his CCC loan, or failing to make interest payments on his loan. Farmer B, participating in the PIK program, must accept what grain the government allots him, no matter what the quality. Although the accumulated interest charges on the previous owner's loan will now be forgiven on the date that the entitlement is transferred, much of this grain has been abandoned by its original owner because it is of such low quality it was not worth the cost of the interest

and low repayments.

Current government-owned wheat stocks of 180 million bushels are held for security and foreign aid. Thirty-five to 40 million bushels of this are committed for the Egyptian wheat flour sale made early in the year, which exhausts all disposable government stocks. CCC stocks of corn are estimated to be between 450 and 460 million bushels, with 44 million of these being held for disaster relief. One-and-a-half billion bushels of corn will be needed to pay farmers already signed up for the program. The government owns no cotton.

If farmers chose to stay with their present PIK commitments, reduced plantings and harvestings would cut farmers' use of seed, fertilizer, and pesticides by 12 to 15 percent from last year, according to the USDA. Fuel use is expected to fall 8 to 10 percent. Already harshly reduced machine purchases will be affected much less, USDA predicts, declining 2 to 3 percent.

The immediate effect of the PIK program would be to force layoffs or shorter workweeks for at least 2 to 3 percent of those employed in agriculture-related industries. Employees of companies that provide farm services or produce farm equipment and chemicals will be most heavily affected.

### **The price support issue**

The PIK program is Phase I of the administration's attempt to reduce price supports by at least 50 percent. "Free market" ideologues, who believe that the international commodity cartels should set the price of world food prices and therefore control world food production levels, are demanding (for example, the March 21 issue of *Business Week* magazine) that all price supports should be scrapped. This would detonate a bankruptcy wave in the farm sector.

Though the USDA generally denies that there is any relationship between PIK and its policy of phasing out price supports, PIK economist Ray Voekel admitted that once "supply and demand" were more in line "farmers will not have to get price supports."

One of the strongest arguments made by the free marketers is that the government is carrying an increasing proportion of the farm debt. As of Jan. 1, 1983, the government is carrying 27 percent of the \$105 billion non-real estate debt. In 1979, this proportion was 16 percent, which includes CCC price support and crop storage loans as well as Farmers Home Administration debt. Because of ever lower prices, high interest rates, and increased production costs resulting in income losses for farmers, the CCC price support and crop storage debt increased by 69.5 percent from Jan. 1, 1982 to Jan. 1, 1983. But it is the advocates of the free market like Paul Volcker, chairman of the Federal Reserve Board—the single policy maker most responsible for burdening farmers with massive debts—who now demand that government assistance to farmers be cut and farm prices be determined by the international speculators. That amounts to a national security threat.

**EIR Special**

EXECUTIVE INTELLIGENCE REVIEW

NOW AVAILABLE

## Special Technical Report

# A BEAM-WEAPONS BALLISTIC MISSILE DEFENSE SYSTEM FOR THE UNITED STATES

by Dr. Steven Bardwell, director of plasma physics for the Fuslon Energy Foundation.

### This report includes:

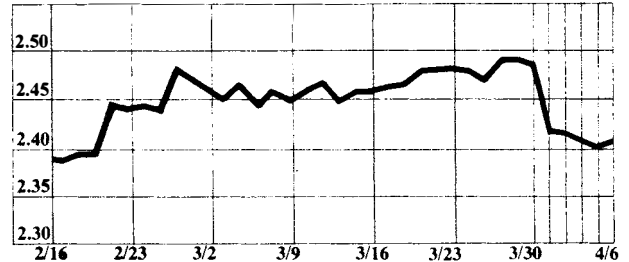
- a scientific and technical analysis of the four major types of beam-weapons for ballistic missile defense, which also specifies the areas of the civilian economy that are crucial to their successful development;
- a detailed comparison of the U.S. and Soviet programs in this field, and an account of the differences in strategic doctrine behind the widening Soviet lead in beam weapons;
- the uses of directed energy beams to transform raw-materials development, industrial materials, and energy production over the next 20 years, and the close connection between each nation's fusion energy development program and its beam weapon potentials;
- the impact a "Manhattan Project" for beam-weapon development would have on military security and the civilian economy.

The 80-page report is available for \$250.  
For more information, contact Robert Gallagher  
or Peter Ennls (212) 247-8820.

## Currency Rates

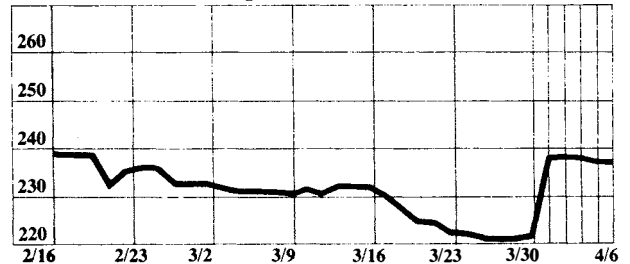
### The dollar in deutschemarks

New York late afternoon fixing



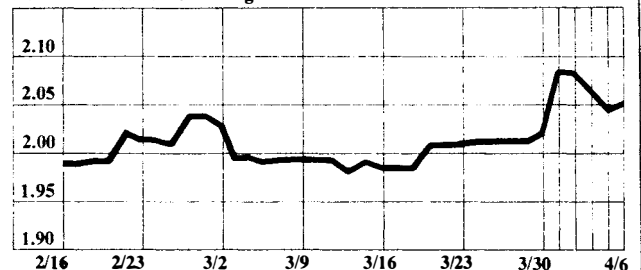
### The dollar in yen

New York late afternoon fixing



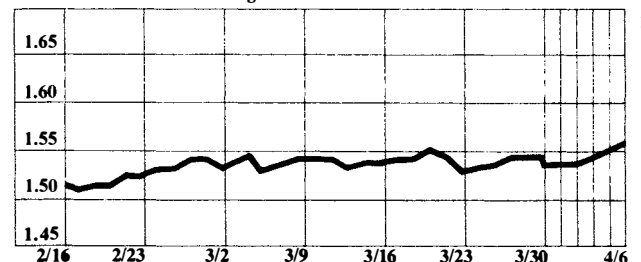
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing





## The San José Accord flap

*Pemex chief Beteta is raising doubts about where his true loyalties lie. The U.S. "strategic reserve" is involved.*

In a New York press conference on April 2, Petroleos Mexicanos director Mario Ramón Beteta raised a recriminatory finger, charging that Venezuela had "de facto left Mexico bearing 100 percent of the burden" of the Mexico-Venezuela agreement to subsidize oil sales to nine Central American and Caribbean countries, an agreement known as the San José Accord. This situation, he threatened, could lead Mexico to drop the agreement when it comes up for renewal next August.

Beteta's statements were seen here and in Caracas as a knife in the back to the present joint efforts by Mexico and Venezuela to cool tensions in Central America.

A week before, Mexican Secretary of National Patrimony Francisco Labastida had issued a communiqué announcing the two countries' determination to maintain the agreement. The announcement was made after a meeting between Venezuelan Minister of Energy and Mines Humberto Calderón Berti, Labastida, and Mexican Foreign Minister Bernardo Sepulveda. The latter is closely working with President de la Madrid on delicate diplomacy in Central America. Labastida and Calderón told the press that the agreement had not only good economic effects, but social and political ones.

Signed in San José, Costa Rica in 1980 by the López Portillo and Herrera Campins administrations, the agreement marked the beginning of joint efforts to overcome Central America's political tensions.

According to Venezuelan sources, the two countries are now supplying 180,000 barrels of oil per day under the accord, which stipulates that 70 percent of these deliveries must be paid in cash. The other 30 percent is delivered on the basis of five-year credits at 4 percent annual interest rates. These credits can be extended to 20 years with 2 percent interest if such funds are invested in energy or other natural resource development projects. The accord amounts to an estimated total of \$900 million dollars per year, \$300 million in the form of credits.

In Beteta's statements for the press as he stepped off the plane from extended consultations in London, he added that if the United States tries to impose a \$5 dollar tax per barrel on imported oil, Mexico would lose approximately \$2.5 billion dollars per year. Nobody knows where Beteta got this figure, unless he was making the astonishing claim that Mexico, not the U.S. consumer, would pay a U.S. tax.

Whatever the case, Beteta's remarks raised havoc here. Some columnists are calling for Mexican oil exports to the United States to be exempted from this tax if it is approved. Such demands echo recent proposals by former Assistant Secretary of State Meyer Rashish, who drew up a study for David Rockefeller and Henry Kissinger in the mid-1970s which proposes turning Mexico and Venezuela into a "strategic petroleum reserve" for the United States.

Beteta made his remarks during ceremonies installing Alfredo Gutiérrez Kirchner as head of the Pemex of-

vice in New York and of the company's new offices in Washington. According to a UPI wire circulated here March 25, the Washington office is intended to "establish a new oil relationship with the United States."

The opening of an office in Washington at a time when Pemex is cutting back its budget has led some here to suspect that Mr. Beteta is willing to listen to those forces which, like Rashish, are committed to make Mexico and Venezuela drop the San José Accord and concentrate on supplying a U.S. "strategic oil reserve."

As for Mr. Gutiérrez Kirchner, he is the son-in-law of the head of the Washington-based Inter-American Development Bank, Antonio Ortiz Mena, the dean of Mexico's monetarist economists and the man reputed to be the behind-the-scenes fixer in Mexico's current debt reorganization efforts. As finance minister in the 1960s, Ortiz Mena engineered the "stabilizing development" model which heavily favored import dependency in key production lines to the detriment of Mexico's domestic industrial infrastructure.

Beteta's New York statements quickly shifted to the category of "misstatements" as the de la Madrid government caught up with him. On April 5, the board of directors of Pemex issued a communiqué stating Mexico's commitment to the accord as agreed to by the Calderón-Labastida-Sepulveda meeting, adding that Venezuela has "satisfactorily met its commitment" to the deal. Beteta had to swallow his words by asking the press to clarify that although "Venezuela had not been operating in the accord, now it is doing it." An embarrassed Beteta also later released a statement backing off from his claim that Mexico would lose \$2.5 billion if the U.S. tax went through.

## BIS plots next phase of creditors' cartel

*The Bank for International Settlements wants a formal cartel—backed by the U.S. government, and run by the Ditchley Group.*

**B**ank for International Settlements Chairman Fritz Leutwiler instructed the March 25-26 meeting of the Ditchley Group bankers' cartel in Zürich to form a formal world credit cartel, banking sources told a journalist early in April.

To provide the muscle behind the BIS-run cartel, it will be necessary for the United States to join the BIS, bankers further stated. As Morgan economist Rimmer de Vries has proposed, if the United States joins the BIS, the BIS "can borrow on the world markets with the full guarantee of the government of the United States," a Morgan source said.

What is needed, one Genevan financial expert said, is an "institutional context" in which the BIS and the central banks, especially the U.S. Federal Reserve, could freeze all international credit and "control the international credit multiplier" in the Eurodollar markets, making any future expansion of lending to the Third World impossible.

Named for London's Ditchley Park, where it was founded in May, 1982, the Ditchley Group is a cartel of over 36 international commercial banks run by the British banks, the Bank of England, and the Swiss-based BIS. The Zürich meeting was hosted by the Swiss Bank Corporation and the other big Swiss banks. Dr. Fritz Luethoff of Swiss Bank Corporation is now Ditchley "interim director."

Bankers meeting at Ditchley said they are now confident that the Third World has been effectively dealt with,

and will not form a debtors' cartel but will cower before the creditors' cartel. "We don't have to do anything in particular, because these [Latin American] politicians are no threat to us," a Morgan banker said. "In December, people said Mexico would play hardball, that they were going to declare a moratorium. Look at them now, they have been forced to eat crow. We've gotten them to agree to pay whatever they can.

"They know if they push it to confrontation, they will be totally cut off from the outside world. . . . Some of them are screaming, because it hurts. It's too bad. Screaming is not the same as declaring they refuse to pay."

The meeting was dominated by a speech by Leutwiler, who is also the head of the Swiss central bank. He urged the banks to make the cartel more formal. "Mr. Leutwiler praised us as a contact point between the banks and the central banks, and announced that he finds it very convenient to discuss the debt crisis with us as a group," one participant explained.

"In fact, they want us to do even more. So far, the Ditchley Group has resisted getting involved in individual ongoing 'workouts' of specific debt renegotiations like Brazil Project 1. But Leutwiler wants us to expand, and to do just that. They want us to get into the rescheduling workouts per se, to run the actual operations in a country.

"The BIS wants to have a single contact point with the banks, a clear channel of information and direction for the regulators and the central banks.

I don't think we can do that just yet. But it's a good idea."

In his speech, Leutwiler stressed his recent theme that "the BIS is simply *not* a new source of credit in the financial markets," the banker said, in order to make two points:

First, by pointing out that the BIS won't pick up the tab, Leutwiler wants to force the banks to establish global credit controls. He wants them "to find a level of credit to which they can force the countries to reduce, and which they can force the countries to pay, through tough austerity programs," one banker explained. "He wants the banks to negotiate conditionalities strong enough to do the job. He does want the banks to be prudent, and cut back lending, but he doesn't want them to pull out entirely."

Second, Leutwiler is trying to call the question on the Morgan-backed amendment by Sen. Charles Percy (R-Ill.) which would have the United States join the BIS. Then "the BIS would get a powerful new shareholder," the banker said.

"At the moment, the United States is not behind the BIS, just some private U.S. banks which hold some shares. But if the U.S. government became a shareholder, this would help the BIS's presence on the markets enormously when it goes out to borrow. What Leutwiler has been saying is that the BIS really can't borrow, and therefore can't lend, very much at all at the moment. If the BIS can borrow on the world markets with the full guarantee of the government of the United States, with the formal name of the U.S. government behind it, they will be much happier."

At the next Ditchley meeting in June, the BIS relationship may be formalized, and the officers of the new Ditchley Institute for International Finance officers will be announced.

## What makes interest rates go up?

*Fundamentals, not monetarist gobbledegook or "market management," are important.*

The dip in short-term Treasury bill rates, which fell from about 8.64 before the Easter weekend to 8.38 on April 6, reflects the same "bouncing ball" pattern of increase which has prevailed since last January.

Although the fundamental pressures driving interest rates up, as *EIR* described last week, are continuous, the evolution of the financial futures market prevents their effect from being continuous.

To the extent that the majority of large speculators fix their attention on the Federal Reserve's perception of their own perception of the Federal Reserve, in the form of that esoteric discipline known as monetarism, such wild swings are inevitable.

Rates dropped the first week in April, partly because speculators took a bet on a less restrictive Federal Reserve monetary policy than they had earlier feared, based on a guess that narrowly defined "money supply" would not rise as fast during the second quarter as they did during the first quarter.

On this basis, the Fed will supposedly let interest rates drift down. More notable is the simultaneous sharp increase in the spread between Eurodollar and Treasury bill rates, reflecting a "flight to quality" among a certain section of the market. Taking into account Eurodollar rates, which actually rose on April 4 and 5 and then fell only marginally, the drop in rates is less confidence-inspiring.

All this supposes that rates initially rose on "expectations" that the Fed

would tighten to contain money growth throughout March.

This is not true; as one monetarist who heads capital market research for a top brokerage firm notes, the demand for refinancing of American banks' short-term loans to foreign banks would, by itself, account for the rise in the Fed funds rate during March—whatever anyone else thought.

Not merely the volume of domestic Treasury financing, which the "market" takes into account, but the staggering volume of overseas refinancing, represents a continuing source of upward pressure on interest rates—even with flat commercial credit volume.

The Fed has, indeed, permitted what the St. Louis Fed calls the monetary base to grow at a 12 percent annualized rate this year; but is this the source of the 15 percent annual rate of M1 growth?

There has been no new lending to the private sector, the traditional source of the "money multiplier;" most lending has gone abroad. Why does it show up in M1?

The Fed (and the IMF staff) have one explanation, which I illustrate with excerpts from a conversation the second week in April with a Federal Reserve official.

Q: Why are interest rates going up?

A: I don't know.

Q: Couldn't it be that the combination of the Federal borrowing requirement \$100 billion in excess of

income flows plus the immense offshore rollover requirement are pushing rates up faster than the Fed dares lean against?

A: That's one explanation. It might be true. The other explanation is that people are scared.

What the Fed official was indicating is that investors terrified by the recent spate of oil industry, S&L, and related bankruptcies are holding cash to an abnormal extent. Since the Fed itself is the source of this uncertainty—as monetarist Dennis Karnowky of Conti Commodities points out—the notion that this should determine interest-rate developments is distressing.

Nonetheless, the Hayekians among foreign central banks, as well as their principal mouthpiece in Washington, Fed governor Henry Wallich, are using the spectre of excessive M1 growth to demand that the Fed tighten. Here is what one Belgian central bank official had to say on the matter:

"The problem is that they are not willing to take the measures that would be required, by which I mean reducing the immense fiscal deficit; and without a lower deficit, it is not possible to lower interest rates and control the dollar. And now the Fed will have to tighten monetary policy. They cannot permit the monetary aggregates to keep growing as they have."

The Fed and the administration, for different reasons, have resisted such perverse logic, the Fed because it hopes against hope for a "smooth" reorganization of the collapsing world banking system, the administration because it wants an economic recovery. The second week in April, together they beat back the speculative "overshooting" in the credit markets. But without a fundamental change in policy, the underlying pressures will defeat them.

# Business Briefs

## Fiscal Policy

### Supply-sider protests IMF interference

"The International Monetary Fund has no right to tell the U.S. to cut expenditures," Columbia University economist Robert Mundell said in an April 7 interview. "The United States doesn't have balance of payments problems. It is in equilibrium. It has a floating exchange rate, which is what it is supposed to have under the Jamaica agreement. Moreover, the dollar is appreciating in any case."

Mundell, a former IMF economist whose arguments formed the basis for "supply-side economics," argues that the "IMF has responsibility only in balance-of-payments questions," and "has no authority to tell the U.S. to retrench" at a time when it cannot demonstrate an American balance-of-payments problem.

Mundell also predicted that the U. S. would reject suggestions that it join the Bank for International Settlements. "Everybody else would like the U.S. to take part, because the U.S. is the biggest country. It's only a way for other people to take over part of the power of the U. S. But the U.S. wants to keep its options open, and won't join."

## Ibero-America

### Financial Times decries Brazil-Mexico barter

In an editorial April 8, the London *Financial Times* warned Mexico and Brazil against the multibillion-dollar barter agreement concluded by Brazilian economics minister Delfim Netto the week of April 4, under which Brazil will sell Mexico machinery in return for oil.

The British newspaper's editorial on the subject says that it "is difficult to accept the relevance of the barter deals because barter provides no foreign exchange for debt service," and "it diverts potential exports that might otherwise be available for export against hard currency, and it may commit

Brazil to greater oil imports from Mexico than the austerity program warrants."

Apparently, the *Financial Times* fears what the Swiss newspaper *Neue Zürcher Zeitung* predicted in a dispatch from Buenos Aires April 7: an Ibero-American debtors' cartel.

## U.S. Economy

### End of March business failures top 600

Dun & Bradstreet reports that business failures for the week ending March 31 again topped the 600 mark with the greatest increase coming in manufacturing and among companies having liabilities over \$100,000.

"All types of operations except retailing showed a mild rise in failures during the week just ended," Dun & Bradstreet goes on. "All functions had heavier casualties than in the like week last year, with the steepest climb from 1982 in manufacturing."

"Geographically, the week's upturn in business failures took place in six of nine regions. Leading the climb were the East North Central and West South Central States."

Year-to-date business failures were 7,733 compared to 1982's year-to-date figure of 5,705. This year's business casualties are running 36 percent above last year's.

## Development Policy

### Peres proposes new Israeli policy

In interviews with the Spanish papers *El País* and *ABC* April 5, Israeli Labour Party chairman Shimon Peres supported the diplomatic efforts in Ibero-America of Spanish President Felipe González and attacked the policy orientation toward Central America devised by former Defense Minister Ariel Sharon. "The Spanish president must be listened to," Peres stated. "His policies deserve attention and respect, because they are

his personal opinions and because of the already existing relations between Spain and Latin America." On Israel's orientation toward Central America, which has been to foment regional wars to expedite arms sales, Peres stated: "The Israeli Labour Party would like to reduce Israeli activities in Central America."

Asked what would be discussed at the meeting of the Socialist International beginning in Lisbon, Portugal April 17, Peres stated: "The International must deal with the North-South dialogue, the necessity for arriving at a new world economic order, disarmament, and the solution to the armed conflicts throughout the world."

Prominent Israeli politicians have not been wont in the past period to talk about the "new world economic order" in a positive context. An Israeli source in Europe claims that Peres' statements to the Spanish press indicate that Peres is staking out an "alternative way" for Israel to become more involved in the developing sector.

## European Industry

### No 'drop' in German unemployment

While the "official interpretation" of unemployment data released by the West German Labor Office on April 6 touts "the first drop of unemployment since May 1982," all of the chief industrial centers of the country are reporting increases in the unemployment rates that are turning key cities into disaster areas.

According to the official figures, there was a 180,000 person drop in total unemployment in March, to 2.396 million. Those on "short work" declined by 11 percent to 1.023 million, giving an overall 9.8 percent rate of unemployment.

But six out of nine districts in the industrial Ruhr area recorded increased unemployment. Two cities showed increases to post-war record levels of unemployment: in Bochum there was a 0.5 percent increase to 13.6 percent, and in Dortmund an 0.7 percent increase to 14 percent. The Krupp steel centers of Duisberg and Gelsenkirchen both showed unemployment increases to over 14

percent.

Lower Saxony reported no change in unemployment because the Bonn government's efforts to launch a mini-boom in housing construction has absorbed a small fraction of the over 200,000 unemployed construction workers, although this was "nullified by layoffs in other areas," according to Lower Saxony authorities. The city of Bremen, which ended 1982 with an average unemployment rate of 10.3 percent, 1.3 percent above the national average, reported no detailed statistics, but will be devastated by the collapse of shipbuilding.

While the German Bundesbank is bending over backwards to support the Kohl government's "recovery" by pumping money into the economy at an 11 percent rate of growth, although the official target for "monetary growth" was within 4 to 7 percent, the Machinery Association (VDMA) has thrown a cold shower on the propaganda. Incoming orders in February, the Association announced April 6, were down 11 percent from February 1982, and still falling. Domestic orders were down 16 percent and orders for exports of plant and machinery fell by 8 percent.

The VDMA has already made it clear that the machinery sector is so export-dependent (only 30 percent of business is domestic), that it is impossible to compensate for collapsing exports. Orders dropped last year by 21 percent to 20.2 billion deutsche marks, and sales dropped even faster, by 28 percent. The machinery sector still employs 95,000 people.

## **World Trade**

### **Japan protests embargo on exports to Soviets**

The Japanese government determined April 6 to file a protest against President Reagan's legislative proposal for greater restrictions on Western high-technology exports to the Soviet Union, according to Jiji press.

Japan will tell the U.S. administration that such export restrictions will affect the unity of the Western alliance and the stability of international trade, Japanese officials announced. The Japanese government will

also seek a detailed explanation of the purpose of the legislation from the U.S. administration.

Reagan's proposal, which was sent to Congress on April 4, calls for the renewal of the 1979 export administration act, which will expire at the end of September. An additional clause proposed by Reagan would impose restrictions on exports to the United States on foreign companies which ignore U.S.-imposed controls on high-technology exports to the Soviet Union. Previous legislation cut back U.S. exports to nations not complying with the U.S. high-technology restrictions, hurting U.S. exporters in the world market.

The Japanese foreign ministry and trade and industry ministry stated that such a clause might conflict with international law, and could adversely affect Western nations' trade with the Soviet Union.

## **Drug Trafficking**

### **Leading banks cited in New York trial**

Leading banks are expected to be named in a trial which opened April 7 in New York City of Colombian cocaine dealer Eduardo Orozco, who was seized and indicted last November.

Orozco was discovered to have deposited \$150 million in drug revenues and other illegal funds in offshore banking accounts which were taken into custody after his arrest. Six other people are on trial with Orozco as co-conspirators, including Fred Gambale, a former branch manager for Citibank, one of the largest banks in the United States. Orozco is reported to have worked with officials from other leading banks, still unnamed, in laundering his cocaine funds, as well as with government officials of foreign countries.

Orozco's money laundering operation was disguised as a lending agency, located at 120 Wall Street. Drug enforcement officials report that the U.S. Treasury Department wants to tighten scrutiny and regulation of such non-banking "lending" operations around the country, as part of an effort to break up drug-money laundering rings.

# Briefly

● **BRUNO BERTHEZ**, editor of the largest circulation French economics weekly, *La Vie Française*, warned in an editorial April 4 that "Our English friends have dropped their mask and revealed their true intentions: France should not hesitate to abandon a part of its sovereignty to the International Monetary Fund." Berthez notes that "in the second Delors plan, there is no more talk of industry. . . . It is just austerity and asphyxiation, which will lead to no recovery at all."

● **JAPIC**, the Japan Project Industry Council, a new business organization for the promotion of large domestic and foreign industrial projects, was authorized by the Japanese government April 5 as an official non-profit corporation. The council will involve major businesses and industrial organizations, and will be chaired by the head of Nippon Steel, Eishiro Saito. Saito is a close collaborator of Masaki Nakajima, who first proposed the Global Infrastructure Fund (GIF) recovery plan. Saito said that JAPIC would consult with the banks on possible international syndicated loans for big domestic projects. JAPIC will also consider big overseas projects "such as the construction of the second Panama Canal."

● **THE SOVIET UNION** has designed a reverse Payment-in-Kind style program to encourage food production. The *natural'naya oplata* (natural payments) program offers bonuses for farms exceeding their production quotas. Workers on state-owned grain, vegetable, fruit, and fodder farms can receive up to 15 percent of the extra crop production in addition to their regular wages, according to a USDA report. Similar policies have been recommended for collective farms, which are more autonomous than state-owned farms. The bonuses are aimed at getting farmers to raise more cattle, sheep, and poultry on their private plots to help relieve the meat shortage.

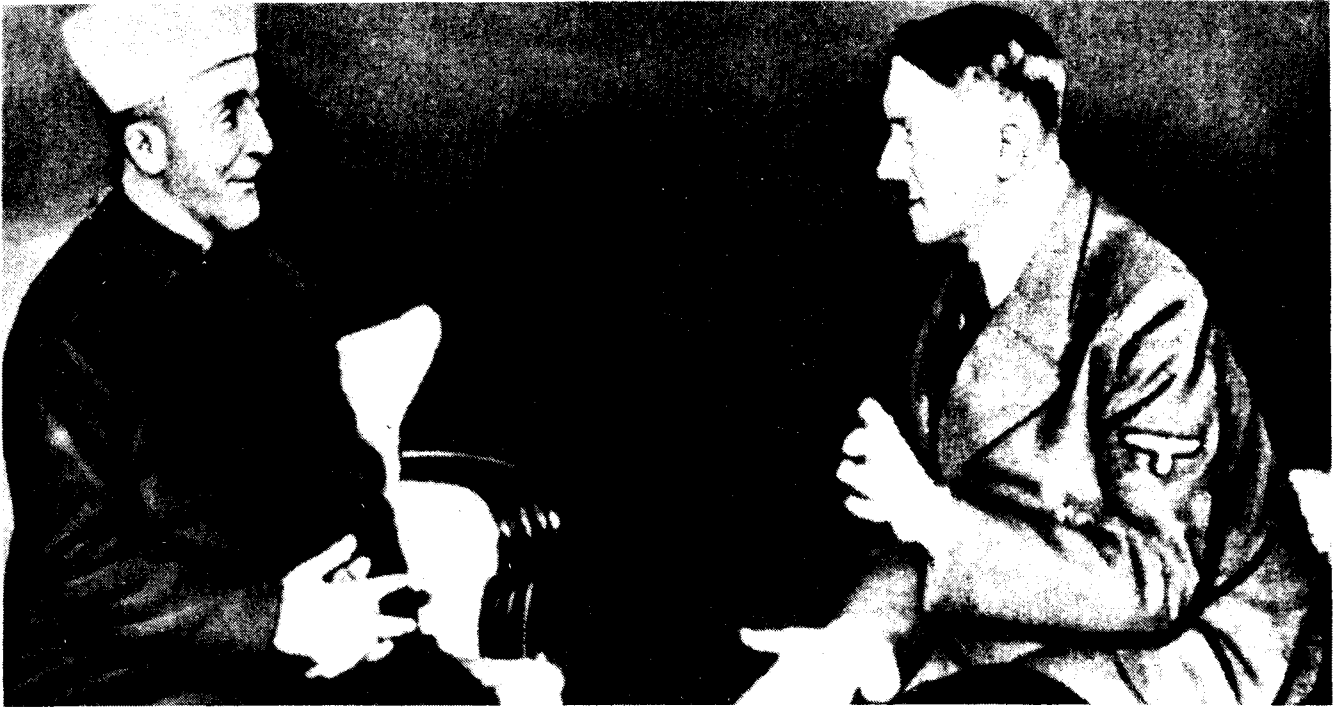
## The Genoud networks and the plan to set the Mideast on fire

by Scott Thompson

The death knell for Arab nationalism, overwhelmed by a revival of Islamic fundamentalism that has already plunged Iran into the Dark Ages under the Muslim Brotherhood's psychotic Ayatollah Khomeini and his mullahs, will be sounded at a conference sponsored by Georgetown University's Center for Contemporary Arab Studies on April 14-15. "In less than a decade," the conference document states, "Islam has become so dominant a force in the eyes of the West that other ideologies and forces of solidarity in the Islamic World—e.g., nationalism—are thought to have receded into the background." Speakers at the conference will include many of the leading academic apologists and strategists who heralded the British Arab Bureau's Iranian coup plot that toppled the Shah "as the harbinger of a new chapter in the history of Islam."

From pre-conference statements made available to *EIR*, the purpose of the Georgetown conference will be to create a new combination of Islamic fundamentalist ideologies that may be used next to engulf Egypt, Saudi Arabia, Algeria, and Morocco with feudalist revolutions similar to the one in Iran. While the Georgetown discussants work to weave the myths that underly Wahabism, Shi'ism, the Muslim Brothers, and Sufi Masonry into a common strand, the forces on the ground that will carry out the actual coups and assassinations in these countries share a common point of control through the Lausanne, Switzerland-based Nazi international.

One of the more relevant cases is that of former Algerian President Ahmed Ben Bella, a notorious early follower of Hitler, who has been reborn as an Islamic Fundamentalist and is now engaged in a coup attempt in Algeria that immediately threatens the King of Morocco. Among Ben Bella's most prominent backers since the 1962 Algerian Revolution that first placed him in power is François Genoud, a member of the Swiss Nazi Party during World War II, who assisted Allen Dulles from 1943-45 in negotiations to redeploy Nazi intelligence assets into safe havens for later use. Among those assets which Dulles shared with British and Swiss intelligence allies was Amt VI, the "foreign nationalities division" of SS General Walter Schellenberg's Sicherheitsdienst (SD), consolidating both the Second Di-



*A depiction of the Grand Mufti of Jerusalem with Adolf Hitler. The two are said to have met in Berlin. An alliance between European Nazis and pseudo-Islamic agents has been maintained since World War II.*

vision of Admiral Canaris's Abwehr and foreign nationalities division of the Waffen SS that maintained extensive Mideast networks through an alliance with the Grand Mufti of Jerusalem. The Swiss-based François Genoud is, as well documented below, today the banker and one of the principal controllers of these Amt VI assets.

Distant as the Georgetown conference may pretend to be from François Genoud and the reborn Ahmed Ben Bella, it is through such members of the Nazi international that the dirty work outlined by its participants will be achieved.

The Georgetown conference has all the appearances of being a replay of one held on Oct. 21-25, 1981 at the Rothko Chapel in Houston titled "Islam: Spiritual Message and Quest for Justice" which brought together leading strategists and assets of the British Arab Bureau only days after the Muslim Brotherhood assassinated Egyptian President Anwar Sadat. As with the Rothko Chapel event, the Georgetown conference is being run in parallel with a meeting in Paris of Islam and the West, which is tied to the Club of Rome through such figures as NATO strategist Alexander King and the Kim Philby-linked KGB agent Djerman Givishiani.

On April 29-30, following the Georgetown conference there will be another secret meeting of Islam and the West at the Meridien Hotel in Paris, attended this time by former British Prime Minister Ted Heath; French neo-Gaullist Michel Jobert; German banker Karl Otto Poehl; Olivier Giscard d'Estaing, the brother of the former French President; Musah Ali, vice president of the Dimi Bank and consultant to Pakistan's military ruler Zia ul-Haq; Maurice Strong, chairman of Royal Bank of Canada; Andreas Wall, chairman of

Volvo; and Ahmed al Najja, secretary general of the International Association of Islamic Banks.

Where the Islam and the West meeting brings together leading representatives of oligarchic interests that have sought to play the Muslim Brotherhood card, the Georgetown conference is more a gathering of strategists with such figures as: Mahmoud Ayoub, a Lebanese-born professor at the University of Toronto who is a promoter of Sufism; Cherif Bassiouni, a relative by marriage to the European black nobility, who is both a professor at the University of Chicago and head of the Sicilian Institute on Terrorism; Richard Mitchell, the leading world expert on the Muslim Brotherhood with close ties to its Egyptian underground and those involved in recent efforts to destabilize the Indian government, and who is now a professor at the University of Ann Arbor; and Mansour Farhang of Princeton University, who was briefly Iranian Ambassador to the U.N. under Khomeini's Foreign Secretary, Sadegh Ghotbzadeh. The Georgetown Center is sponsored by many of those corporations and individuals who actively promoted the overthrow of the Shah of Iran.

In the case of Rothko Chapel, the connection between such strategists and the Nazi international-linked networks that carry out the dirty work they envision was even more direct. This conference, which was prominently attended by François Genoud's Ben Bella, was sponsored by Mme. Jean de Menil (née Countess Schlumberger), whose husband emigrated from France to Houston in 1945 to establish a branch of Schlumberger, Ltd., one of the largest oil survey companies in the world. The Schlumberger family is intermarried closely with the Neufelize, Mallet, and other Swiss

oligarchic banking families who actively promoted Hitler's rise to power and assisted their relative, Allen Dulles, in orchestrating the post-World War II reorganization of the Nazi international now controlled by such figures as Genoud.

Jean de Menil was also a board member of the Permindex Corporation that wove together British, Swiss, Israeli, and Nazi international figures into an international "Murder, Inc." Among these were such figures as British Special Operations Executive veteran, Maj. Louis M. Bloomfield, King Farouk, a close ally of the Grand Mufti of Jerusalem's fascist "Green Shirts;" and, Prince Gutierrez Spadafora, the former Mussolini Undersecretary of Agriculture, who became an adviser for the post-war activities of François Genoud and SS Col. Otto "Scarface" Skorzeny in Egypt and other sectors of the Mideast.

In 1969 New Orleans D.A. Jim Garrison indicted members of Permindex for their role in the November 1963 assassination of President Kennedy, while French intelligence named Permindex responsible for dozens of assassination attempts in the early 1960s against French President Charles de Gaulle carried out by OAS personnel linked to Genoud.

The process that participants at the Georgetown conference are part of represents an oligarchic campaign to disintegrate civilization under conditions of deep economic depression that threatens to plunge the world into a New Dark Age unprecedented since the 14th century.

In a recent interview made available to *EIR*, Mahmoud Ayoub, an acquaintance of Ben Bella, describes how such a collapse of civilization might occur in Saudi Arabia:

"The problem with the Saudi royal family is that they are saddled with an ideology that they cannot live up to, but they feel that it is the only wall behind which the regime can exist. So, I say that the Saudi regime lives not with the enthusiastic voice of its founder, Abdul Wahabi, but rather with its oil wells as did the regime of the Shah of Iran. . . . The same power that brought the Saudis on the scene will eventually destroy them. . . . What happened at the Al Haram Mosque two years ago was not really the work of a starry-eyed group; it was a genuine revolution that failed. But, I don't think that every revolution will fail."

What Ayoub refers to as the Haram Revolution was an effort to split the fanatic Wahabites from the Saudi Royal family by showing that they could not protect the most sacred of Islamic shrines, the Al Haram Mosque in Mecca. Leading this revolution was the Muslim Brotherhood-trained leader Juhaiman who drew together religious fundamentalist brotherhoods in Pakistan, the Muslim Brotherhoods of Egypt, the Sudan, Kuwait, the Teghlibi brotherhood of India, and even Black Muslims from the United States into a Kuwaiti-based movement, Jamiat al Islah (Call of the Brethren).

Mansour Farhang, the Ghotbzadeh-linked Iranian Ambassador to the United Nations, is today at the Princeton Center for International Studies where Bernard Lewis first authored the plan adopted by the Carter administration in

tandem with the British Foreign Office to revive Islamic fundamentalism and tribalism to redraw the map of the Middle East. In an interview made available to *EIR*, Farhang stated he was also a party to meetings between Bani Sadr, Ghotbzadeh, and Ben Bella in which the latter's rebirth as an Islamic fundamentalist was first discussed. Farhang sees Egypt as the next target for an Iranian-style revolution:

"From my personal value perspective as a participant in the Iranian Revolution, it was a tremendous force that will have dramatic consequences upon the region. . . . If there is anywhere that Iran may serve as a model it is in Egypt, where the Muslim Brotherhood remains strong and where many of the same conditions of mass poverty among a large urban population exist. The same process that occurred in Iran is now underway there, but it cannot be spoken of because it is an underground movement."

Cherif Bassiouni stated in an interview made available to *EIR* that the main catalyst for Islamic fundamentalist revolutions may well be the attempt by an Israeli faction that includes Yigal Yadin and Yuval Ne'eman to rebuild the Temple on the Mount in Jerusalem that is now the site of the second most holy Islamic shrine, the Dome of the Rock: "If the Dome of the Rock is damaged, the next day you are going to see the Islamic world in flames. I wouldn't want to be in an American embassy on that day, I'll tell you that much. And, any regime that would continue to have any relations with Israel or not use its entire capabilities to put pressure upon the United States to again put pressure upon Israel would certainly be in a very difficult circumstance."

---

## Documentation

---

# François Genoud, terrorist controller

by Paul Goldstein in Wiesbaden

---

### Profile: François Genoud

**Born:** Oct. 26, 1915 in Lausanne.

**Parents:** François and Marie Henriette Charlotte Breithaupt.

**Married:** First to Elisabeth Peeters, divorced; second to Liliane Moru de LaCotte, three children.

**Residences:** Lausanne—until 1946

Tangiers—until 1955

Cairo—until 1956

Frankfurt—until May 30, 1958,

Friedlehenstrasse 36;

Lausanne—25 Fontanettaz



## I. Personal history

At the age of 21, Genoud joined the National Front of Switzerland (NFS). NFS was a fascist group associated with **Georges Oltramaire's** National Union. Oltramaire's family comes from a leading Swiss banking family who have sat for generations on the board of directors of the Lombard Odier Bank of Geneva. This bank became famous for its involvement with the Office of Strategic Services during World War II, dating from **Allen Dulles's** assignment in Berne, Switzerland. Its facilities were used by Dulles to facilitate the surrender of **SS Gen. Karl Wolff**, head of the German army in northern Italy. Genoud was used as a personal intermediary between Dulles and SS General Wolff.

In 1940, Genoud set up a night club, Oasis, in Lausanne as a covert operation for the Abwehr in Lausanne. This Oasis Club was a joint venture with a Lebanese operative named **Daoud**, a nephew of an important figure in Lebanon named **Omar Bey**. Prior to his operation in Lausanne, Genoud traveled extensively in the Mideast and met with the **Grand Mufti** of Jerusalem in 1936. His Abwehr cover enabled him to set up a spy nest throughout the Mideast. His recruiting officer was an operative named **Guimann**, the Mayor of Tiengen. Under these conditions, Genoud became one of the key go-betweens for spy-running operations and drug-smuggling activity in the Middle East and North Africa, especially in Tangiers.

By 1943, Genoud began using his banking connections to set in motion the networks which later became known as the Odessa. The transfer of millions of marks from German into Swiss banks, and the evacuation of key SS and Nazi leaders into Morocco, Spain, and Latin America were the principal aspects of this operation. For this purpose a firm known as **Deithelm Brothers** was established in Lausanne under the personal sponsorship of Adolf Hitler's personal secretary **Martin Bormann**, and functioned until the end of the 1940s, transporting out of Europe thousands of Nazi leaders.

Genoud befriended SS General Wolff, **SS Captain Reichenberg**, **Luftwaffe Gen. Hans Rudel**, **General Ramcke**, and countless others, including **Otto Skorzeny** and Hitler's economics minister, **Hjalmar Schacht**. It appears that Genoud was arrested some time after the war, but freed due to the pressures of former Gestapo official and later Interpol chief **Paul Dickopf**. In 1955, Genoud was in Tangiers with General Wolff and General Ramcke. In 1956, he met with Hjalmar Schacht in Cairo, along with **Dr. Hans Reichenberg**, where several financial investments into Morocco were created. During this time he met with **Ben Barka** and an operative named **Skalli**, both members of the opposition party in Morocco. While in Cairo, Genoud was introduced to the **Algerian Front for National Liberation (FLN** in

French), led by **Ahmed Ben Bella** and his treasurer **Mohammed Khidder**. Genoud officially becomes a courier between Tangiers and Cairo, setting up the financial support operations for the FLN.

Over the course of these years many new Nazi International operations were arranged through and into Argentina, a process Genoud aided. In Argentina, Hans Rudel, now deceased, was given the financing to create the Europe-Argentina Association. It was through this apparatus that SS Obersturmführer **Klaus Barbie's** operations in Latin America were arranged. In the postwar period, the huge transfer of Nazi funds was conducted under the patronage and protection of OSS-CIA chief Allen Dulles under the code-name "Operation Land of Fire," and later the State Department's covert policy arm until 1951, the Office of Policy Coordination.

After the war, Genoud and the **Diethelm brothers**, operating through the Diethelm export-import company, financed a Nazi publication called *Der Weg* in 1948-49. Run by SS officers and based in Buenos Aires, this publication was one of the first post-war attempts to regroup the Nazi apparatus internationally.

In 1959, Genoud created the International Association of the Friends of the Arab World, along with **Benoist-Mechin**. In September 1960, Genoud established relations with **El-Wakhil el Kabbani**, the head of the **Arab Information Center** in Geneva. His other business ventures included the creation of a Munich-based export-import firm, **Arabo-Afrika**, in conjunction with the old Nazi Reichenberg, who later became an economic adviser to **President Houari Boumedienne** of Algeria. Genoud's other contacts included the Egyptian ambassador to Berne, reputed to have been head of the Egyptian intelligence service, **Fathy el Dib Mohammed**. The International Association of the Friends of the Arab World's officer in Geneva was **Ibrahim Haeid**, a Tunisian formerly of the Abwehr, located at 8 Chemin des Epinettes in Lausanne.

Genoud's connection to Benoist-Mechin is extremely significant in light of the fact that Benoist-Mechin wrote an entire profile of the **Ibn Saud** family, a fact which places him in the British intelligence operation through the St.-John Philby apparatus. According to one source, Benoist-Mechin was an Abwehr agent working with the fundamentalist **Muslim Brotherhood**.

Genoud's Arab contacts expanded during this period of the late 1950s and 1960s. One contact, **Youssef Abderrahman**, a member of the National Union of Popular Forces of Morocco (**Polisario**), was a key Genoud connection to the opposition. Operating through Cairo, Genoud financed not only the Algerian FLN operations, but the "liberation forces" throughout the Maghreb. He remained in contact with a top Muslim Brother named **Boudgemline Mohammed** of the **Jamiat al Islam**.

In July 1960, Genoud was secretary of the administrative

council of the **Society Interlogin S.A.**, a Freiburg-based export-import company. It became one of Genoud's main activities. With his old-Nazi funds, new revenue from arms- and drug-running, and the FLN treasury provided by Mohammed Khidder, Genoud established the **Banque Commerciale Arabe** in Lausanne. According to reports, Genoud's "new" bank became a model for Swiss banking; nothing but multiple signatures were legally required to establish a banking institution.

At this point Lausanne became the center of FLN financing of numerous arms deals, usually made in Germany by former Nazis who had been recycled as arms merchants. **Otto Skorzeny**, based in Madrid, was part of the arms-smuggling operations which financed the anti-de Gaulle Secret Army Organization (OAS) and the FLN. Genoud, during the mid-1960s, financed a major arms-drugs deal between the Lebanese drug-smuggling operation known as **Casino de Liban** and a "French organization." The go-between was an "old friend," **Jeanmarie Tine**, one of the leaders of the SAC covert intelligence unit which was created during the Algerian war to fight the FLN and OAS. The SAC-Genoud deal was arranged through Genoud's client **Dr. Alfred Ziegler, a.k.a. Muhammed Saleh** of Cairo.

Genoud also set up contacts between the old Nazi networks and the Palestinians. In April 1969, in Barcelona, at the "Europäische Neue Ordnung," a special delegation of Al-Fatah spoke on the issue of the "Palestinian Revolution." Genoud arranged for the training of Al-Fatah troops by former Nazis such as **Karl van de Put** of Belgium, formerly of the Afrika Corps, and **Johann N. Schuller**, presently living in Rome. According to one lead, Schuller may have been linked to the assassination of Aldo Moro. It appears that one of Schuller's employees in his export-import firm was arrested by police after the assassination; he had used the office of the "Heraldic Society," which was adjacent to Moro's office, and part of the business of this export-import firm was electronic bugging equipment. The employee, Moreno, was later released without explanation.

In September 1969, Genoud was involved as lawyer for two Palestinian terrorists who were members of the Popular Front for the Liberation of Palestine (PFLP). At this point, he was integrated into the "**Arab Union of Lawyers**," led by his old Moroccan friend Youssef. Another important link to Palestinian terrorism was **François Duprat**, the French fascist leader assassinated in 1979, who ran the **Franco-Palestinian Association** and helped set up the **Breton liberation movement**.

In the 1970s, Genoud expanded his banking operations and financing of the Nazi International. In 1971, his arms-smuggling operations into Lebanon expanded as well. Through his front-man **Guy Amaudruz**, Genoud ran huge shipments of arms into the Mideast via Lebanon. At this time, Genoud, through Mohammed Khidder's lawyer **Louis Bosquet**, arranged via **Sylvain Dayan, a.k.a. Saadi Behhamou**, and **Antoine Kamouh** from **Intrabank-Beidas**, a major

arms-drugs deal. In 1977, Genoud negotiated the release of the terrorist Bruno Breguet from an Israeli prison.

## II. Banking connections

In December 1979, a Swiss federal court ruled that Genoud's Banque Commerciale Arabe (BCA) was rightfully owned by the Algerian government. Thus ended a 14-year controversy that embroiled François Genoud and the Algerian government over the ownership of the BCA. Although it appears that Genoud lost control over BCA, nonetheless, out of the 14-year court battle, which left in its wake several dead, including Mohammed Khidder, treasurer of the FLN, the BCA was reorganized by the Algerian government as the **Banque Algerien de Commerce Extérieur**.

In 1958, BCA was organized in Lausanne by **Martial Gaffiot; Gerard-Charles Borguin; Max Mosher**, a Geneva lawyer; **Zouhair Mardam Bey**, and others. Hjalmar Schacht was a financial adviser.

Mardam Bey is one of the keys to the whole Genoud banking nexus. The Syrian father of Zouhair Mardam Bey was an intimate friend of Ibn Saud, of the royal family of Saudi Arabia. Zouhair and Genoud ran the BCA up until the Algerian government takeover. Zouhair is now working with or through a bank in Geneva called the **Saudi-Swiss Finance Company**. This may be one of the key links into the whole **Islam and the West** financing operation, run through **Prince Mohammed al-Faisal's Dar al-Maal al-Islami (DMI)**, which is targeted by French authorities for investigation. Reinforcing this link is the fact that Zouhair saved a character named **Akram Ojje**, a top broker for the Saudi royal family along with **Fuad Rizg, Adnan Khassogi, Zouhair Mardam**, and **Gaith Pharaon**. Fuad Rizg comes from a Lebanese family which became central for the marketing of Saudi oil.

Regarding the Mardam Bey family itself, the father of Zouhair was Syrian foreign minister during 1946-47, and died in the 1960s. The father, Kahlil Mardam Bey, was an intimate of Otto Skorzeny. During the course of 1983, Skorzeny's wife has been meeting with Mardam Bey and François Genoud. There have been meetings in Paris among Genoud, **Mme. Otto Skorzeny**, and Mardam Bey. The major areas of activity are banking and business ventures in Germany, Morocco, the Mideast, Brazil, and Argentina. According to a source, the Swiss-Saudi bank is the vehicle for their transactions. Most of the financial operations are capital flight activity out of Morocco, Mexico, and other nations.

Another, perhaps unwitting, vehicle involved in these black market operations is **Guy Tennart**, of the Société du Promotion de Resource Hospitalier. He apparently serves as a go-between for investments in real estate in Cannes and Nice, France.

Key to the entire Swiss banking operation in conjunction with Genoud is **Dr. Alfred Schaeffer**, the former chairman of the **Union Bank of Switzerland** and close confidante of Hjalmar Schacht. Now 80 years old, Schaeffer has been in

the center of pre- and postwar financial arrangements with Nazi-related financial matters, including the I.G. Farben financial holding company **Interhandel A.G.**, a "dummy" corporation of which Schaeffer was chairman.

This Interhandel A.G. was set up in 1938 by **I.G. Farben**, with Schaeffer pursuing a 20-year litigation against the U.S. government on behalf of Farben to unfreeze assets seized in 1942.

Schaeffer's relationship with Schacht provides the key overlapping lead into the development with Genoud of the whole Muslim Brotherhood financing operation identified earlier. In the 1950s, Schaeffer set up oil exploration operations in Egypt which were arranged by Schacht and other former Abwehr agents, through the Industrie und Handelsbank. One of these agents presently living in Berne, Switzerland, **Ahmed Huber**, set up many of these operations. Huber arranged for Genoud to meet with then-Egyptian President Gamel Nasser. Along with **Hans Ellenberger**, Huber set up the Swiss-Arab Society in 1965. The former Swiss ambassador to Cairo, a certain Herr **Parodi**, currently with Islam and the West in Geneva, operates closely with Huber and Ellenberger.

The Schlumberger banking complex completely overlaps with Genoud's operation. With Prince Mohammed al-Faisal's DMI bank, the **Schlumberger, Neuflyze and Mallet** bank finances Islamic fundamentalist activity throughout the West. It is under the rubric Islam and the West that most of the old Abwehr-Nazi International operations are being conducted.

Included in this apparatus is the **Schlumberger Oil Corporation**, headed by **Jean Riboud**, which recruits key Arab engineers as part of the network. Within this nexus is Dutch-born banker **Nicholas Krul**, a top banker in the Lombard Odier Bank of the Oltramare family, the same bank with which Genoud has collaborated since 1941. Krul left Lombard Odier in 1977 and established the **Gulf and Occidental Bank** in Geneva. This bank was financed by **Crédit Commercial de France** of the **Inter-Alpha group**. Krul maintains financial consultancy positions with the Syrian government, while backing the Islam and the West organization.

There are three other banks which are possibly part of the same apparatus: the **Arab-American Bank**, the **Algerian central bank**, and **Crédit Commercial de France (Montreal)**. According to one source, the Arab-American Bank interfaces with Genoud's smuggling operations out of Switzerland.

### III. Genoud, Ben Bella, and terrorism

Genoud's terrorist operations intersect various structures set up through the Nazi war funds financing scheme, utilizing the Abwehr II Minorities Division, Walter Schellenberg's SS-SD unit Amt VI, and the Anglo-American intelligence apparatus of the postwar period. As a keeper of the Nazi funds, Genoud has been instrumental in arranging many terrorist operations.

The recruitment by the Genoud-Abwehr apparatus of **Ahmed Ben Bella** demonstrates the method by which the old Nazi-Abwehr apparatus set up the Middle East fundamentalist operations. Ben Bella's relative, who operated a radio transmitter in North Africa for the Abwehr, recruited **Ahmed** into the Mufti-Abwehr network.

However, according to a French source, the Genoud-Ben Bella connection is further understood from the standpoint of the career and international terrorist role of **Michel Pablo (né Raptis)**.

Pablo was born in Alexandria, Egypt in 1911, arrived in Paris in 1938, and spent two years operating underground. What is most important to pin down is how Pablo managed to escape from a prison on the island of Crete and wound up in Paris without "any visible means of support." This could mean that Pablo was an Abwehr agent from the beginning, working for British intelligence. If this is the case, we have the solution to the question of how the historical links between left- and right-wing terrorism have really worked.

His activity during the war remains relatively unknown. However, immediately after the war, Pablo emerged as the secretary general of the British intelligence-controlled **Fourth International**. Out of this operation the logistical infrastructure of what became known as the Terrorist International was established.

Pablo was instrumental, along with Genoud, in setting up the support apparatus for the FLN. In particular, two workshops, printing and forging money and documents, are part of the overall operation. Networks in Sicily, Germany, and Sweden were established for future terrorist operations. In 1962, Pablo became an adviser to Ben Bella.

During the Algerian war, Pablo was arrested by the French authorities. His attorney was **Jacques Verges**, who later, with Genoud's assistance, was the lawyer who defended Bruno Breguet and Magdalena Kopp. Verges, who was also a member of the FLN, had been indicted in France, fleeing to Switzerland with **Michel Zavrian and Maurice Courige**, both lawyers in the same circle.

Verges converted to Islam in 1962, adopting the name **Jacques Mansour** and married a leading Algerian political figure, **Djamila Bouhired**. By 1963, Verges broke with Ben Bella and started his own "revolutionary" journal. At this time, Pablo was recruiting **Regis Debray** as his asset for future terrorist operations. In 1965, Verges defended a Palestinian terrorist in Israel, and later, in March 1966, a Jordanian named **Hedjazi**. Following this trial, Verges disappeared for 15 years, only to emerge as the attorney for Baader-Meinhof terrorist-lawyer **Klaus Croissant**. In 1982, Verges defended Bruno Breguet and Kopp, along with **Eric Moreau** of Action Directe.

The other key figure in this apparatus is **Slimane Hoffman**, who remains a key figure in the Algerian interior ministry and is one of the military officers who put Boumedienne in power after the decision to dump Ben Bella was taken. Hoffman represents a crucial interface for the espionage-

terror apparatus **Amical des Algerians** and ETA separatist terrorists. Genoud's relationship to this particular aspect of the terrorist international is financial. However, in historical terms, Genoud backed both the Boumedienne faction and Ben Bella. This duplicity landed him in jail, from which he was only rescued by the efforts of a group of fellow Swiss bankers and intelligence officers.

The Islamic fundamentalist terrorist operations which Genoud finances along with Prince Mohammed Al-Faisal's D.M.I. bank are linked to their support for the **Groupement Islamique**, based in Paris; **Ali Kattani**, head of the **Islamic Foundation for Science and Technology**, which is involved in separatist-terrorist projects in Barcelona, Spain; the **Islamic League for Human Rights**, a key coordination point of Muslim fundamentalism; **Maarouf Dawalihi**, head of the **World Muslim League**, founder of the Geneva-based Islam and the West organization, and a former member of the pro-Nazi **Syrian Popular Party (PPS)** in Syria. Genoud's long association with **Dr. Said Ramadhan**, head of the Egyptian Muslim Brotherhood, who is based in Geneva, set up a secret operation with the head of the **Islamic Council of Europe**, **Alem Azzam**, to overthrow several governments of the Middle East.

#### IV. The post-war Nazi International: universal fascism

The key lead in establishing the continuity of the Nazi apparatus before, during, and after the war is not only the Anglo-American protection operation, but the British intelligence-run **European Center for the Study of Fascism** directed by **Strachey Barnes**. Based in Lausanne, the home of Genoud, Barnes's operation served as a mediation point for Prime Minister Winston Churchill, Mussolini, and leading German Nazis. Immediately after the war, Barnes turned over the operation to a close associate of Genoud, Gaston Armand Guy Amaudruz. During the 1940s, Amaudruz established the **Courier du Continent** and the **New European Order** organizations. In 1946, Amaudruz took over the European Center for the Study of Fascism.

In setting up the New European Order organization, the "universal fascists" created an intelligence operation under the protection of the Anglo-American intelligence agencies. Working with Amaudruz was a Nazi youth leader, **Gunther Schwab**, whose book *Dance with the Devil* created the core ideological base by which today's new fascist party, the **Green Party** of West Germany, was formed. Schwab's coordinator for intelligence was another SS officer named **Theodor Soucek**, who ran from Vienna the **Weltbund-schutz des Leben** organization. It is this grouping which became the ideological center for the Nazi International.

Establishing the international networks became the work of the Amaudruz-run **Malmö International**. In 1950, at the first meeting in Rome, all the old luminaries of the war

gathered to pull together the preparations for a new fascist order. In attendance were **Sir Oswald Mosely**, who was being financed by a Venetian-based foundation, according to U.S. Army counterintelligence records; **Count Lordean**, a Venetian nobleman who organized the **Italian Social Movement (MSI)**, as well as leading former Nazis and SS officers such as **Heinz Priester** and **Fritz Richter, a.k.a. Roessler**. In 1951, the second meeting of the Nazi International was held in Malmö, Sweden.

Officially, the Malmö International was dissolved in 1956; however, the organizational infrastructure is maintained through covert networks. The ostensible issue which split the Malmö International was the dispute between the German and Italian delegations on the issue of South Tyrol. However, the differences centered upon the question of combining rabid anti-Sovietism and anti-Semitism, or concentrating upon joining the British intelligence-controlled "Cold War."

The present profile of the neo-Nazi International is understood through the network of publications and institutions which is again propagandizing the "racial purity" line: the **Mankind Quarterly**, run by Scottish Rite and British intelligence operative **Sir Robert Gayre**; **Armin Mohler** of the **Siemens Foundation**; the **Ecole Nouvelle** of **Alain de Benoist**; and **Ties Christophersen's Gesellschaft für Biologische Anthropologie**.

Genoud's publication last year of the "Political Testament of Hitler" is now to be followed by "The Last Political Notes of Martin Bormann," representing the renewed campaign for reorganizing the old Nazi apparatus.

Operationally, this neo-Nazi apparatus functions through **Scottish Rite Freemasonic lodges**: in Italy, **Propaganda-2**; Monaco, **Monte Carlo Lodge**; Geneva, **Alpina Lodge**; and London, the **United Mother Grand Lodge** run by the **Duke of Kent**. Separatist organizations such as the Basque ETA and its Corsican, Armenian, Breton, Alsatian, and Tyrolean counterparts are considered assets in place, along with the **Society for Endangered Peoples**, run by professed fascist **Per Engdahl** with the backing of Hermann Goering's niece, **Frau Birgitta Wolf**. Frau Wolf, born a member of the oligarchic **von Rosens** family of Sweden, which promoted the display of the swastika, has extensive ties to the **Beck** family of Great Britain.

One of the top law firms of the Nazi apparatus, **Poncet, Turetini, Amaudruz, and Neyrod**, is based in Geneva. The Amaudruz in question is Gaston Guy Amaudruz, and the firm is utilized by François Genoud in handling many of his publishing lawsuits.

It should be underscored that Genoud's publishing rights to Hitler's last political testament were arranged through the help of Nazi propaganda minister Josef Goebbels's widow, a close friend of François Genoud.

In terms of the Anglo-American intelligence services, the key protected asset of British intelligence and its junior part-

ner the OSS-CIA was SS Colonel Otto Skorzeny, head of all special paramilitary operations for Hitler. Skorzeny married the niece of Hjalmar Schacht, who as noted above is now one of the closest of Genoud's associates.

Skorzeny, in all likelihood, was a British agent-of-influence through most of the war, and brought Abwehr and SS officers into the Anglo-American camp after the war. According to one source, he had extensive holdings of land in Ireland and Spain which were protected by the British as a hedge against future collaboration with Skorzeny after the war. Skorzeny not only saved Mussolini's life, but was probably responsible for preventing the partisans in Italy from seizing the secret papers of Benito Mussolini and his correspondence with Churchill, a favor which Churchill never forgot.

Skorzeny was close to the number-two man at the Abwehr, **Lahousen-Wemint**, and was able to bring this grouping into the post-war Anglo-American operations. One unconfirmed story is that immediately following the war, Skorzeny was paid by the General Fire and Insurance Company of Scotland, a company owned by the Royal Bank of Scotland. Skorzeny's Middle East apparatus, protected by Allen Dulles, intersected three areas: 1) Farouk's Egypt, 2) the King of Libya (a Senussi), and 3) the Kalil family of Kuwait.

According to a former U.S. intelligence officer, Skorzeny's ties into the Kalil family enable him to finance many of the projects for the Middle East. The Kalils had old Ottoman Empire ties, and one of the sons was trained at Berlin University when Skorzeny had been a student there. Both were engineers and Arabologists. After the war they combined their talents for setting up the Egyptian missile program and carried out innumerable special operations. One of Skorzeny's deputies, an operative named **Wermuth**, also an engineer by training, set up many of the banking-logistical operations around which François Genoud later turned up. Using his Madrid-based company **Adsap**, Skorzeny established smuggling, arms, and drug operations in Vienna and Paris.

This established the operational capabilities for the Vienna-Swiss smuggling operations such as **WEFA**, based in Basel, which is under investigation by French judicial authorities. The key neo-Nazi smuggling operations to finance destabilizations are handled by an Austrian neo-Nazi named **Horst Grillmayer**; **Stefano dalle Chiaie** of P-2 1980 Bologna bombing fame; Klaus Barbie's Bolivian connection; and **Klaus Fiebelkorn**, who was recently arrested in West Germany. It also intersects the neo-Nazi Turkish **Grey Wolves** organizations which deployed would-be papal assassin **Mehmet Ali Agca** on behalf of this network.

The career of the Nazi Amt VI's **Walter Schellenberg** raises the key question: how were most of the SS, Gestapo, and Abwehr networks turned over to the Anglo Americans? Schellenberg, according to a recent book on the sub-

ject by William Stevenson, was absorbed into a British secret service network and spent five post-war years in what had been a lunatic asylum outside London. This asylum provided the perfect cover for the long-term interrogation of men like Schellenberg.

Schellenberg, who had taken over Heydrich's position after the latter's assassination during the war, was Abwehr director over Admiral Canaris and also in charge of the Gehlen Organization. It is not well known that after the war, **Reinhard Gehlen** and his circle confiscated Schellenberg's file system with an international list of all informants, agents, etc. A reconciliation between Schellenberg and Gehlen occurred in 1950, at a meeting in Madrid, where Skorzeny opened his office and received both men.

It is through the ideological and operational centers of the neo-Nazi International that both left-wing and right-wing assassination and terrorist operations come together. The overlap of the Abwehr-SS and Trotskyite Fourth International is, in a sense, the Terrorist International. In France the **Nouvelle Droit Le Pen**, in Germany the neo-Nazis, in Spain **Nueva Fuerza**, and in Britain **Column 88**, are all basically under control of the **League of St. George**, based in Britain—which also controls the Regis Debray Fourth International via Michel Pablo.

## V. Protectors and collaborators

Genoud's circle of protectors include the sister of the present Swiss defense minister Chevallaz, Madeleine Chevallaz, and one of his closest business associates is the widow of Otto Skorzeny. Mme. Skorzeny is presently directing capital flight operations out of Mexico and Morocco with the help of Dr. Alfred Schaeffer's Union Bank of Switzerland, **Crédit Suisse**, and the **Swiss Bank Corporation**. These bankers were key in the Schacht apparatus during and after the war. Mme. Chevallaz is involved in directing and coordinating key separatist movements in India, Ethiopia, Somalia, and Sudan, and is working in conjunction with **Lord Carrington's** Mideast apparatus.

A key protector of Genoud is **Gilbert Baechtold**, who is a socialist working with Genoud on selling "soft technologies" to the Third World and involved in some business deals with Guy Tennart, identified earlier. Presently, Genoud is on a tour of the Middle East, focusing on Morocco and Tunisia. Using Mme. Skorzeny's base of operations in Madrid, Genoud and his Swiss banker backers at the Alpina Freemasonic Lodge are out to send the Mideast up in flames, utilizing their key assets, the terrorists of the Muslim Brotherhood. According to one recently received report, Ahmed Ben Bella is presently living in Genoud's challet in Lausanne, which is where many of the present destabilization plans are being directed. Whether the Swiss defense minister or central bank chief **Fritz Leutwiler** are protecting Genoud remains to be seen.

## Tailspin in Western Europe over U.S. defense policy

by Criton Zoakos

President Reagan's March 23 announcement of the new U.S. military policy of strategic anti-missile defense has left the Western European governments in a state of perplexity and incomprehension. Virtually none of them has formally responded to the fact that the strategic doctrine regulating relations between the two superpowers has been drastically altered. The most significant non-governmental reaction has perhaps come from David Watt, director of the Royal Institute of International Affairs in London.

### The RIIA response

Writing in the *Times* of London on April 8, Watt headlines his piece, "Why We Need to Keep the Bomb." Admitting that President Reagan is now committed to making nuclear weapons "impotent and obsolete," he labels Reagan's doctrine "sentimental, simplistic, and dangerous." This is true, the heir of Arnold Toynbee insists, because "nuclear weapons, though unimaginably terrible, are still weapons," and correspond to man's need for "the use of force" to defend himself, which will continue with or without nuclear weapons. Neither a "new world order" based on "a juster world and new international institutions," nor "moral restraint" will change this, Watt continues. Furthermore, war has thus far been "deterred" by the existence of nuclear weapons, and their being made obsolete, he insists, will increase the chance of war!

Says Watt: "President Reagan's vision of an infallible anti-ballistic missile system is an appalling one. . . . The

perfect ABM would be extremely destabilizing. . . . If both superpowers lose the capacity to destroy each other we are back to the 1930s and an era in which regional conflict forever threatens to escalate into conventional war on global levels. . . . Very few things in this world are wholly bad, and fear is not one of them. In 40 years fear of nuclear weapons has done more to undermine war as an instrument of policy than anything else in the history of mankind. Remove that fear and we are back to where we started."

The Royal Institute essentially runs British foreign policy, and Watt's statements typify those assembled from such quarters since March 23. Against this background murmuring from the adherents of the MAD doctrine, *EIR* founder Lyndon H. LaRouche, Jr. addressed the semiannual conference of the International Caucus of Labor Committees in Kiedrich, West Germany on April 2. It was the ICLC which established the European Labor Parties, a unique association of scientists and politicians from almost every European country, which hails from the American System nation-building tradition in modern politics.

First, LaRouche asserted, any politician in Europe who believes the President of the United States has merely set out to *propose* a policy, or that that policy can be reversed, that person is a fool. The President is the Commander in Chief of the Armed Forces. He made his decision in the company of various people, including his Chief of Staff and others, and is not responsible to Congress for his decision. "Congress hasn't a damned thing to do with this! When the



Stuart Lewis/NSIPS

What the "Andropov Democrats" fear.

President, so to speak, let the genie out of the bottle, certain things happened in the Soviet Union. The U.S.S.R. is now in a race for full-scale development of beam weapons systems before the United States. We now have an arms race between two superpowers!

"Any little politician in Europe who thinks this fantasy will find himself ground and crushed! Naturally, Andropov is angry, and will do anything to embarrass the United States, to create cleavages between the United States and Europe; and he will be helped by the British and by the NATO Command, because those who say Reagan's policy is not real, have heard it either from the Brits or from NATO, and it's all a lot of damned lies! This system is now going."

There will be \$200 billion spent for it during the next 10 years, for this system alone, on a scale larger than the Manhattan Project, on the scale of pre-1967 NASA, LaRouche said. The systems will go in place, conservatively, in 7 to 10 years, although the first systems will actually be in place by 1987-88, and certain systems may be deployed this year. "We have blue-green fluoride chemical lasers, and we have the target capability for such a weapon, and it can be put around cities to kill some missiles against cities—this year! The x-ray laser exists; do you think we'll wait? No, we're in an arms race, and this will go up, as we wait for something better."

Second, Larouche went on, "it should not be said that the President acted under my influence to adopt my policy. True, all that I said since February 1982 about this subject is now

the strategic doctrine of the United States. It is true that the doctrine is my doctrine, and everybody knows it, they know it in Moscow. However, I didn't march into the White House. The President made his own decision, with the National Security Council and the Pentagon. He asked them, and Dr. Edward Teller, for their opinion. They gave him their best judgment. But they came to that judgment because they went over my doctrine and found nothing better than what I proposed."

The objections to the new policy, LaRouche indicated, were not because the policy is thought to be wrong, but because governments in Europe, like that of West Germany, are locked into arms contracts for planes which this policy will "make into a piece of junk, obsolete and unimportant." The specific problem in West Germany up till now, he noted, is that "for 20 years, the German military has had no military function except to die, no strategy except to be extinguished within the first 24-48 hours of war; it has no role under the present doctrine."

France, he contrasted, "used to have a doctrine, de Gaulle's concept of the *force de frappe*, which was a response to MAD, giving France a modicum of sovereign independence," but since the installment of Soviet SS-20s with sophisticated targetting capabilities, every military and logistical target is implicitly saturated by target Soviet warheads, and "within six minutes, no single surviving installation would be left standing." Given Soviet killer-submarines, all France's submarine capability now is also "junk." The Tornados so desired by the West Germans, LaRouche stated, "won't have anywhere to land except the Soviet airport. Unless a nation can survive to fight, why equip to fight? This," he noted, "leads to the perverted argument of the greenies and peaceniks: 'Okay, we're gonna die anyway, why do we need weapons? Let's have a good time, without working, and trying the 99th variety of sex. This is the deep cultural pessimism which arrives.'"

So, LaRouche summed up his introductory remarks, "this is the nature of the opposition to the Reagan speech: either pure idiocy or the greenies. . . . Until these governments put up the ABM, either independently or in cooperation, France, West Germany, and the United Kingdom have no survival capability in a conflict which under MAD must occur in the 1980s."

### The Soviet response

As for the Soviet Union's response to the Reagan doctrine, five days after President Reagan's speech, the economics weekly of the Communist Party Central Committee went to press with the headline, "The Laser Beam Is Working." The *Ekonomicheskaya Gazeta* notified the U.S.S.R.'s entire cadre force that laser-beam technologies are to be proliferated throughout the Soviet economy. Below we present the gist of the article by Academician Ye. P. Velikhov, head of the Soviets' laser program, which is crucial for weapons development.

Пролетарии всех стран, соединяйтесь!



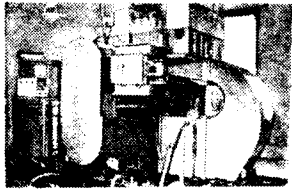
# Экономическая газета

АПРЕЛЬ 1983 № 14  
ГАЗЕТА Выходит в ноябре 1918 года

ЕЖЕНЕДЕЛЬНИК ЦЕНТРАЛЬНОГО КОМИТЕТА КПСС

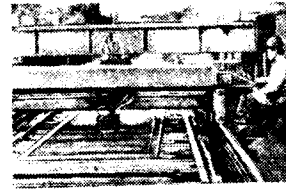
Научно-технические программы

## РАБОТАЕТ ЛУЧ ЛАЗЕРА



Технологическая лазер мощностью 10 киловатт для сварки и термозакалки в машиностроении.

Одна из самых новых технологий — лазерная — все более расширяет сферу своего народнохозяйственного применения. Уникальные свойства лазеров открывают дополнительные возможности совершенствования различных производственных процессов и операций. Особенно эффективны лазерные методы обработки материалов. Лазерная техника все активнее используется в промышленности, строительстве, связи, медицине, научных исследованиях.

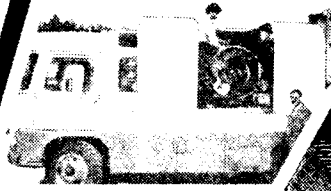


Технологическая лазерная установка мощностью 3,3 киловатта для лазерной обработки материалов.

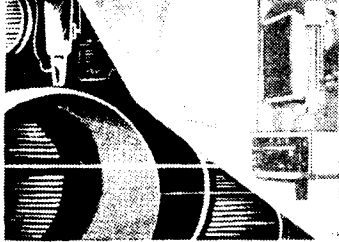


Лазеры используются в строительстве, для проведения коммуникационных линий, в горном деле.

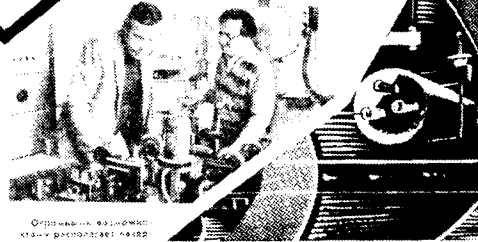
В отечественной промышленности реализуется инновационная программа освоения и промышленного лазерной техники для лазерного производства. О проблемах и ходе ее выполнения рассказывает в статье автор статьи Академик ИАЭУ СССР академик Е. П. Велихов.



Лазерные установки для контроля состояния окружающей среды.



Моделька лазерной установки мощностью 1,5 киловатта для лазерной обработки материалов.



Отработка лазерной установки для лазерной обработки материалов.

The Ekonomicheskaya Gazeta captions read, counterclockwise from upper left: 1) "Ten-kilowatt technological laser for welding and heat-strengthening in machine building." 2) "Lasers are used in construction, for laying communication lines, and in mine surveying." 3) "Medicine: the LAS-3 laser scalpel for surgical operations." 4) "Laser chemicals possess huge potential." 5) "Laser equipment for environmental monitoring." 6) "One and a half kilowatt technological laser apparatus for materials processing."

As EIR goes to press, we have received the Soviet party Central Committee's economic weekly, *Ekonomicheskaya Gazeta*, No. 14 for 1983. Sent to press five days after President Reagan's historic speech of March 23, decreeing the development of anti-ballistic missile weapons using new technologies—beam technologies—the newspaper displayed a front page headline: "The Laser Beam Is Working." Its article by Academician Ye. P. Velikhov, head of the U.S.S.R.'s national laser program, told in detail how laser technologies are transforming basic industrial processes in many branches of Soviet industry and called for even greater efforts in this field.

In mid-March, just before Reagan spoke, Velikhov was in the United States—ostensibly to confer with scientists from the "peace movement." He was received at the Soviet Embassy in Washington by Ambassador Anatolii Dobrynin.

Back in Moscow, Academy of Sciences Vice-President Velikhov wrote that laser applications give "convincing confirmation of the determinative influence of fundamental scientific discoveries on the economy." Pointing ahead, he said that although the present program "is an important stage in the introduction of laser tech-

niques and technology in the national economy," still "it can be said with certainty, that the main achievements lie ahead."

It is no secret, that the technologies on which Velikhov works—for years in the Soviet fusion power program, and now in a project called "Creation and Production of Laser Technology for the National Economy"—are crucial for weapons development. His article in this widely circulated party economic paper meshes with recent pronouncements from military officers on economic affairs, such as armaments chief General Shabanov's demand for "the introduction and production of equipment and technology that is new in principle, which raises the flexibility of production, its ability to shift from one type of production to another."

The new assertiveness of Moscow's military men has not eluded observers in London, who sourly acknowledge that Reagan's policy changed strategic relations irreversibly and set new politics into motion in the U.S.S.R. The *Times* of London April 7 reflected under the headline "The Rise of Russia's Generals," that "the pendulum has swung back to the military, who are playing a growing role in political decision-making."



# Soviets move to unlock technology bottlenecks

by Rachel Douglas

Since last autumn, representatives of the Soviet military have more vocally asserted the defense sector's claim on the Soviet economy. The Deputy Defense Minister for Armaments has written in the Communist Party's economic weekly that priority development of basic industry is crucial for defense; his emphasis was unmistakably different from the February 1981 twenty-sixth party congress's commitment to a superior growth rate for the consumer sector (see *EIR*, April 12).

America's resolve to build an anti-ballistic missile defense, meaning the most rapid development of new technologies, will increase the pressure for military investments in the U.S.S.R. Marshal Viktor Kulikov, Warsaw Pact commander, has already vowed "to build the counterweapons" to match anything U.S. strategy leads to.

The Russian ability to tighten belts in order to fill military orders should never be underestimated. But does it follow that all other sectors of the Soviet economy will be starved? A number of Soviet economists evidently do not think so.

The Central Committee weekly *Ekonomicheskaya Gazeta* in mid-March gave a sign of the times: a 3,500-word article called "Space Aids the National Economy." Writers from the State Committee on Science and Technology showed how and in what sectors the large Soviet space program (in which a high portion of launches are in the primarily military Cosmos series) is improving economic performance.

There is a current among Soviet economists, of people who for several years have been grappling with the problem of how to get technological advances that occur in the laboratory or a single sector—like defense—generally utilized in the national economy. In August 1980, economist V. Lebedev proposed to set up large projects to pioneer advanced industrial technologies and serve as beacons to guide companies all around the U.S.S.R., a means for "centralized leadership of scientific and technical progress and the whole economy." A year later, economists N. P. Fedorenko and D. S. Lvov argued this school's case that only a fundamental change in investment policy could open the bottleneck behind which innovations in industrial technology get stopped up; instead of letting 70 percent of capital investments go to rebuilding facilities at their original, outdated technological level, they said, the bulk of new investments should serve as "vehicles for new scientific and technological innovations."

## Breaking resistance 'from below'

The leadership transition has provided an opportunity for this current to press its case with renewed vigor. While Yuri Andropov's economic pronouncements concentrate on organizational improvements and a campaign for "discipline," they have been taken as a go-ahead for an assault by some economists on resistance to the transformation of investment policy Fedorenko and Lvov lobbied for.

In the daily *Izvestia* March 18, corresponding member of the Academy of Sciences P. Bunich pushed the discussion forcefully. "Despite the growth of size of our economy," he wrote, "the number of technological innovations introduced in 1981 was 4 percent smaller than in 1980, and the quantity of new models of machines, equipment, apparatus, and instruments shrank by one-fifth during the past decade. And the old technology quite happily lives and gets along, although it is obsolete. The annual rates of writing it off are so low, that it takes more than a decade for complete turnover."

Bunich proposed to develop ways to stop penalizing enterprises for the introduction of new technologies, which happens because in its "incubation period," a new technology is not so profitable. At present, he observed, scientific and technological progress is seen by the plant manager "not as an economically necessary factor . . . but a factor which only complicates and hinders fulfillment of the plan."

According to Bunich, all the long-term science plans in the world will not avail, unless the "anti-stimuli against scientific and technological progress, acting from below," are removed. He proposed a range of price and other incentives for companies to implement new technologies and, for certain innovations that require huge investments, forms of collective financing for their assistance.

All this, he said, applies to "the evolutionary type of scientific and technological progress." But "there is also the revolutionary type." Bunich suggested that if the steam engine had been subjected to strict cost-accounting criteria, it would never have been built. The same would go for "the beginning of the era of computers, lasers, space rockets." Eventually, "all of these . . . not only become profitable . . . but the most profitable, which confirms the rule that in the final analysis, there is nothing more beneficial than fundamental improvements." In the early phases, insisted Bunich, spending on such technologies must come out of the state budget, or at least the ministerial budget.

In referring to the state budget, Bunich posed the matter as one of setting national priorities. The Academy is already administering several nation-wide programs in industrial technology, one of which is Academician Ye. P. Velikhov's "Laser Equipment and Technology" program, for which shops at the huge ZIL auto plant in Moscow have been co-opted. There, and at a dozen other plants around the U.S.S.R., scientists are practicing the industrial application of directed-energy beam technologies, which are also the heart of anti-missile defense research.

# The real threat in Central America: Kirkpatrick, Sharon, & Company

by Gretchen Small

British and Israeli fanatics have pumped the weapons, propaganda, and funds into Central America to whip up a war in which the United States is supposed to emerge the big loser. Caught sabotaging American interests are the Reagan administration's U.N. ambassador, Jeane Kirkpatrick; the U.S. ambassador to Honduras, John Negroponte; his British oligarchic wife, Diana Villiers; a group of anthropologists run by "former" Nazis; and the dope-pushing, gun-running Mosad renegades backing Ariel Sharon.

This group wants to enmire the United States in a "conventional" Vietnam-style war, to put the brakes on the Reagan administration's revolution in American strategic defense doctrine, and discredit the President as a bloodthirsty bungler. The Sharon faction in Israel hopes that getting the U.S. military pinned down in Central America will give them a free hand in the Middle East. At present, American- and Israeli-trained "freedom fighters" continue to cross into Nicaragua from Honduras and Costa Rica, and Honduras and Nicaragua appear locked on a course toward a war into which outside forces could rapidly be drawn.

The "case officer" inside the administration for the Central American operations is reported widely to be Kirkpatrick. Working with Secretary George Shultz and Luigi Einaudi at the State Department, and William Casey and Constantine Menges at the CIA, Kirkpatrick is said to have sold the White House on a strategy to "pin" Nicaragua down with "internal uprisings," covertly supplied by American funds and forces. The argument was that internal turmoil would stop Nicaragua from supplying arms to El Salvador's guerrillas.

In February, Kirkpatrick paid an official visit to Panama, Venezuela, and other Ibero-American countries to tell those governments that their efforts to end the continuous rounds of fighting in Central America were viewed in Washington as "anti-American." In Panama, Kirkpatrick ordered opposition leaders to prepare to become the next government on behalf of "U.S." interests.

In mid-March, the go-ahead was given to begin action. The first of some several thousand "freedom fighters," armed and trained over the course of the past year-and-a-half in camps lining Nicaragua's two borders, began entering Nicaragua.

The "freedom fighters" whom Kirkpatrick et al. are promoting are a quarreling assortment of adherents of the Socialist International who follow Jesuit-trained Eden Pastora (nicknamed "Commander Zero"), ousted dictator Somoza's National Guardsmen, a contingent from the smuggling-based Miskito Indian tribe, and mercenaries seeking "action."

*Israeli gun-runners are currently supplying both sides—Sandinistas and anti-Sandinistas.*

Honduras and Costa Rica, the current bases of operation for this new "Bay of Pigs," have become major assets of Israeli influence in the past year. Through the Israeli wife of Costa Rican President Luís Alberto Monge, himself a Social Democrat who has taken orders from the Lane Kirkland-Jeane Kirkpatrick "right-wing social democratic" crowd at the AFL-CIO for decades, Costa Rica has become a major base of Israeli gun-running for all of Central America, sources in Mexico report.

## The Sharon operation

Last December, Ariel Sharon, the renegade former Israeli Defense Minister condemned for his role in Lebanese massacres, paid a high-profile visit to Honduras and Costa Rica to consolidate his faction's influence. Sharon's trip was to arrange arms transfers to those countries and the step-up of Israeli training of the Honduran Armed Forces; sources in Washington and the Middle East reported that Sharon was sent to restructure the massive arms-for-drugs traffic in the area. Central American sources reported the first week in April that Sharon is expected to visit Honduras again shortly.

A Norwegian paper, *Dagbladet*, reported this month that a "former" Nazi, Ole Christian Olstad, who had been fighting with the Israeli-backed militias of Major Saad Haddad in Southern Lebanon, has announced his plans to travel with several other mercenaries to Costa Rica to join the anti-Sandinista forces.

The Miskito Indians have been assets of the British Crown since the tribe first signed a formal treaty with the British in 1687 which established a "Miskito Kingdom"—replete with Crown-appointed King—with the responsibility of guarding British interests on the east coast of Central America. During the two centuries that treaty existed, the Miskitos captured and sold into slavery the rest of the Indian population in the

area.

British control over the Miskitos continues today. A network of British-trained anthropologists associated with the Society for Endangered Peoples, a European-based group headed by former Nazis, organized the flight of the Miskitos into Honduras over a year ago as a defense of "Indian rights." Once in Honduras, the Miskitos were herded into refugee camps. Access to these camps, the anthropologists report, is controlled by Diana Villiers, the former British Conservative Party leader now married to U.S. Ambassador John Negroponte. Negroponte has been called more Commander in Chief of the Honduran Armed Forces than President Suazo, because of his close relationship with Army Chief General Alvaréz.

### What next?

Not since the United States supported the British in the Malvinas War against Argentina has a U.S. policy threatened such a rupture with its southern neighbors.

In speech after speech at the United Nations during the recent Security Council debate on Central America, Ibero-American governments tried to steer the United States off the Kirkpatrick line, warning that U.S. arms shipments and backing for the insurgents would only make matters worse. This is a "conflict which, if sharpened, could have . . . extra-continental implications," Argentina's ambassador to the United Nations stated.

Support for the standing offer by Mexico and Venezuela to provide their good offices as mediators of the Honduran-Nicaraguan dispute has come from most governments in the region. During a visit to the United States at the beginning of April, Brazilian Air Force Minister Jardim de Mattos told the press Brazil backs Mexico and Venezuela's initiatives for a peace, adding that Brazil will not enter the Central American conflict in support of the United States. Nicaragua's Foreign Minister, Victor Tinoco, likewise issued an urgent appeal for a heads of state meeting to take place between Honduras and Nicaragua, with the Mexican and Venezuelan presidents present as "witnesses of good faith."

If a political approach is not adopted, the most radical faction inside Nicaragua, which argues that Nicaragua should stop negotiations and turn to "friends" like Libya, Bulgaria, and South Yemen for defense, may increase its power. On March 28, Libyan dictator Muammar Qaddafi announced that he has offered Nicaragua the Libyan armed forces to help them fight "imperialism."

The Kirkpatrick group is attempting to use the crisis to restore the old pattern of brinkmanship-cum-crisis-management between the superpowers which President Reagan superseded as of his March 23 defense policy speech. The recently formed Linowitz Commission on "Latin American-U.S. dialogue," which includes Cyrus Vance and Robert McNamara, just issued a 82-page report demanding that the United States and the Soviet Union jointly negotiate over Central America in a crisis-management mode, "similar to

the agreement ending the Cuban missile crisis of 1962."

Though paying lip service to bringing other regional powers such as Mexico, Venezuela, and Colombia into the discussions, the report insists on a basic East-West confrontation mode in which, according to a summary printed in the *Journal of Commerce*, "both the American and the Soviet-Cuban sides would have to give up something in any such accommodation for long-range stability."

## Colombia's Betancur on emergency mission

Colombian President Belisario Betancur will undertake an emergency tour to stabilize the Central American region, it was announced simultaneously April 5 in Bogotá, Caracas, Panama City, and Mexico City. Betancur will confer with Venezuelan President Herrera Campins; continue to the Mexican resort of Cancún on April 9, where Betancur will meet with President Miguel de la Madrid; and conclude on April 10 in Panama, in a meeting with Panamanian President Ricardo de la Espriella, Costa Rican President Alberto Monge, and perhaps Herrera Campins as well. According to press reports, Betancur will also discuss urgent economic issues.

The Betancur initiative raises to the level of presidents the coordination among Mexico, Venezuela, Colombia, and Panama that began at the foreign minister level in early January. At that time the four foreign ministers constituted themselves as a body to assume responsibility for keeping the lid on the Central American conflicts, and urged all major powers, including the United States, to stay out.

*EIR* has recommended that during these consultations, two urgent steps be taken to open the maneuvering room for further reduction of tension:

- 1) that the Israeli involvement in the region be eliminated, including Ariel Sharon's arms- and gun-running operations in Honduras and Guatemala, the Sharon faction's work with the controllers of Ríos Montt on the Temple Mount Project, and the substantial Israeli control over Costa Rican President Monge;

- 2) that the presidents of the region extend overtures, privately and publicly, for consultations with the White House that would give Reagan room to act "in concert with other presidents" and thus have an insurance policy against the Watergating operations now in motion against him on the issue of Central America.

These measures would not eliminate the conflicts in the region, but would go a long way to beginning to solve them.

# In defense of Nigeria

*Those who have expostulated most self-righteously about the expulsion of non-citizens are out to destroy the country, writes Allen Salisbury.*

*Mr. Salisbury, a member of EIR's board of directors, and a member of the international executive committee of the Club of Life, recently returned from a trip to Nigeria.*

The Western press has been having a field day over the unfortunate circumstances that led to the expulsion from Nigeria of between 1 and 2 million immigrants—circumstances which are almost entirely due to the deteriorating economies of the West and to the determination of some very powerful interests there to drastically reduce the population of Africa.

“The population explosion in Africa is a true thing, in Africa as a whole. I think it should be tied down to what it was at the beginning of this century,” stated one of these strategists, Robert Gayre of Scotland. This outlook has increasingly shaped the foreign policy of the industrialized nations toward the developing sector, such that today virtually no loan comes from the International Monetary Fund or World Bank without hideous conditionalities aimed at shrinking the population. It is in this context that Nigeria—with one-quarter of the black population of Africa, or an estimated 80 to 120 million people—has become a principal target for destabilization.

The Western press coverage of the Nigerian expulsions displayed a jackal-like hypocrisy. *Newsweek*, for example, lied outright, printing a picture of soldiers beating Ghanaian refugees with a caption, “Justice Nigeria-style.” The only problem was that the picture was not taken anywhere in Nigeria; it was taken at the Benin-Togo border, and the troops were from Benin. In typical *Newsweek* fashion, the only correction that appeared was a one-line sentence at the bottom of an official protest from the Nigerian information ministry printed in the Letters to the Editor column.

French press coverage was equally atrocious. In a centerfold in *Le Monde*, Jean-Claude Pomonti gloated that Nigeria is no longer the big brother in Africa, and lied that teachers and skilled workers were placed under the expulsion order. *Le Monde's* Jan. 25 editorial asserted that the expulsions reflected the failure of Nigeria's Green Revolution, a program which has often been attacked in the West as overly ambitious and dependent on modern technologies.

This comes from the same Malthusian policy grouping whose Swiss-influenced oligarchy has not hesitated to initiate

military coups in francophone African states at the drop of a hat—except in the case of Libya's invasion of Chad, when the French clearly had the responsibility to act, but did nothing.

The attack on the Green Revolution was echoed by the *London Times* in a March 3 centerfold feature which recommended that Nigeria give up its development projects and devalue its currency. Nigeria has just signed an irrigation assistance pact with Sudan which will aid in developing 11 river basin irrigation and agricultural projects.

In West Germany, the Social Democrats squealed against Nigeria with the mock outrage of an anthropologist who discovered that her servants occasionally spit in the soup. These are the same Social Democrats who have kept Turkish guest workers from the hope of full-fledged citizenry. The *Frankfurter Allgemeine Zeitung*, the country's newspaper of record, had run a statement not long before accusing the guest workers of taking advantage of German residency to increase their population, and calling for measures to limit Turkish-origin demographic growth, while former Social Democratic Chancellor Helmut Schmidt is currently globetrotting with Henry Kissinger, preaching the doctrine of population control.

The British media, especially the BBC, were equally vicious on the subject of their former colony.

## The background

Until its recent economic crisis, it was Nigeria's policy to allow an open door with respect to Africans from other countries seeking to escape to a better life in Nigeria. Along with this influx, however, came an organized migration of radical religious sects to both the north and the south of the country. These sects have been responsible for the murder of thousands of Nigerian citizens in riots and other upheavals, and posed an obvious national security threat to Nigeria—particularly with elections approaching.

As for the economic situation, a review of the conjuncture leading up to the expulsion order shows that the crisis was principally caused by the very Westerners who took so much delight in their recent press attacks on Nigeria.

Gulf Oil, for example, suspended lifting oil for two months on Jan. 7, then announced that it would resume operations at a greatly contracted level. Other companies lifting oil in Nigeria have done the same. Moreover, late last year West

German Minister of Economic Cooperation Jürgen Warnke announced that the Kohl government would cut development aid to five African countries—Benin, Angola, Mozambique, Ethiopia, and Algeria—as well as India, because those countries are “anti-West,” and would also cut aid to Third World countries deemed to have “disproportionate military budgets.”

The International Monetary Fund has incessantly pressured Nigeria to devalue its currency, and thereby double its indebtedness, a proposal Nigerian officials insist, rightly, that they will not accept. Barclays Bank is now selling the Nigerian currency, the *naira*, at black-market rates, and there is evidence of a massive dumping of counterfeit *naira* on the markets.

And amidst the press furor about the expulsions and the economic crisis, no mention has been made that in the weeks prior to the expulsion order, Nigeria was attempting to negotiate a \$1.1 billion loan from Saudi Arabia to help it weather the oil crisis. The Saudis refused to provide the loan, under pressure from the U.S. State Department. A spokesman for Chase Manhattan Bank had said last summer that the bank no longer had any intention of granting loans to Nigeria for development purposes; at best, financing would be confined to credits for food and consumer products.

### The upcoming elections

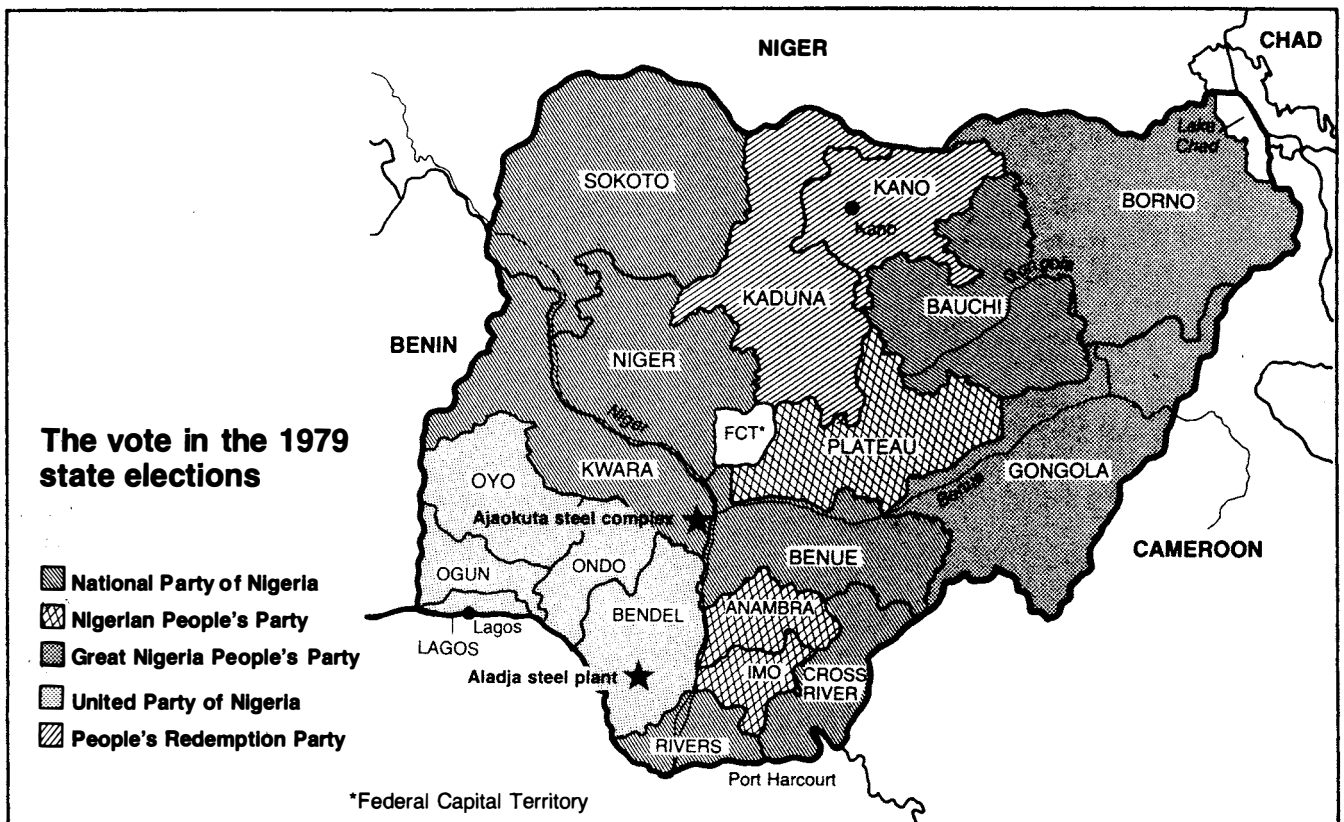
The hypocrisy of the U.S. press since the expulsions is

particularly disgusting because, despite the fact that the Soviet Union aided the federal government in Nigeria’s 1967-70 civil war, when the leaders of that nation decided on a form of government to replace military rule, they chose the American constitutional system with a president, vice-president, Senate, and House of Representatives. During my visit to Nigeria, it was a pleasure for me to see schoolchildren engaged in debates as to whether the American constitutional system or the British parliamentary system was a better form of government (debates that rarely occur any more in the United States). The American position always won out.

Nigeria has had its present form of government since 1979, when the presidential elections were won by Alhaji Shehu Shagari and his party, the National Party of Nigeria (NPN), with only 33.7 percent of the total vote. The five political parties presently existing are closely associated with tribal and religious groupings. The NPN, despite the fact that it is dominated by the Hausa and Fulani ethnic groups in the north—who are predominantly Muslim—is the only party in the country with significant membership from the other tribal and religious sections of Nigeria.

The Nigerian People’s Party (NPP), headed by Chief Nnamdi Azikiwe, has its power base in the southeastern part of the country, which is predominantly Ibo and Roman Catholic.

The People’s Redemption Party (PRP) is based among



the northern Hausa Muslims; the main plank in its electoral platform is rejection over the compromises the NPN has made with the south and the Christians.

The Great Nigerian People's Party (GNPP), also a northern-based party, won the governorships of Borno and Gongola states in the 1979 elections.

The United Party of Nigeria (UPN) is headed by Chief Obafemi Awolowo, with its power base among the Yoruba in the southwest.

Presently, the opposition parties have formed a somewhat shaky confederation called the Progressive People's Alliance (PPA) and are tentatively committed to supporting a candidate chosen by that coalition.

Because of the complex formula involved in a presidential election, there is all sorts of room for forces outside Nigeria to intervene and manipulate the outcome. Under the constitution, a president cannot be elected by a simple majority; in order to prevent a candidate from winning based on the strength of only one tribal group, the constitution holds that a victorious candidate must get at least 25 percent of the vote in at least two-thirds of the states.

### **Economic prospects**

The economics of Nigeria's federal system are as follows: The 19 states and the federal government are funded by dividing oil revenues. The federal government receives 50 percent, the states 40 percent, and local government 10 percent.

The decline in oil revenue has severely affected Nigeria, as it has other OPEC members, forcing a cutback in some development plans and restricting imports, especially consumer goods. Nigeria is dependent on oil sales for 90 percent of its foreign exchange. The import restriction has been geared, not to cutting the living standards of the population, but to weighting the economy toward heavy industry and infrastructural development; Nigerians are aware that no country on earth has developed economically except by protecting its industries from dumping and providing protected markets.

Nigeria is going ahead with plans to dredge its river system to facilitate the transport of iron and steel from its two steel plants at Aladja and Ajuokuta. Three rolling mills are under construction at Jos, Katsina, and Oshogbo; other rolling mills are on the drawing boards. As a result of the international economic crisis, Nigeria has, however, postponed a \$2 billion-plus plan to build a standard-gauge railroad linking the Ajaokuta steel complex to Port Harcourt.

It is impossible to say how many further economic shocks Nigeria can withstand, but it can be emphasized that the country is not without weapons. Together with Saudi Arabia Nigeria could easily participate in bankrupting Britain's North Sea oil corporation, BNOC, which has taken the lead in the operation to destroy the large-population OPEC producers by lowering the price of North Sea oil below OPEC's prices. North Sea oil competes directly with Nigerian oil (both are

of the same high quality). The price-cuts meant that purchasers of Nigerian oil broke their contracts. If the Saudis and Nigeria deliberately drove the price to an extreme temporary low, BNOC, with its relatively high production costs, could be forced under. In tandem with a debtors' cartel to force a flow of credit for industrial development, this could put Nigeria on the track of rapid growth.

And, as the London *Daily Telegraph* has pointed out, Nigeria is Britain's largest trading partner, which represents another potential for leverage.

To refer back to the international press: this writer has never seen such a display of hypocritical racism. Not only are the media's controllers out to destroy Nigeria: don't believe for one second that they give a damn about the deportees.

---

### **Documentation**

---

## **African officials blast Club of Rome, IMF**

Africa has suffered the most deeply of any continent at the hands of the colonial oligarchy which organized the Bretton Woods system at the end of World War II. At the time of independence in the early 1960s, Africa was balkanized into mostly small, underpopulated countries: 24 of the 39 Sub-Saharan countries in Africa have a population of less than 5 million, and 12 of these 24 have less than 1 million. Only 6 of the 39 have more than 15 million.

The draconian conditionalities imposed by the World Bank and IMF, in the context of the depression crisis of the international economy, have in most cases wiped out the first steps of progress that African countries made in the period immediately after independence. As a solution, the World Bank is now proposing, as described by its infamous Berg Report, the restoration of colonial economic organization. The Berg Report categorically calls for African nations to forget about the national institutions necessary to guide the development process, and remain content with small-scale agriculture, using primitive technology, and producing cash crops for export, and extracting raw materials to generate foreign exchange. This is exactly how economies looked in Africa under their respective colonial administrations.

Zaire, for example, a country with tremendous potential for industrialization, has been completely destroyed as a result of World Bank and IMF policies. The central government is no longer in control of sections of the country as transport and communications infrastructure fall apart.

During the recent Non-Aligned summit in March in New

Delhi, India, *EIR* correspondents had the opportunity to talk to four African cabinet officials about the economic problems facing Africa. Sophie Tanapura of *EIR*'s Paris bureau conducted interviews with Zimbabwe minister of Finance, Economic Planning and Development, Dr. Bernard Chidzero; Zaire Foreign Minister Kamanda wa Kamanda; Guinea Foreign Minister Abdoulaye Toure; and Ghana minister of External Affairs, Dr. Obed Y. Asamoah.

What emerged from these interviews with representatives of nations ranging from southern to central to western Africa was a common perspective both on the nature of the problems facing Africa, and what the solution should be. The hopes of all four government officials for progress and development have not been dimmed by the continent's disastrous economic situation.

### **'We could sustain far larger populations'**

Malthusian propaganda, such as that spread by the anti-growth Club of Rome, and implemented by the IMF, was dismissed out of hand by the African ministers. "I don't think Africa is overpopulated; Africa is very rich in resources," asserted Ghana External Affairs Minister Asamoah. "What we need is to exploit these resources and use them for the benefit of the people. If this is done, then we can certainly sustain a much larger growth rate in population. I think the biggest weakness of the Club of Rome theory is that they do not give due credit to human ingenuity."

Asamoah also attacked the IMF prescriptions as being worse than the disease: "The interesting thing is it's very difficult to come up with an example of a country that has applied IMF methods and has come out of it well."

Zaire Foreign Minister Kamanda, whose country has plenty of experience with IMF conditionalities, and whose central bank and finance ministry have been occupied by IMF personnel as one of these conditionalities, criticized the IMF as aggravating the debt crisis facing the developing sector: "It is absolutely indispensable to solve the problem of conditionality and that of the deterioration of the terms of trade. The developing countries see their export earnings diminish continually because the prices are fixed in an arbitrary way, because these countries do not master the fixing mechanisms of these prices. . . . In this situation, if we are forced to resort to foreign borrowings to meet immediate and daily needs of development, it is only logical that these borrowings, these developing countries' debts, should not suffocate us, should not kill us. . . ."

"One cannot, on the one hand, try to help developing countries' economies out of a dead end, and on the other hand, create such pressures that the priority of all our actions for development be oriented toward satisfying debt demands. . . . We are the poorest countries of the world, whose economies are the most vulnerable in the world. . . . We are reduced to producing and selling in order to pay our debts, at the expense of evident domestic aspirations of the people for

development. . . ."

Kamanda made it clear that he was not merely looking for a way to avoid paying some debts, but was seeking development: "This having been said, we are not opposed to reimbursing debts. What is needed is the creation of the economic development capacity which would allow us to pay our debts. . . . It is only normal that we reimburse money that has helped us increase our productivity."

He went on to make the case for a new monetary system needed for the developing sector to get out of the no-win trap it is in. "The Bretton Woods accords, which had its merits at the time, does not correspond to today's realities anymore. Currency parities which were the basis of the agreement at Bretton Woods and at the creation of the IMF, do not exist anymore. Therefore, there is a problem of restructuring, a new structure which should be adapted to new developments. We were not at Bretton Woods when the IMF was created. We were not at San Francisco when the United Nations was created. If we were taken into account at all, it was in the context of a marginal notation that was concluded and voted on among big powers. At the start, things were not made for us to solve our problems nor to take into account our concerns."

Kamanda pointed out that since the creation of the Bretton Woods system, "to speak only of Africa, 50 states [have emerged] that did not exist in 1945, 50 states that correspond to the same number of states present at the creation of the United Nations.

"We think that the moment has come for us to gather together, to create together, to put together, to forge together new mechanisms, new structures that will engage the responsibility of everybody in such a way that everyone takes part in economic as well as political affairs. I mean, finally a new system which will allow each one to find his own interest without forgetting the lawful interests of nations in the world."

Referring to the IMF solution of patching up the bankrupt Bretton Woods system, he said: "Illusions, expedient solutions that do not tackle the fundamental issue will not solve the problems posed. We are speaking of a reform of the international monetary system and not of the transformation of the IMF into a [world central] bank to manage private and public credits. There is a very big difference between the two approaches. If this transformation is far from the essential parameters of a new world economic order, it is evident that all this will complicate even more the already difficult relations between industrialized and developing nations."

The Zimbabwe Minister of Finance, Economic Planning and Development, Dr. Bernard Chidzero, also stressed the problem of the present monetary system: "It is not the principal which is difficult to repay, it is because the interest rates are just too high."

Guinea Foreign Minister Touré stated that the purported IMF solutions actually cause more damage: "As for the IMF, we have noted that each time the IMF has intervened in a Third World country, whether it be in terms of advice or

allowance of Special Drawing Rights to patch up a conjunctural payments crisis, the receiver country has always ended up in bankruptcy, in total catastrophe. Examples are many in Africa as well as in Asia. Therefore, this destabilization caused by the IMF advice that these countries have followed, shows clearly that the philosophy of the IMF is not often—if ever—in the interest of the Third World countries.”

Touré linked the idea of a debt cartel and a new monetary system. “Whether you speak of a debtors’ cartel or South-South cooperation, all that means really is that the South should form a common front. . . . To constitute a debtors’ cartel would be a strategic solution. Those who demand payment of our debts, can only demand repayment if we have the means to do so. They must be brought to reconsider their position, i.e., to offer us better repayment conditions. Otherwise, in trying to repay our old debts, we are getting more indebted. We think that the best way to pull the Third World out of this bankruptcy situation, or out of this precarious monetary situation, is to first of all reconsider the international monetary system. This is a necessity. The second consideration is the strengthening of South-South solidarity.”

### **The need for unity**

The idea of South-South cooperation was a recurring theme when the question of how to implement the new world economic order, how to get a new monetary system, was discussed. As Asamoah put it: “I think that the North-South dialogue will take much longer to materialize, and I think the area of more immediate progress will be in this field of South-South dialogue and cooperation. And I think if that could be developed, this could improve our position in relation to the North-South dialogue.”

Touré also emphasized this point: “One point is clear. The North is in agreement to act in a concerted manner. One of the first remedies must be agreement in the South to act in an equally concerted manner vis-à-vis the North. The South is a market of raw materials, a key borrower from a debt-ridden market, and a market upon which more and more pressure is brought to bear.” Touré indicated the “vicious cycle” of Third World countries running to the banks in the North to borrow money deposited by oil producers from the South, and asserted: “Once again, it is necessary to stress that, in all domains, South-South dialogue is the solution to our present situation.”

At the time of independence in Africa, the United States was the one hope that Africans had to break the colonial relations with Europe that had kept Africa undeveloped. Unfortunately, the United States did not distinguish itself that much from prior and present European policy toward Africa. As Kamanda said: “The United States must shape a coherent policy vis-à-vis the Third World in general, and Africa in particular. There are numerous friends of the United States in the world who have the impression that there is no clear and precise African policy, no Third World policy of the United States.”

## **Thailand: the choices as elections approach**

by Pakdee Tanapura and  
Sophie Tanapura in Bangkok

Since the beginning of the year, Thailand—a country of 42 million inhabitants—has again been plunged into political instability. Strategically situated, Thailand has common borders with the Indochina countries on the east, with Burma on the west, and with Malaysia in the south. For more than two decades, the country has been involved in the Indochina conflicts: after having provided the United States with bases, Thailand is now providing the Khmer Rouge of Pol Pot (backed by China) and Khmer Serai forces (“Free Khmer” led by Son Sann and backed by the United States) with training camps to fight the Vietnamese-backed Kampuchean government of Heng Samrin. This is Thailand’s backup for the “China card” policy of the U.S. State Department.

Since 1976 Thailand has been operating under a quasi-parliamentary system dominated by the Thai military. The four-year “crisis management” provided by the constitution was to come to an end on April 21, at which point the military-dominated appointed Senate would relinquish to the elected National Assembly the power to nominate the prime minister. The present government of Premier General Prem Tinsulanonda would have run a high risk of losing its place to a civilian government.

Army Commander in Chief General Arthit Kamlangek, in league with Prime Minister Prem, opted for a “democratic coup” by proposing an amendment to the constitution, in order to prolong the provisional crisis management for another four years.

Fearing a violent coup d’état, the parliament initially accepted the amendment. Then the media and pro-British political figures such as Kukrit Pramoj, former prime minister and leader of the Social Action Party, began to argue that the amendment would pave the way for a continued military dictatorship. Rallies were organized by Anant Senakhan, a police officer under the 1960s Marshal Pao Sriyanond government. Anant recently quit his post-law enforcement monkhood to organize a hunger strike against the amendment. Under this pressure, the parliament convened a new session to reconsider the amendment.

In the second voting, the amendment was rejected, whereupon the parliament was dissolved by royal decree implemented by the Prem government. Election day is set for April 18, giving the candidates only one month’s campaigning. The quick dissolution allowed for elections to take place under the old electoral formula of the crisis-manage-



ment constitution, thus effectively voiding the parliament's vote against the army's amendment.

The country is now divided into two camps—for and against the amendment. The first camp is strengthening General Arthit as the strong military man. The second camp is pushing Kukrit to the fore as the opposition leader.

### **Kukrit Pramoj and General Kamlangek**

A graduate of Oxford University with a masters degree in philosophy, Kukrit Pramoj is widely known as a homosexual and a demagogue. Kukrit is also known to be close to the Chinese and to Chinese business circles in Thailand. Since 1974, the year Kukrit became prime minister, he and his newspaper *Siamrath* have had a strong influence among intellectuals.

Kukrit has always advocated no-growth economic policies. It was he who promoted services at the expense of heavy industries in Thailand. He also owns one of the most luxurious hotels in Bangkok, the Indra Hotel. Since 1970, *Siamrath* has countless times attacked the Kra Isthmus Canal project, causing the project to be shelved. If dug across the southern peninsula of Thailand, this canal would not only shorten the oil route, making it unnecessary for tankers to detour through the Malacca Straits, but also develop the troubled southern provinces of Thailand economically. The Kra canal would end, however, the role of the Chinese city-state Singapore as the key trade and commercial center of the region.

When it came to building a new international airport in the Bangkok area, Kukrit was also against this chance for Thailand to increase its role as an international center in Southeast Asia. The badly needed airport was finally built in Singapore. When Thailand was badly hit by the oil crises in the 1970s and a nuclear program was seriously considered, Kukrit manipulated public opinion to put a stop to it. Kukrit and his party have also put into question the construction of the Nam Jone Dam, which would be able to produce 580 megawatts more of electricity in the year 1987. What is absolutely clear is that Kukrit Pramoj, his Social Action Party, and his newspaper have contributed to delaying the sound development of the Thai economy to Singapore's benefit.

As for the up-and-coming military figure, Army Commander in Chief General Arthit Kamlangek, his economic policies are not known; this leads some observers to believe that they can still eventually be shaped in the national interest. After the aborted military coup led by "young Colonels" a year ago, General Arthit has gained more and more power. He rapidly climbed to the post of Army Commander of the First Region (Bangkok-Central Plain Region) before being named Army Commander-in-Chief. It has been mooted that General Arthit would be the likely military man to replace General Prem, the present prime minister. Arthit's bid for power is opposed by other elements of the Thai military, however.

General Arthit is known to have links with the U.S.

Defense Department and State Department, and is an advocate of close Thai-Chinese cooperation, including recently increased contacts among senior military leaders. Curiously enough, he has also taken on as a close adviser Prasert Sapsunthorn, the former general secretary of the pro-Chinese Communist Party of Thailand (CPT). He has recently gained a favorable reputation by granting amnesty to those CPT members who willingly turn themselves in, reportedly at a rate of 1,000 per month. It is believed that the CPT has already lost up to 95 percent of its guerrilla forces to the urban areas in this way. Finally, General Arthit enjoys the backing of Queen Sirikit.

Basically, as the Thais would put it, the situation is one of "Granny's money buying Granny's cookies": Pramoj and Arthit are presently two sides of the same coin.

### **Perspectives after April 18**

After the April 18 elections, it is likely that no party will emerge with a majority. However, Kukrit's Social Action Party along with the Democratic Party of Bhichai Rattakul will most probably form the next government, even though Kukrit had already vowed that his government would be "either horse or donkey but never a mule." Such a civilian government would not last long and could pave the way for the return as prime minister of former prime minister Samak Sundaravej, now head of the Thai Citizen Party, to be followed by General Arthit.

Other elements that could change such a scenario would be initiatives taken by the pro-industrial faction represented by the Chart Thai Party and the pro-American conservative party of former Premier General Kriangsak. Among the senior military officers known to be opposed to General Arthit are Supreme Commander Saiyud Kerdphol and General Harn Leelanond, army commander of the Fourth Region (Southern Peninsula Region), who are also very active in promoting development projects. Had early elections not been called, General Harn and the deputy communications minister, a member of the Chart Thai Party, would have already held a planned political seminar on the Kra Isthmus Canal project together with the local authorities of the 14 southern provinces. As for General Saiyud, he has constituted "soldiers for development" units manned with tractors instead of tanks.

General Kriangsak is sure to be re-elected to parliament. A senior officer confided to *EIR*, "Now, if only General Kriangsak would keep his distance from brandy, he can once again become a prominent political figure in Thailand—and this time with popular support."

If Thai political leaders focused more on making Thailand into an industrial power of the region, they would not feel compelled, as many in Thailand do, to view their future as a choice between being part of a Chinese or a "Soviet-Vietnamese" sphere of influence.

Continuation of the present political instability will make it difficult either to solve regional problems, such as Kam-puchea, or achieve economic development.

## Thai politician looks to high-growth future

*The following interview with Samak Sundaravej, leader of the Thai Citizen Party, was conducted by Pakdee Tanapura of the EIR Paris Bureau in Bangkok in March just after the dissolution of the Parliament.*

**EIR:** You are accused of supporting the military proposal for the amendment of the constitution. Do you have any comment on this?

**Samak:** I want a stable government. Next year we will have to decide on lots of investments like those for the eastern deep port, the construction of a new airport, gas separation factories, etcetera. If the government were to be unstable over three to six months, nobody would want to invest in Thailand. I would like to have a full democracy, but given that the future looks so unstable, the presence of the military would help to stabilize the situation.

As for the question of whether or not civil servants and the military should be allowed to play a part in politics, I would say yes, they should definitely have this right. Sometimes politicians cannot deal with certain social and economic problems. A civil servant often has the experience and will be readily able to deal with these problems. A high school graduate cannot become minister of health! We need to be flexible on these questions.

**EIR:** Certain media like the *Siamrath* of Kukrit Pramoj have been encouraging instability in Thailand and sabotaging development projects by manipulating public opinion. What do you think of Kukrit Pramoj?

**Samak:** Kukrit is an old politician. People around him are bad. He might not have bad intentions himself. If he is in the government, he may not oppose infrastructure projects. If environmentalists did not campaign against these projects, they would not have anything to do. The present government has tolerated these people too much. In fact, they should be sent into the jungle so that they would not be able to use Kukrit and his newspaper any more. These environmentalists are really insane. They even say that wallpaper can cause cancer. I've been staying in a house with wallpaper for more than forty years and I don't have cancer. These people are definitely mad.

**EIR:** If you become the next prime minister, what would you like to do?

**Samak:** I would increase both wages and prices, based on the inflationary rate index. Income in the countryside will also have to be increased. This can be done through the reduction of the number of peasants. Look at the United States: around three million Americans work in the agricultural sector, but they feed 200 million inhabitants. We have to have a bigger input of advanced technologies in the agricultural sector, which would reduce the cost of production. We also need a system of intergrated food industries to transform the agricultural surplus into semi-finished or finished products such as animal feed. With such industries, we can shift peasants into this sector and thereby increase their income by more than four times. These industries can be developed in the provinces and thus avoid congestion around the Bangkok area.

---

---

*'If the government were unstable over three to six months, nobody would want to invest in Thai projects. The present government has tolerated environmentalists too much. These people are definitely mad. As for solar energy, it seems to be good only for heating water, and Thai people don't like hot water except for making coffee. Nuclear energy is needed.'*

---

---

In the meantime, we should use surplus such as animal feed to raise livestock in the countryside, which would raise the output of meat production in the country. If we can create a surplus of meat production, this can be exported internationally. Increased production would mean that we would be able to feed an increased number of population.

We should have nuclear plants, but the only obstacle would be the question of the site. Plants that leak are just too old. We have to have modern ones. As for solar energy, it seems to be good only for heating water. I have traveled around the world more than 10 times and I have seen a lot. If that is all it's good for, then we don't need it. Thai people don't like hot water except for making coffee. Nuclear energy is needed, and with cheaper electricity, we will be able to reduce the tax on gas and petrochemicals.

# The Kampuchea issue: a 'patient stance'

by Paul Zykofsky in Bangkok

Thailand sees no "quick or easy solution" to the conflict in Southeast Asia over Kampuchea. "We will need great patience, more than the patience of Job, to resolve this issue," a senior official in Thailand's foreign ministry told *EIR* during a recent discussion in Bangkok.

While the official was predicting that tensions would continue for some time to come, Vietnamese troops were engaged in a large scale offensive against the remnants of the deposed Khmer Rouge regime of Pol Pot along the Kampuchean border with Thailand. Starting on March 31, Vietnamese troops launched a series of attacks on forces of Kampuchean opposition groups linked to Pol Pot's Khmer Rouge and its "coalition" partners, the Khmer Peoples' National Liberation Front led by former Premier Son Sann and ex-Prince Sihanouk's Moulinaka. The fighting along the border, which has involved heavy shelling and ground attacks on the base camps, some of which virtually straddle the border, has put Thai army forces into clashes with Vietnamese troops.

Some observers viewed the results of the latest offensive as further evidence that the Pol Pot-led opposition coalition can pose no serious military threat to the Vietnamese-backed Heng Samrin government in Kampuchea. But the senior official in the Thai foreign ministry strongly disputed this, claiming that according to intelligence reports, the Khmer Rouge's attacks within Kampuchea have stepped up within the past two years. However, he indicated that the current political stalemate will continue for quite some time.

Ever since Vietnamese troops intervened in Kampuchea in January 1979 to oust the genocidal regime of Pol Pot, tensions between Vietnam and Thailand have been high. While Thailand insists that the Vietnamese troops must withdraw from Kampuchea, the Vietnamese have refused to totally remove their troops until there are guarantees that the 40,000 or so Khmer Rouge forces taking refuge along the Thai border, backed and armed by China, will not return. A stalemate has ensued, with occasional Vietnamese attacks on the Khmer Rouge forces, and efforts by ASEAN to build up the coalition "government" of "Democratic Kampuchea" which includes Sihanouk, Son Sann, and Pol Pot's Khmer Rouge, as an alternative to the Heng Samrin government.

Hopes were raised in early March that the impasse might be ended, when Vietnamese Foreign Minister Nguyen Co Thach hinted that talks could be held between the Indochinese

countries and ASEAN without the presence of the Heng Samrin government. These hints followed a meeting during the Non-Aligned summit between Thach and Malaysian foreign minister Ghazali Shafie (see *EIR*, April 12). The offer was welcomed by foreign ministers of two ASEAN countries—Malaysia and Singapore—as "the latest sign of [Vietnamese] flexibility."

But Thailand rejected this approach, and the statement issued following the recently held meeting of the European Community and ASEAN foreign ministers in Bangkok linked the question of talks to the standing ASEAN proposal for a U.N.-sponsored "International Conference on Kampuchea"—a proposal emphatically rejected by Hanoi and Phnom Penh in the past.

The foreign ministry official explained that Thailand had rejected the offer of talks made by Thach because "we see a lot of pitfalls and traps in it." The primary objection was that to agree to such talks would make it appear that ASEAN accepts Vietnam's longstanding argument that a permanent solution to Kampuchea depends primarily on China, and that the only issue concerning Kampuchea that can be discussed between the Indochinese countries and ASEAN is the security of the Thai-Kampuchean border.

The official went on to make it clear that ASEAN is becoming increasingly concerned that international support for the "coalition"—which holds the U.N. seat for Kampuchea—is eroding. If ASEAN agreed to talks on Vietnam's terms, the official warned, it would severely undermine support for the coalition "government" and "could lead to the empty-seat formula at the U.N." Among many developing countries, the official complained, it has taken a great deal of "lobbying and horse-trading" to get the vote in favor of the coalition at the U.N.

At the ASEAN-European Community foreign ministers' meeting, adding to ASEAN's concern, France and Ireland openly voiced opposition to the inclusion of Pol Pot in the coalition "government." The newly elected Labour government of Australian Prime Minister Bob Hawke has a similar stand, and the Labour Party's pre-election platform calls for the resumption of economic aid to Vietnam.

While stating that none of the ASEAN countries liked supporting the Pol Pot forces either, the official indicated that Thailand believed it had no other choice but its present position if it wanted to negotiate with Vietnam. Thais are also mindful of China's open support for the Khmer Rouge and would hesitate to do anything which might antagonize China. This is especially the case because China could wield its allied Communist parties in these countries.

Given this scenario, the foreign ministry official concluded that the stalemate will continue for some time, with continued skirmishes along the border. Any long-term solution will depend on compromises by both sides, he argued. "Thailand is not the United States or France. We are here. We can't just pack up and leave. Vietnam has to deal with us," he concluded.

# The world needs a new sea-level Panama Canal

by Carlos Wesley

“Crossroads of the world” and “funnel for the world’s commerce” are the two slogans most commonly associated with Panama. Some 40 ocean-going ships pass through the Panama Canal each day laden with the raw materials, semi-finished goods, and finished products that are the lifeblood of the world’s economy. That means that in a given year, some 14,000 ships, carrying over 160 million tons of cargo representing more than 4 percent of total world trade, go through the waterway. The canal is a marvel of American engineering connecting the Orient with Europe and Africa, North America with the nations of western South America, and the United States’ own Eastern Seaboard with its West Coast.

Transit is not limited to the canal. The legendary Panama Railroad, which carried the old Forty-Niners on their way to the California Gold Rush, still has an important role, although it is in disrepair. Panama is also playing a growing role as a transshipment point for air cargo. Alaskan North Slope oil is now reaching the eastern United States through a just-completed pipeline across Panama.

But the funnel is getting clogged. Rail and air transit through the isthmus may serve useful supplemental roles, but they cannot replace an inter-oceanic waterway. Maritime shipping is, and will remain, the most expeditious and economical way of moving goods. Yet for current world needs, the present Panama Canal is in danger of outliving its usefulness.

## ‘The Big Ditch’

Completed by the United States in 1914 after 30 years of work—including 20 years by the French, who failed to build a sea-level canal before the Americans took over—the Panama Canal has been rightly called “the eighth wonder of the world.” A ship literally “climbs” over the mountains as it crosses the 43-mile wide isthmus to get from the Atlantic to the Pacific Ocean. By means of locks, a ship is lifted from the Atlantic Ocean 85 feet above sea level to Gatun Lake, one of the largest man-made lakes in the world; travels across the Continental Divide through the famous Culebra or Gaillard Cut—the digging of which meant the removal of more than 280 million cubic yards of rock and earth; and is lowered

85 feet by other locks to the Pacific Ocean.

There are three separate sets of steel and concrete locks in the Panama Canal, of up to three chambers each. These lock-chambers are the steps that raise a ship to cross Gatun Lake and the smaller Miraflores Lake. Each chamber is 110 feet wide and 1,000 feet long, with massive lock-gates as high as an eight-story building. A ship going across the canal uses some 52 million gallons of fresh water, all of which is fed by gravity flow—there are no pumps—and then spilled into the ocean.

## A great enterprise

According to Fernando Manfredo, deputy administrator of the Panama Canal Commission (see interview, below), unless certain improvements are soon undertaken, the present canal will reach a point of saturation by 1995. Even if those improvements are carried out, they will only add 10 years to the canal’s capacity for absorbing traffic.

But the Panama Canal could become a major bottleneck much sooner than Manfredo estimates, since his projections are based on current trends, which include a slowdown in world trade. If world trade were to grow by only 1 percent a year, shipping would exceed the canal’s maximum capacity long before Manfredo’s most optimistic calculations. Even today, it is not uncommon for ships to have to wait in line for as long as five days to make the nine-hour passage through the canal.

The Panama Canal has already outlived its usefulness for about 8 percent of the world’s ocean-going fleet. The “Big Ditch” has become too small for more than 2,000 of the world’s vessels. Many of the oil-carrying supertankers and other bulk carriers are as large as 250,000 tons. But the maximum size ship that the canal can handle is 65,000 tons. This also bars its use by U.S. Navy aircraft carriers of the *Enterprise* class.

The present canal could easily be made useless by sabotage. Terrorists could destroy or disable one or more of the lock-gates, or the dams that feed the water for the locks.

Sinking one or more vessels in the lock-chambers could also incapacitate the canal.

All the above considerations point to the need for a new sea-level canal capable of handling some of the world's largest ships. The present lock-canal was never conceived to be the optimum solution for a passageway between the two oceans. The lock system was designed as the most expeditious way to make the canal operational in as short a period of time as possible. *The idea was to replace it with a sea-level waterway as soon as practicable.*

As early as 1929, the U.S. Congress authorized a study of the feasibility of expanding the Panama Canal, and of building a new canal through Nicaragua. Similar studies were ordered in 1936 and 1939. Work was actually begun in 1940 to expand the current canal, but World War II brought excavations to a halt. Because of the perceived need for a larger and more easily defensible canal, Congress ordered further studies. A study completed in 1947 concluded that the current canal would begin to experience difficulties in handling the world's commerce by no later than the 1960s—as it has in fact—and recommended that a new canal be constructed.

In 1970, the Inter-Oceanic Canal Study Commission (IOCS), which had been appointed by President Lyndon Johnson in 1964, submitted a report comparing the advantages of eight routes across the isthmus. One of the most interesting aspects of this study, which was mostly conducted by members of the U.S. Army Corps of Engineers, was that it analyzed the feasibility of employing peaceful nuclear explosives (PNE) for the excavations. This aspect of the study, carried out by Lawrence Livermore Laboratories as a part of "Project Plowshare" under President Eisenhower's Atoms for Peace Program, concluded that on certain of the routes under consideration—those away from population centers—PNEs could be safely employed at a considerable savings of time and money. The excavation period could be cut in half, from 10 to 12 years by conventional methods, to 5 to 6 years if PNEs were used, according to the commission's report.

The IOCS report rates the routes across Panama, or near the Panama-Colombian border, as the most advantageous from the standpoint of political considerations, cost, ease of construction, and distance to be saved in routingships. The Nicaragua route, although it would take advantage of Lake Nicaragua, would require more digging. The same holds true for the River Atrato route in Colombia, and although in this case the possibility of employing PNEs would make excavations competitive with excavations by conventional means through some of the isthmian routes where the use of PNEs is not possible, the Atrato route would mean that a ship would have to travel some 700 more miles than at present.

Had work on a new canal begun in the 1970s, the costs of excavation, even by conventional methods, would not have exceeded \$3.5 billion, according to members of the Corps of Engineers that worked on the study. This outlay would have been recouped within 60 years of construction.

A contributory factor in delaying agreement on a new treaty with Panama for a sea-level canal was the leaking of

the recommendations, out of context, for the use of PNEs. This set off a wave of hysteria among Panamanians, who were led to believe that they would be guinea pigs in experiments with untested nuclear technologies.

A new accord with Panama was finally signed in 1977, the Torrijos-Carter treaties. But by then the Carter administration, fully committed to zero growth for the advanced sector and genocide for the Third World (as exemplified by the *Global 2000 Report*), was no longer interested in a great enterprise such as a sea-level canal, which would serve as the technological driver for development, not only of Panama but of the whole region. That was exactly what occurred when the current canal was built at the beginning of this century.

The 1977 treaties include a clause preventing either the United States and the Republic of Panama from undertaking the construction of a new canal without the consent of the other nation. This clause, in practice, limits Panama's sovereignty, since it denies Panama the right to undertake the project with another partner, such as Japan, without U.S. approval.

### **Japan wants new canal**

The Japanese have shown a keen interest in the construction of a new canal, not only because Japan is, after the United States, the second largest user of the current waterway—but also because it perceives such a project as a catalyst for economic growth, to pull the world out of its current deep recession. This is stated explicitly in the proposal for a Global Infrastructure Fund for economic recovery made by Masaki Nakajima, founding chairman of the Mitsubishi Research Institute. Construction of a new Panama Canal and the 13 other "super projects" or "engineers' dreams," as the Global Infrastructure Fund proposal terms them, "would lead to the development of peaceful demand in the manufacturing industry as well as technological incentives in the advanced countries in lieu of arms production. Also expected would be the multiplier effects upon the national income and employment of many developing countries which would be recipients of the proposed projects."

At next month's Williamsburg economic summit, Japanese Prime Minister Yasuhiro Nakasone may propose that the industrialized countries, including the Soviet Union, join in establishing the Global Infrastructure Fund. According to Kyodo News Service, the prime minister will lay out a plan that would generate \$6 billion a year for the great enterprises. Japan will propose that the United States and the Soviet Union contribute 1 percent of their military budgets, and Japan provide 1 percent of its export earnings, a figure much larger than its military budget. The Mitsubishi infrastructural projects include irrigation-hydroelectric projects in Africa and India.

A co-thinker of Nakajima, Shigei Nagano, president of Nippon Steel and the Japanese Chamber of Commerce, has

taken the lead in pushing for the building of a new sea-level canal in Panama. Nagano's proposal is to construct the canal through Route 10 (see illustration). A few miles west of the current waterway (the canal's traverse is actually north-south, not east-west), the site identified as optimum by the IOCS in its 1970 report, although it is not suitable for the use of PNEs. Nagano has worked so energetically for this project that the Panamanian government honored him two years ago by naming a nearby hill after him.

### State Department sabotage

Less successful have been his efforts to get the U.S. State Department to give the go-ahead for the project. The official line of the State Department is that all options should be studied, not only a sea-level canal, but the construction of pipelines, a new set of locks to handle larger ships, a rail line, and a trans-isthmian highway—in short, anything to delay or even prevent the construction of a sea-level canal. The Japanese have been forced to agree to join a tripartite study commission, with the United States and Panama, to analyze all these “options,” wasting valuable time that could better be employed in conducting the feasibility studies and undertaking the design of the new canal.

A propaganda campaign has been launched against the sea-level canal enterprise, contending that it would be too costly, that it would destroy the environment, that it would result in fewer jobs than a lock canal, and that it would bring about global ecological devastation by permitting species in one ocean to migrate to the other.

The State Department formula has gained many important adherents in Panama, as can be seen in the following interview with Panama Canal Commission Deputy Administrator Manfredo. He is known to favor adding a new set of locks to the present canal, the so-called Third Lock option.

There are other Panamanians who are keenly aware that what they would be getting in the year 2000 (when the treaties call for the present canal to be reverted to Panama) would be a waterway on the verge of obsolescence. These people realize that the time to start working on building a new canal is now.

One such person is Demetrio Vergara Stanziola, a Panamanian engineer, who details a proposal for a new canal. Vergara Stanziola's proposal is notable because he approaches the problem of building a new canal from the perspective of a great enterprise, a project that would improve conditions for the whole of mankind. His proposal is also unique in its design, because it eliminates the need for massive tidal gates at the entrances of the sea-level canal. The tidal gates are included in all the other proposals we are aware of. They are designed to deal with the problems caused by the significant differences in the tidal levels of the Pacific Ocean, as compared to the Atlantic.

The following interview with Vergara Stanziola should make clear what constitutes a great enterprise.

---

### Interview: Demetrio Vergara Stanziola

---

## 'A new canal would be to strengthen the U.S.'

*Panamanian engineer Demetrio Vergara Stanziola has come up with a novel design for a new sea-level canal through Panama, capable of handling supertankers and other large-scale vessels which cannot move through the present canal. Vergara's design does away with the need for tidal gates, and includes the proposal that much of the excavations be done by first flooding the area, and then dredging it—"dredging the mountain." Although hydraulic dredging is somewhat more costly than conventional excavation methods, Vergara states in his book El Canal a Nivel (The Sea-Level Canal) that the extra expense is more than made up by the savings realized in the disposal of spoils, which can be piped out. This system of disposal consumes less energy and is more efficient than haulage by either truck or rail, both of which have a built-in inefficiency factor of 50 percent (on the return trip, the conveyance is empty).*

*Our correspondent caught up with Vergara Stanziola in Panama City on March 4. Excerpts from his interview follow.*

**Wesley:** Can you tell us briefly, exactly what it is that you are proposing?

**Vergara Stanziola:** It is a project for a sea-level canal across Panama, which follows the approximate alignment of the so-called Route 10. It will allow traffic—dispensing with tidal gates, and virtually eliminating tidal currents—under conditions of maximum security for inter-oceanic navigation, of vessels of 250,000 tons or more, without interruptions, locks, or the need for convoys.

The complex of technologies that I propose be employed in building the canal, which I call “dredging the mountain,” will result in considerable savings of energy, and take full advantage of hydraulic resources for the generation of electricity, and to establish huge reserves of potable water, the “transparent petroleum” of the future. My methods will significantly reduce costs, as compared to conventional methods, and also reduce the risks to human life during the period of construction.

**Wesley:** Today, using the existing lock canal, it takes a ship from 8 to 10 hours to make the crossing from one ocean to the other. How long will it take through a canal such as the one you propose?

**Vergara Stanziola:** Around five hours.

**Wesley:** You are proposing a canal that can handle two

---

---

## an essential link and world trade'

vessels of up to 250,000 tons each, simultaneously, going in opposite directions. The existing canal cannot handle that kind of tonnage, which means that a significant portion of the world's oceangoing fleet cannot use it. The urgent need for a new canal has been made clear since at least 1970, when the Inter-Oceanic Study Commission issued its report. In 1970, it was estimated that the excavations would only cost about \$3.5 billion; your proposal, I believe, would cost about \$17 billion. . . .

**Vergara Stanziola:** Between \$14 and \$15 billion if work were to start by 1985.

**Wesley:** . . . And how long will it take to complete the construction?

**Vergara Stanziola:** The construction itself would take about 12 years, but you would need an additional two years for the feasibility studies. . . .

**Wesley:** Then why has work not begun, if we already knew in 1970 that we could have built the thing for \$3.5 billion, and when even the \$15 billion you talk about is not a great deal when you distribute them over 12 to 14 years?

**Vergara Stanziola:** I believe that the Americans, apparently, are trying to gain time. First there was the problem that a new treaty on the existing canal had to be agreed upon. That was finally done in 1977, and through it they ensured that any study on a new canal, be it a lock canal or a sea level one, will have to be done in partnership with the United States. Therefore, they know that they have that absolutely inviolable right, consecrated by the treaties, when they are ready. They will get interested in the construction of a new canal when the world situation presents that project as the way out of some other, structural, problems.

**Wesley:** Fernando Manfredo, Deputy Administrator of the Panama Canal Commission, and officials of the government of Panama and of the U.S. State Department have presented a series of alternatives, such as a "dry canal," an overland rail line or highway, pipelines, or even widening the existing canal, or adding a new set of locks—the so-called "Panamanian alternative," proposed by the engineering firm of López and Moreno. In your view, are any of these alternatives more feasible than a sea-level canal?

**Vergara Stanziola:** I believe that the construction of a sea-

level canal will still be necessary, because the massive transportation of products dictates it. Of course, we can see that mineral products, petroleum, can be carried by pipelines, but that requires the use of a great deal of energy.

If you have an aquatic medium of sufficient capacity available, the most expeditious and cheapest way of moving goods is by steel over water, and that is the way of passing the supertankers from one ocean to the other directly, from the point of production, to the final destination, in one single continuous process. The same applies to other minerals. The other methods of transportation are complementary ones, because we lack a sea-level canal, but if we had such a canal, the other options would become irrelevant.

**Wesley:** You have said that this project will be the greatest work of excavation that will be carried out in this century. The Japanese have expressed a tremendous interest—they are very interested in the building of a new inter-oceanic canal. Do you believe that they would be the ideal partners for a project of this type, bypassing in that way the perceived negative attitude of the Americans toward the project, or can an agreement be worked out between the three parties, Panama, the United States, and Japan to get construction underway?

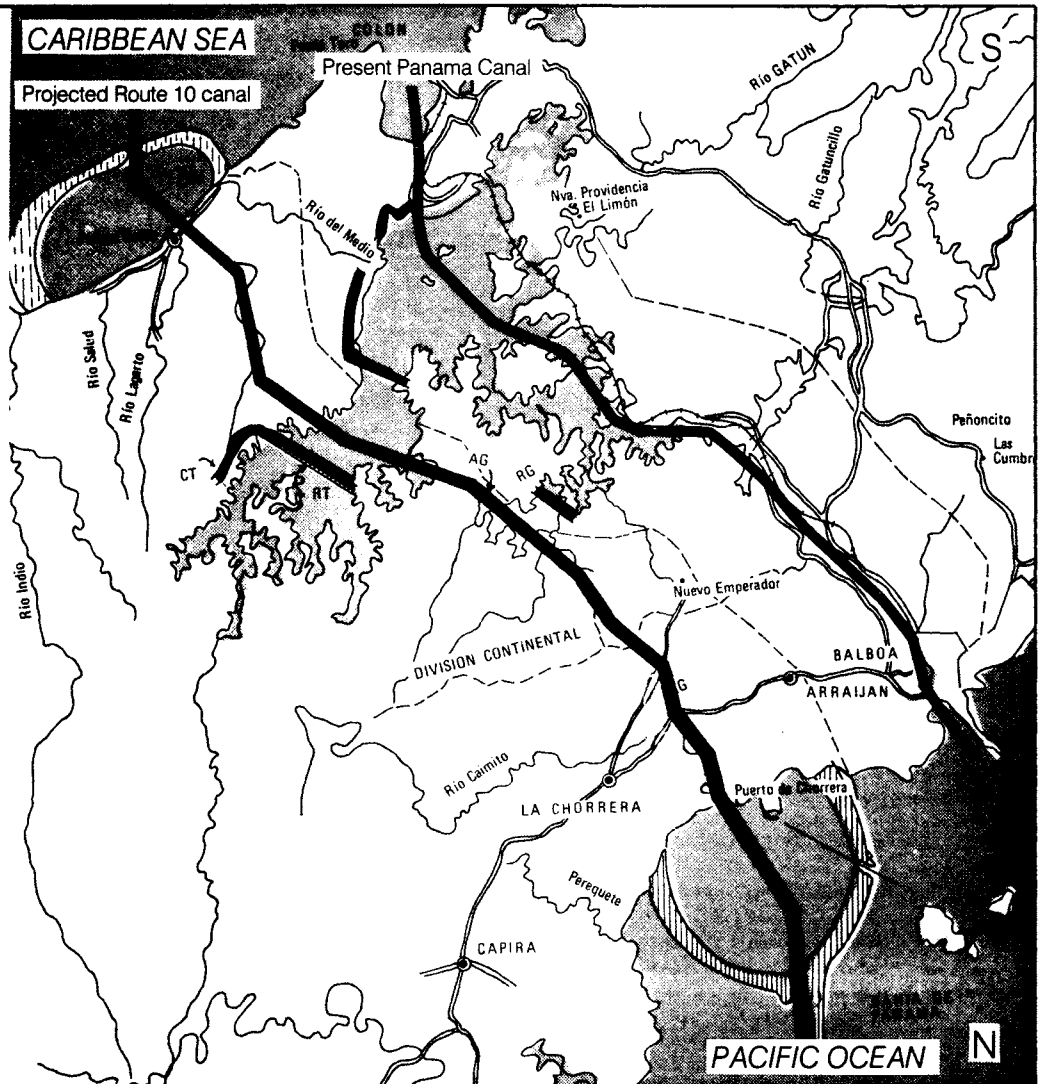
**Vergara Stanziola:** Rather, I believe that an understanding on the future construction of a sea-level canal will have to be reached between the United States, Japan, Panama, and other major users. However, the United States will still want to retain a significant and controlling role over the future sea-level canal, because they consider it to be inextricably linked to their inter-coastal—Atlantic coast, Pacific coast—transportation needs, and it has always been among their major concerns for their own national development.

**Wesley:** Most designs before yours have proposed to solve the problem of the differences in the tides between the Atlantic and the Pacific by means of tidal gates. Your design does not include such gates; how do you get around that problem?

**Vergara Stanziola:** The solution that I have proposed is the construction of massive breakwaters, which project about 10 miles into the ocean from the Pacific coast, and a shorter distance on the Atlantic side, because the depths of the Atlantic are greater than the coastal and continental platform depths of the Pacific. . . .

The tidal intake, which is forcibly limited by this design, expands within the artificial coves that are formed inside of these massive breakwaters, and projects itself in a fan-like shape, losing speed. It is a hydraulic phenomena, which is perfectly normal. The calculations of the velocity of the tide is limited in this way to only the length of the canal and the passageways to the coves themselves, which are about one and a half kilometers in length. Ships would transit through these entry ways, at their usual speeds, in about four or five minutes. That is where the velocity of the tides would be at

## The Route 10 canal proposal



From the book *El Canal a Nivel*.

their maximum. From there on in, the tidal velocities decrease rapidly, until the entrance to the canal proper where they would practically be zero.

**Wesley:** Among the objections voiced by those who oppose a sea-level canal is that it would lead to an ecological disaster, as species from the Atlantic migrate to the Pacific, and vice-versa, creating imbalances in the flora and fauna. Does your design include any means for avoiding this problem?

**Vergara Stanzola:** . . . Although I do not completely explain it, in my book I talk about an aquatic ecological curtain—of sweet water—which could come from the medium-sized rivers of the watershed around the canal. These would appreciably modify the salinity of the canal prism. But, one of the principal factors that we have to consider regarding the intrusion and interaction of the biota from both oceans through the canal, is the velocity of the currents.

According to my design, we would have a canal with practically no currents. The problem of the currents is solved

by the artificial coves established on the Atlantic and Pacific coasts. That means there will be little velocity available for the transit of these animal and plant life, and much more control over them. What's more, in the coves themselves, we will have the potential for many of these species to proliferate, so that no one has to worry that they will emigrate through the canal passage, which has a different level of salinity.

**Wesley:** Another one of the objections to a sea level canal is that it would eliminate jobs, that it would provide less jobs than the current lock canal.

**Vergara Stanzola:** . . . A canal that needs more people to run it, is a less efficient canal. We must think of efficient enterprises. If we want to employ people, we must look for resources, potentials of other types, and see to it that the sea-level canal itself is accompanied by a series of structures, facilities, and installations that would allow for the establishment of new industries in Panama. . . . This would generate



more employment than building another, more inefficient lock-canal just because it would need eight thousand people to run it.

**Wesley:** In your book you talk about the possibility that, for example, the Japanese could establish great steel-making complexes in Panama, as an example of the type of new industries that could develop as a consequence of a new sea-level canal.

**Vergara Stanziola:** The great iron ore deposits that are in the South American continent are in Venezuela, in the Orinoco region, and in Carajás in Brazil, which has enormous deposits with an estimated value of \$40 billion dollars. Venezuela also has bauxite, which is one of the essential raw materials for modern technology, for the making of aluminum, in the Caroni region.

Colombia has the famous Cerajón hill, which has an immeasurable potential for coal production. All of these, to get to the industrialized and industrializing nations of the Far East, must necessarily go through the Panama Canal.

Japan has the need to import great quantities of these materials to its own territory, to there transform them into finished goods, which consume oil that is also imported. It is obvious from an economic standpoint, that the establishment of great iron foundries in Panama could, in a certain way, complement the work of the large Japanese industries. Because, if you already have the steel manufactured in Panama, they can make the finished goods that require a higher technology—automobiles, refrigeration components, and other goods that you need for those basic products—at a lower cost.

That is why I believe the Japanese are so interested in establishing themselves in Panama. We have seen how [Shig-ei] Nagano's group came with a large entourage of industrialists and businessmen to assess the possibilities of establishing themselves in the industrial field. First, to develop, little by little, the nucleus, to develop the skilled labor force, so that in the future they can develop and expand those industries that they will establish in Panama, initially as a kind of development foci.

**Wesley:** You say that water is the "transparent petroleum of the future," a saleable natural resource that could be sold to, for example, Saudi Arabia. Could you expand on that idea?

**Vergara Stanziola:** Yes. If in the future, as things develop and routes get modified, when tankers bearing Saudi oil, be they Saudi Arabian flagships or ships of a different flag, come here, it is possible—if the scarcity of water, which is becoming a crisis, continues to worsen—that those ships could carry water from Panama as ballast on the return trip. That water would be slightly contaminated, but they could store it, decant it, and possibly use it as potable water. More likely, they could use it for industry or for agricultural purposes. In the future, having good water will have as much, if not more, importance than oil.

**Wesley:** The Mitsubishi Research Institute has proposed a series of "great enterprises" that in their estimation would serve as science and technology drivers for the economic development of all of mankind. Your book opens with the following invocation: "I pray that You lift what for You would only be a little slice of my land, if that would also serve to bring humanity closer together." It seems to me that your proposals fit into the concept of what Lyndon LaRouche and Mitsubishi define as "Great Enterprises."

**Vergara Stanziola:** Yes, I conceive of this as a great enterprise. . . . That is why I call upon the Lord's power to pour his Spirit over this project, so that this endeavor will be taken as seriously as possible, because it is one of the greatest projects on earth, and it would bring more unity to all the people of the world.

I do not mean that just because we have a more expeditious way across the oceans, that humanity will come closer together. But the effect on the universal spirit of all that a project of this magnitude entails, will have incalculable results. . . . It will allow all the countries of the world to communicate better, to strengthen their mutual economies, their mutual trade, not with divisive spirits, ignoring the limitations of particular systems and restrictive political and economic theories. . . .

For Panama, the construction of this canal would mean, in the first place, the invigoration of our economy. Besides the future benefits that it would bring to humanity, it creates an opportunity for the development of new technology on the part of interested countries—be it the United States or Japan, or other countries.

For the nations of Latin America, such as Venezuela, and Brazil, it offers the opportunity of exporting their iron. Venezuela already manufactures tubing; it can export the tubing needed for dredging through the mountains. . . . Colombia can also sell part of its production. France, which provided the steel and the tubes for the pipeline just built in Panama, would also have an interest in selling, not only tubing, but machinery for the construction of the new canal.

**Wesley:** Any other reflections?

**Vergara Stanziola:** I want to address the American people: They must take more of an interest in these projects that bear directly on the shipping from coast to coast of their products. They once had a President with vision, Theodore Roosevelt, who did everything possible so that a canal through Panama would be built. Then, the American vision was clear and aggressive. Today they have greater technology and financial resources than they had then. . . . They should base their decisions not only on momentary considerations, but they must safeguard those interests that are more permanent, that affect their security and stability as the leader of the economy of a large part of the world. And the Panama Canal is an essential link to strengthen the United States economy and security.

## 'In twenty years, old canal won't suffice'

*Fernando Manfredo, deputy director of the Panama Canal Commission, is the chief Panamanian officer on the U.S.-run commission, who will be overseeing day-to-day operations of the canal until it reverts to Panama in the year 2000. Below are excerpts from an interview with EIR's Carlos Wesley on March 2 which took place in Panama City.*

**Wesley:** There has been much in the press lately about the labor problems caused by the fact that American workers in the canal get a higher pay than Panamanian workers.

**Manfredo:** In the old Canal Zone, the Panama Canal Company, the U.S. armed forces, and the Canal Zone government paid salaries that were based on the salaries on the continental United States. . . . It was the only case outside of the United States proper where the American government paid salaries that were tied to the prevailing wage scales in the United States.

When the new treaties were negotiated and Panama recovered its jurisdiction, the United States decided that it no longer had the obligation to keep the same wage scale. Therefore, in the treaty itself, workers that were already on the payroll were "grandfathered," but those that were to be hired after Oct. 1, 1979 [when the treaties took effect] had to be tied to a wage scale based on the Panamanian labor market. . . .

The problem was taken up with the board of directors, which at its most recent meeting decided to equalize the salaries for certain levels within the organization, but not because of the fact that there is discrimination—the Panama Canal Commission does not accept that there is discrimination, nor does the United States government. They say that there may be disparities, but no wage discrimination. Those salaries that were upgraded were those where we found that the commission is not competitive in the local market, not attractive enough to keep the quality of worker that we need.

But all the rest of the employees are still pending, that is the majority of new employees. . . .

**Wesley:** There was a lot of controversy generated because the board had agreed to do away with the double scale, and then later rescinded the decision.

**Manfredo:** No, you are referring to a previous meeting where

the members were different from the current one. The American members of the board, of which there are five, and who form the majority, could not reach a consensus, which meant that the retention of the dual scale was not going to obtain a majority of the votes. At that point, the president of the board—who is also the representative of the U.S. Secretary of Defense, and the head of the American representation—invoked a provision from U.S. Law 970, which gives him the right to exercise what is called the directed vote, to vote in the name of all.

**Wesley:** The recent decision to raise tolls was not taken too kindly by many of the nations at the southern end of the hemisphere. They thought that Panama owed them something for the support they gave this country in getting the United States to agree to a new treaty.

**Manfredo:** The tolls were raised in part to make up for the loss of clients we suffered when many started using the oil pipeline that was built across Panama. The loss of this business, which means a loss of \$50 million to \$55 million a year, meant that a toll increase was inevitable. However, we took into account the fact that maritime trade today is going through rough times, and we also took into account the effect a toll increase would have on the economies of neighboring countries, particularly on Central America. . . . To compensate for our losses, we should have raised tolls by almost 17 percent; instead we only raised them by 9.8 percent; and decided to make up the difference by cutting our costs.

**Wesley:** What are the long-term perspectives? What does the canal commission foresee will happen between now and the year 2000 in terms of new facilities?

**Manfredo:** It is difficult to make accurate predictions for such a long period of time. But if transit continues to grow at the current rates—some 14,000 ships are going through the canal each year, and the rate of growth is very low, about 2 to 2.5 percent a year—we could expect that by the year 2005 we will have a completely saturated canal, even if we carry out a plan to improve the canal, which is awaiting a final decision, to widen Culebra Cut and the entrances to the canal. If that program is not carried out, then we would reach the saturation point much earlier, around 1995. It is very important that by that point, when the canal would be virtually in Panamanian hands, that the Republic of Panama should have reached some decisions about whether it wants to continue to participate in handling the growing volume of traffic, and in what way: whether it wants to employ some other transportation techniques such as a sea-level canal, adding a third set of locks to the existing canal, pipelines, a land bridge, or some other means of transport across the isthmus.

**Wesley:** Are you saying that the canal will be obsolete by the year 2005?

**Manfredo:** Not obsolete, saturated. Obsolete is when you cannot use it. It will be used to its maximum capacity.

## A question of time

*President Reagan is renewing his drive for a U.S.-sponsored regional peace—before it is too late.*

**D**escribed by White House sources as “deeply frustrated” by the continuing deadlock in the Middle East, President Reagan has stepped up efforts to ensure that immediate progress is made toward a U.S.-sponsored peace settlement. Reagan has contacted King Hussein of Jordan and other Arab leaders to urge them to accept the Reagan Plan as the framework for peace negotiations. While King Hussein has endorsed the Reagan Plan, he will not commit himself to negotiations with Israel until he has the go-ahead from the Palestine Liberation Organization, Saudi Arabia, and other key Arab states.

The Reagan Plan is shorthand for President Reagan’s Sept. 1, 1982, peace initiative, under which West Bank Palestinians not belonging to the PLO would join a delegation led by King Hussein and enter peace talks with Israel. Although the plan has been criticized for its many ambiguities and for not explicitly endorsing the Palestinian right to self-determination, it constitutes a potential vehicle for the Reagan administration to assert itself in the Middle East and to challenge those in Moscow, London, and Washington (the Henry Kissinger crowd) who are intent on keeping the region a cockpit and reversing its steps toward economic development.

The Reagan Plan has been rejected both by the Begin government in Israel and by pro-terrorist radical factions of the PLO. The British have been pressuring King Hussein not to cooperate with the Americans, on the

specious grounds that the Reagan Plan will “split the Arab world;” the real reason the British wish to thwart the Reagan Plan lies in their secret, long-standing aim to subvert U.S. influence in the Middle East.

According to sources in Washington and the Middle East, President Reagan is open to the idea of merging the Reagan Plan with the Fez Resolution worked out last year at an Arab League summit in Morocco. The blending of the two plans would provide Arafat with the Arab “umbrella” that he needs to quiet the PLO extremists.

According to one PLO source, a new Arab League peace proposal combining the Reagan and Fez Plans “could go so far as to recognize Israel’s right to exist”—giving the Reagan administration increased leverage in dealing with the recalcitrants in the Begin government who oppose any kind of settlement that would curtail Israel’s territorial ambitions.

Egyptian President Hosni Mubarak and Japanese Prime Minister Yasuhiro Nakasone are throwing their weight behind the idea of merging the two peace plans. According to Kyoto news service, Mubarak, who began a state visit to Japan on April 5, is expected to issue a joint communiqué with Nakasone that will “highly appreciate the Fez resolution” and “welcome the moves for a comprehensive peace settlement on the basis of the Reagan and Fez Plans.”

The week before, Nakasone told the Egyptian daily *Al-Ahram* that his

government was seeking to blend the Reagan and Fez Plans and hoped to use Mubarak’s visit to achieve this objective. “What is required now is to search for a way to reconcile and coordinate between what came in the Reagan and Fez Plans in order to have one initiative based on the same principles for achieving peace. This is a common aim we, together with Egypt, seek to achieve. We will concentrate our efforts on this project.”

Arab leaders know that if President Reagan’s peace efforts are not accommodated at this time, the chances for a settlement will all but disappear, since by mid-1983, all of Reagan’s attention will have turned to the 1984 presidential election.

A State Department spokesman addressed this reality in a statement on April 5: “King Hussein has taken the lead in recognizing the opportunity currently available for revitalizing the peace process. I would hope that others as well will recognize that this is a unique moment, which must be seized before it is lost, and that they will support the king in his desire to move forward toward peace.”

Time is not the only threat to the peace process. Israeli extremists, backed by factions in the Begin government and U.S.-based Christian fundamentalists, still plan to seize the Temple Mount in Jerusalem. Everyone knows that this act could trigger religious warfare throughout the Middle East, since the Temple Mount is the site of one of the holiest sites in Islam, the Dome of the Rock mosque.

In addition, Israel and Syria, operating with the tacit approval of Britain and the Soviets, are considering activating a deal to stage what they call a “limited war.” Such a war would probably result in the partition of Lebanon and the liquidation of King Hussein.

---

# International Intelligence

---

## **French ambassador: 'Friedman a genocidalist'**

Antoine Blanca, the special French ambassador without portfolio to Ibero-America, used appropriately undiplomatic language at a recent press conference in Venezuela to describe monetarist economist Milton Friedman. "Friedman is a genocidalist, especially against the Third World," the personal envoy of French President François Mitterrand said.

Speaking at the French embassy in Venezuela during his tour of several Ibero-American nations, Blanca also criticized the press for ignoring the effects of Friedman's Malthusian policies.

"The press, which is so worried about France, doesn't say anything about the great disaster of monetarism and of the Chicago boys. It doesn't say anything about the disaster of Madame Thatcher's economy [in Britain], nothing about the industries that have to close in the United States. It doesn't say anything about the Third World, where these people make Friedmanite experiments, as they did in Chile, where he had his big moment and now his biggest disaster. The same in Argentina with [former Finance Minister] Martinez de Hoz, who brought his nation to its knees."

---

## **Jewish Council calls JDL a fascist movement**

The official newspaper of the Central Council of Jews in West Germany has labeled as "fascist" Rabbi Meir Kahane, founder of the U.S. Jewish Defense League and Israel's Kach movement.

The March 25 issue of the *Allgemeine Jüdische Wochenzeitung* (German Jewish Weekly News) concluded: "The 'Kach' group of Kahane is certainly a case of fascist elements, influenced by racism. Prof. Ammon Rubinstein has said that the Kach-ideology is clearly racist, because its leaders, the Rabbis Kahane and Ariel, want to degrade the Arabs, or 'Ismaelites,' to some form of racially inferior Jebusites, who have no business being in Israel and whose expulsion or 'emigration' to the Arab states has to

be demanded."

The article tied Kahane and his followers to attempts by the Temple Mount project to foment religious war in the Middle East through a campaign to rebuild the Temple of Solomon on the site of the Dome of the Rock Mosque, the second holiest shrine of Islam.

Written by Zeev Barth, the German Jewish Council article appeared under a headline warning: "Here as well they are increasing their power."

---

## **JDL murderer sentenced in Jerusalem**

A Jerusalem District Court judge sentenced Jewish Defense League member Alan Goodman on April 7 to life imprisonment and an "additional 40 years penalty" for having killed Muslim worshippers in the Al-Aksa mosque in a shooting spree last year.

The court judged that Goodman's defense of "insanity" was not valid. As he was brought out of the court, Goodman, imitating Rabbi Meir Kahane, started shrieking, "Kill the Arabs! Kill the Arabs!"

According to one Israeli source, the sentence against Goodman was a "warning to the Gush Emunim West Bank settlers and Kahane's crowd that they had better cool down their actions." He said that the growing fear of Israeli security authorities was that Kahane and his JDL followers would form a "zealot underground" funded by "Christian evangelical organizations in the United States."

Before the April 7 action by the Jerusalem court, Israeli police had used tear-gas grenades to break up an attempt by fanatical Zionist religious groups on Easter Sunday to climb onto the Al-Aksa mosque and Dome of the Rock on the Temple Mount area of Jerusalem to "pray."

This incident, which caused a wave of anger and anxiety among Jerusalem's Arab population, was almost entirely blacked out of the international press, except for a short dispatch in the *Neue Zürcher Zeitung* April 6.

Earlier this month in the Tel Aviv-Jaffa region the top section of the Hassan Bek Islamic mosque somehow collapsed. Mus-

lim leaders in Israel are accusing Israeli elements of having sabotaged the structure, and the radio broadcasts of the governments of Syria and Jordan are blaring loud broadcasts accusing Israel of "desecrating Muslim holy places."

An expert on Islam at Israel's Tel Aviv Shiloah Centre, Zvi Elpeleg, warned that if the Israeli government did not take action to ensure that the Hassan Bek structure were preserved and that the incident of the collapse were fully investigated, "this incident may spread like fire through the Muslim world, which will not accept the conclusion that the structure collapsed by itself." Elpeleg stressed that such an incident may arouse "real religious feelings" in the Islamic world "which are then exploited by the Muslim Brotherhood."

---

## **Why is Andropov afraid to reveal the truth?**

Lyndon H. LaRouche, Jr. 1980 presidential candidate and advisory board chairman of the National Democratic Policy Committee (NDPC), released the following policy statement from Wiesbaden, West Germany on April 6.

"President Reagan should immediately challenge every Soviet-loving, peacenik, nuclear freeze advocate to put the question to Yuri Andropov why Reagan's speech was never printed in the U.S.S.R. Is Andropov afraid of printing the President's proposals? Why is he afraid to utter a single word about the substance of Reagan's speech?"

"It would not be inappropriate for the President to demand that George Ball be the first to make this demand of Andropov.

"Until the peace movement demands that Yuri Andropov print Reagan's speech, its adherents should kindly shut their mouths."

---

## **Mother Russia dislikes beam weapons**

Rallying to the support of Yuri Andropov, Patriarch Pimen of the Russian Orthodox Church (Moscow Patriarchate) has sent a letter to Ronald Reagan, accusing the President of being a "bad Christian," because

## Briefly

"you are pushing for war against my nation and fatherland." Reagan, according to the Muscovite Patriarch, is committing a "serious sin" by pondering the "criminal hypothesis of war."

The letter is also meant as support for the American nuclear freeze bishops. Radio Moscow has played up a U.S. Roman Catholic pastoral message which calls for "large-scale public resistance" against "Reagan's immoral policies."

The president of the Great Britain-U.S.S.R. Friendship Association, Sir John Lawrence, told a caller, "Mother Russia will take care of the beam weapons." He predicted an "unstoppable religious renaissance" in the Soviet Union by the end of century, which is being prepared by the underground Uniate Church in the European part of the U.S.S.R. and the Sufi Brotherhoods in the Caucasus and Central Asian Muslim regions. "Secret believers" inside the Communist Party, the Oriental Institute, and other institutions preparing the way, he said.

### **French attack Bulgarian Connection**

France's April 6 decision to expel 47 Soviets is related to the recent assassination of Colonel Nut, head of the French DGSE Intelligence services for the Alpine region who was instrumental in uncovering the "Bulgarian Connection" involved in the attempted assassination of Pope John Paul II. Nut had supplied Italian officials with intelligence leading to the arrest of Soviet spy Pronin. It is reported in the French press that Nut, found dead on Feb. 25, could have been killed by a double agent who fled to East Berlin with documentation collected by Nut regarding KGB operations in Italy and France.

According to the *International Herald Tribune*, French intelligence obtained from a Bulgarian defector provides an extensive reading of the plot to kill the Pope and of the Bulgarian drug and weapons ring only one month after the attempt against the Pope's life. The Soviet spies deported are the network of Nikolai Chetverikov, said to be KGB supervisor in France, who was himself deported. Ostensibly first counselor at the So-

viet embassy in Paris, Chetverikov is known as the "faceless man" who takes his orders from Soviet leader Yuri Andropov.

The decision to expel the 47 Soviets was made by President Mitterrand himself, after a briefing by Interior Minister Gaston Defferre. Mitterrand, according to some reports, was enraged when he realized that the KGB had attempted to infiltrate his own entourage. Both Spain and Britain have expelled Soviet diplomats as spies in the recent period, but only one or two at a time.

### **Colombia losing 'privileged debtor' status**

New York bankers have told *EIR's* Debt Watch that Colombia "will have a very hard time getting private bank credits from now on," despite that country's remaining \$4.5 billion reserves.

This view was confirmed to *EIR* by a Japanese diplomat in Colombia who said that Japanese bankers expect Colombia to "explode" as Mexico, Brazil, and Venezuela have. Even the Japanese, therefore, are avoiding any new loans to Colombia, he said.

Last month Colombia Finance Minister Edgar Gutierrez had boasted at the meeting of the Inter-American Development Bank (IADB) in Panama that his country was being deluged with a "rain of offers" of international bank credits of all kinds.

Colombia central bank head Hugo Palacios Mejía, a member of the delegation to the IADB meeting, contended that one such offer came from Japan, an offer of yen-denominated bonds through the Banco Industrial de Panama. The Japanese diplomat denied that the offer had been made.

Palacios Mejía also said that Colombia's reserve "cushion," now at \$4.5 billion and declining, would still provide a "margin of security" to guarantee the nation's import requirements for at least 14 months and to maintain its seal of approval by the international banking community.

One New York banker who has been carefully watching Colombia in recent days told *EIR*, "Things could change overnight. Those reserves can be pissed away awfully quickly. Just look at Brazil. . . ."

● **HENRY KISSINGER** denied that he had threatened former Italian Prime Minister Aldo Moro just prior to Moro's kidnapping and murder by the Red Brigades in 1978 in an interview on Italian national television April 8. "The Red Brigades are a communist organization," Kissinger stated. "I am very enraged when I hear people accusing the United States of killing Moro." When pressed by the interviewer, who cited the testimony of Moro's widow and children that pointed directly to Kissinger, he answered, "How could I have threatened Aldo Moro if I don't speak Italian? . . . They are just upset by Moro's death."

● **JURGEN HOLST**, science and technology consultant to the Palme Commission, said April 8 that the Commission had "submitted its last report" in the wake of President Reagan's March 23 speech calling for U.S. development of space-based beam weapons." [The Commission] may not continue to function."

● **FALCO ACCAME**, head of the military department of the Italian Socialist Party and a former head of the defense committee of the Italian Parliament, declared that, if President Reagan's beam weapon technology is deployed, the equilibrium of terror will be replaced by "a new equilibrium of underpants. . . . We will find ourselves in our underpants if we take off all our armaments. If we abandon the sense of unjust security based on the equilibrium of nuclear terror, we will find ourselves without our protective mother."

● **EFRAIN RIOS MONTT**, the fundamentalist dictator of Guatemala, declared that "greater Guatemala has historically extended from the state of Chiapas, Mexico to Costa Rica in an interview published in the Colombian magazine *Cromos* March 29.

## Bipartisan government in 1985, pledges LaRouche

by Lyndon H. LaRouche, Jr.

*The following release was issued on April 6.*

If I choose to campaign for the 1984 presidential nomination of the Democratic Party, as I am presently inclined to do, and if I am also nominated and elected, I now solemnly pledge that my cabinet will constitute a bipartisan government. I would also ask President Ronald Reagan to consider a similar commitment, in the event of his almost-certain nomination and probable reelection.

The action taken by President Reagan, in establishing an irreversible new strategic doctrine for the United States, changed the course of human history at almost the same moment he completed his televised address to the nation. Within no less than 48 hours following that address, the government of the Soviet Union acted to accelerate its existing program of development of a full-scale strategic ABM system based on beam-weapons technologies. Among the leading political figures of the world, only small-minded fanatics still believe that the change in strategic doctrine could be reversed. The proverbial genie is out of the bottle, and no one could ever put it back in.

What the President has accomplished is what the great German poet, historian, dramatist, and political leader Friedrich Schiller defined as a *punctum saliens*. In the major crises of real history, and in the course of warfare among well-matched adversaries, as in the great classical tragedies of Aeschylus, Shakespeare, and Schiller himself, a point of no return is reached. At this point, there exists some unique command-decision to be made by a leading figure, on which the future course of events entirely depends. If that unique choice of command-decisions is made, the looming tragedy is averted. If that command-decision is not made at that point,

there is no power on earth capable of stopping the monstrous tragedy ready to unfold.

### **Dimensions of the crisis**

At the moment the President made his historic command-decision of March 23, the world was already in the grip of a downward-spiralling, new economic depression, and was at the brink of the biggest worldwide financial collapse in history. We faced an almost certain new missile-crisis, far more dangerous than that of 1962, during the period between October 1983 and March 1984. If we escaped general nuclear warfare during that crisis, we faced the prospect of almost certain nuclear warfare sometime during the second half of the 1980s. The economies of the United States and Western Europe were collapsing into the helpless ruin of "post-industrial society." Our principal trading-partners of the developing nations were on the verge of either being destroyed by Khomeini-like murderous insanity, or were simply financially bankrupt and collapsing into economic and social ruin.

All of these critical problems had been avoidable. Over the recent 15 years or so, our nation had made the wrong decision at nearly every turning-point. We had continued an absurd policy of nuclear deterrence, which led lawfully to the brink of nuclear warfare. We had permitted Malthusian fanatics to bully government into turning our economy into a post-industrial scrap-heap. We had made wrong decisions at each point of new monetary crisis we should have reorganized an exhausted Bretton Woods system.

The problem has been that the habits of decision-making built into our government and major parties led us each time to the wrong choice of action in each of these areas. Unless some profound political shock broke up those acquired, built-



Stuart Lewis/NSIPS

Lyndon H. LaRouche, Jr.

in habits of decision-making, our civilization was doomed to die during the present decade. As the second quarter of 1983 approached, time was running out. The command-decision needed must be made now, and among all the forces in the world, only the President of the United States had the specific power to deliver that needed decision.

On March 23, 1983, that President acted. If our civilization is saved, as we may now hope it will be saved, it will be that decision of March 23 which made such a happy consequence possible.

### **'Do not blame President Reagan'**

It may be deemed unfortunate by many, that the President's *punctum saliens* was in the form of a military-decision, a decision which obliges us to unleash a new, high-technology arms-race. Similarly, we stumbled through eight years of a Great Depression, from 1931 to 1939, before we ended the depression with the 1939-43 military-production buildup under President Roosevelt. We could have risen out of the depression by non-military means, at any point during the preceding eight years, but even President Roosevelt could not force through the needed actions of general economic recovery, except at the point the popular will forced through the decisions needed to mobilize idled labor, depleted agriculture, and collapsing industry for producing the means of warfare. Similarly, Lazare Carnot saved France from destruction under Jacques Necker and the Jacobin Terror, in 1793-94, by effecting an industrial revolution as part of a revolution in warfare.

Do not blame President Reagan, that we could be saved from our habitual follies only through a necessary decision

on strategic doctrine. The folly of warfare is the folly of the human condition from unremembered past to the present. Circumstances not created by him gave this President no other choice. He did not create the mess, the folly; he acted as President to mobilize us to work our way upward out of all of those catastrophes which loomed before us.

Our great republic and the Soviet Union are now locked into the new strategic doctrine the President has unleashed. We have no choice but to unleash that national mobilization of idled labor, depleted agriculture and industry, and ruined urban infrastructure, by which to develop and to deploy in the shortest possible time, a complete strategic defense-system adequate to ensure that our nation can not be physically destroyed within the initial 25 minutes of thermonuclear barrage. The resistance will vanish, as the whisper of a "fool," or perhaps even "traitor," is the word the citizens speak almost by reflex against whatever political figure would obstruct this inescapable effort.

### **Fundamental changes implied**

This command-decision, and the mobilizations of our wasted capabilities it implies, will change fundamentally the trends of general opinion of our citizens, as well as the decision-shaping institutions of government and political parties. In this way, we shall become the United States of America once again.

We shall probably avoid the terrible war still threatening us. Sooner or later, it will become clear to the Soviet leadership that our government and our people will proceed with full commitment to implement the President's decision. At that point, the Soviet leadership will negotiate with us on the terms which the President and Defense Secretary Weinberger have implicitly offered publicly. Those negotiations will be successful, and will require neither power to compromise any interest which is truly vital. Those negotiations will accomplish the purpose stated by Richard Allen in a televised comment following the President's March 23 address: Mutual Assured Survival.

### **The Soviet reaction**

At this present moment, the Soviet leadership is bitterly frustrated that the President has stopped the 15-year-long process of self-destruction of Western civilization. Until March 23, some gentlemen in Moscow might have dreamed that we would succeed in transforming ourselves into the pitiable wreckage of a post-industrial society, and that they might become world-hegemonic during the 1990s, on condition they manage their way through the strategic crises erupting in the last moments of our collapsing power. Any leading circles in Moscow whose thoughts had drifted hopefully in that direction, must have suffered an inevitable sudden rage of deep frustration as they heard the President's words on March 23. Even now, as Moscow dispatches expose this fact of the situation, dead dreams die hard.

Sooner or later, during the weeks ahead, the Soviet lead-

ership will reconcile itself to the inescapable fact, that the United States of the 1990s will be once again the greatest economic power on earth, and that the Soviet Union must learn to live on the same planet with our republic for a very long time to come. Then, albeit with bitter scars where dead dreams once flourished, they will negotiate the implementation of a new strategic order in world affairs, Mutually Assured Survival.

### **The reawakened power of reason**

Out of this military endeavor there will erupt the greatest technological revolution in history. The benefits of controlled energy-flux densities, beyond the wildest dreams of a generation ago, will, during the next several years, begin to transform both industrial production and also our definitions of natural resources and raw materials. Within a decade, a single operative in one of a growing number of revolutionized industries will have the power to do the work of 10 or more skilled workers of today. Within the span of the remaining years of this century, laser-like devices above the gamma-ray spectrum will provide some skilled operatives the power to change the nuclear structure of matter at will. The average power of each of our citizens to produce the material prerequisites of life will rise to many times that of today's technology.

Accompanying this economic benefit for all our people, there will be a great resurgence of morality. Even within hours of the President's March 23 address, a significant upsurge of technological optimism was evident among our citizens. This represents a process of reawakening of the best features formerly associated with the American character. That best quality of the American character was not our concern with material wealth as such. It was a belief in reason, that the development of our powers of reason gave us the proper means for facing problems in all aspects of life. It was also a belief in developing these powers in our children and grandchildren, with aid of appropriate education, and thus bequeathing to our posterity a better world, a better life than we had known. It made us moral insofar as it prompted us to regard the brief span of our mortal existence as serving a purpose higher than those monetary pleasures whose memory dies in our graves.

During the coming years, we must be engaged in transforming the quality of both our political parties and our institutions of self-government. Our federal bureaucracy has been molded by 15 years of error in habits of decision-making. To guide that bureaucracy into the new habits of decision-making practice implicit in the new course of our national practice, it is essential that a certain continuity of leadership from the top-most positions be ensured. A President is elected for only four years, and serves at most for eight. The new directions in policy-making now unfolding since the March 23 *punctum saliens* of future world history, are policy-directions to be maintained and developed over decades. We must en-

sure to our children and grandchildren a different quality of response by government than has prevailed since the middle of the 1960s. Particular decisions come and go; new laws are enacted to replace old; technologies will develop rapidly. The quality of decision-making our people properly require of government does not change. We must mold habits of response by government, and must accomplish that by a continuity of direction in leadership of each branch and department of our federal government over successive terms of our Presidents.

I would heartily recommend to those of my fellow-citizens who wish to reflect on this matter, three books written by two among the great leaders of our nation in the past. The first was written in 1815 by Mathew Carey, a former Irish republican, who joined Dr. Benjamin Franklin in Paris, who became a great citizen of the city of Philadelphia, and did much to restore our national prosperity during the terms of office of Presidents Monroe and John Quincy Adams. His book, *The Olive Branch*, addresses the fact of the ruined condition of our major political parties of that time, the Federalist and Democratic-Republican parties, and proposes a bipartisan effort by the best currents of both parties to remedy the evils which had befallen our nation since 1796. The second two books are by Mathew Carey's son, the leading American economist of the 1840s through the 1870s, and Abraham Lincoln's chief economic advisor. I recommend his 1848 *The Past, The Present, and The Future*, and also his 1851 *The Harmony of Interest*. These are, admittedly, books from our past, but they aid us to put our present problems into historical perspective. We must learn how the past shaped our present, and use that knowledge gained to make us wiser in contemplating what consequence our present policy-actions will have for our own posterity.

Therefore, I now solemnly pledge, that were I to become President in January 1985, I would hope to invite some of the best officials of the Reagan administration, those who have performed well in implementing policies I deem in our nation's best interest, to be included in the new federal Government.

If both great parties of our nation are equally committed to the leading, essential features of the new direction in our republic's policy, although also disagreeing on some specific features of policy, this ensures the essential continuity of government. Properly designed, bipartisan government ensures the best government.

If I choose to run, it will be in large part to ensure that the Democratic Party is committed to effective implementation of the new strategic doctrine and the high-technology economic recovery that doctrine implies. I will also campaign, whether I become a candidate or not, to ruin the possibility that our Democratic Party could nominate a candidate or adopt a policy contrary to such a strategic doctrine, and contrary to such a high-technology economic recovery.



# Harriman Democrats are recycling the Andropov line against beam weaponry

by Graham Lowry

The U.S. "Eastern Establishment" has lined up with Yuri Andropov to attack President Reagan's decision to develop beam weapons that will defend the United States from nuclear attack.

Recycling the lies of the Soviet leadership that the new U.S. defense doctrine is a "first strike" policy are the policy makers and think tanks grouped around "old Soviet hand" Averell Harriman, his wife Pamela Churchill, former Cabinet officials Cyrus Vance and Robert McNamara, and their political action committee slush funds. This is the group which runs the Democratic Party's National Committee through California banker Charles Manatt, who is doing his best to rig the 1984 presidential campaign, and has already ordered Walter Mondale and its other designated "front-runners" to side with Andropov against the President. So far, 1980 presidential candidate Lyndon LaRouche, who had warned for five years of Soviet beam weapons development, is the only major Democratic Party figure to unambiguously support the President's decision.

The Harriman faction knows perfectly well the Kremlin's "first strike" charge is nonsense: didn't the President himself say that it could be in the national interest to share the new technology with the U.S.S.R.? The Harrimanites also know that the Soviet Union itself has been pouring immense amounts of scientific manpower and research funds into beam weapons technologies, and that the weird McNamara "balance of terror" doctrine known as MAD (Mutually Assured Destruction), under which the superpowers hold each other hostage with enough nuclear warheads to obliterate the human race, is finished. The fact is that clinging to MAD while only one superpower develops beam weapons can only lock the world on course to nuclear war.

It is their obsessive hatred of technology, industrial progress, and the republican nation-state that motivates the Harriman Democrats. Since Reagan's beam weapons decision promises to trigger a cascading series of technological breakthroughs that will permit the U.S. economy to produce its way out of the depression, it threatens the Harrimanites' "weaken the West" arrangement with the Soviets.

It is under these auspices that so many U.S. political figures are echoing Andropov's words in *Pravda* that President Reagan's call for the development of defensive beam

weapons is aimed at "acquiring a nuclear first strike capability" and will "open the floodgates of a runaway race of all types of strategic arms." They agree with Andropov that the U.S. defense budget must be cut, and they are lining up their assets in Congress to "freeze" U.S. defense policy to the Politburo's specifications.

The Soviets are counting on old Averell and his deputies to defend them. As a commentator in the Soviet military daily *Krasnaya Zvezda* wrote March 27, "Observers considered the House . . . decision to approve an 'alternative' U.S. draft budget for 1984 . . . a most powerful blow to President Reagan's prestige." Sen. Edward Kennedy's immediate response to Reagan's address was, "The Democratic alternative in the House is a far more responsible answer to the real defense needs of our nation than the misleading red-scare tactics and reckless 'Star Wars' schemes of the President."

The Harrimanites deployed on the Democratic presidential trail are evidently determined to prevent the American population from seizing the path to a higher level of security and real economic recovery. Since the President's speech, they have stepped up their attacks on the Reagan defense budget, and most have zeroed in on beam weapons.

Alan Cranston, a founder of the anti-technology World Federalists, called Reagan's plan "a nightmare of more and more spending. . . . Each questionable item in the budget should be evaluated carefully and prudently. One of the most dangerous is a deceptively minor \$1 billion item for an anti-ballistic missile system. That's four times more than we spent in previous years, but only a preliminary drop in the bucket for the tens of billions of dollars that Reagan would have us spend in future years to carry nuclear warfare into outer space."

Carter-hangover Mondale, appealing to make the world safe for MAD, added, "For strategic forces, we need weapons such as cruise missiles, Trident and Stealth [bombers] that will ensure a survivable, stable deterrent, not Star Wars fantasies or excessively expensive B-1s." Mondale called for canceling the MX missile, which Dr. Edward Teller and other scientists working on defensive beam weapons envision as the payload vehicle to put mirrors for laser weapons into orbit.

Gary Hart, the senator from the KGB-linked Aspen In-

stitute in Colorado, has demanded \$100 billion in defense cuts over the next five years, and "an emphasis on the kinds of weapons that work in combat, rather than those with the greatest technological complexity. I propose cutting such major weapons systems as the Nimitz-class carriers" for "less expensive, more effective alternatives." Along with these hardened-slingshot proposals, Hart urges, "We should seek to ban outright the use of weapons in space rather than emphasize space-based defenses."

Senator Ernest Hollings, a regular fixture at Pamela Harriman's Washington salon, has a doublespeak pitch: "America must retool, invest in the future, and put 12 million Americans back to work. To do that, we must begin by freezing the federal budget to reduce recovery-choking deficits. That sacrifice must be shared, even by the Pentagon." Eliminating major new weapons like the B-1 bomber, a Nimitz-class carrier, and the advanced F-18 fighter-bomber, Hollings' program calls for cutting \$175 billion in defense over the next five years.

### Budget maneuvers

The common theme for these Harrimanite-KGB variations on how to gut U.S. defense capacities was injected earlier into this year's budget debate by "nuclear freeze" leaders Cyrus Vance and Robert McNamara. They have demanded that Congress cut nearly \$150 billion in defense spending over the next five years, especially "technologically complex" systems. McNamara went on national television the second week in April to spout Andropov's line.

The *Washington Post* rounded up various MADmen with the Andropov line for a story April 4 on the Reagan decision. The "first strike" charge was repeated by Seweryn Bialer of the Columbia Research Institute on International Change; former KGB agent Vladimir Petrov, now a professor at George Washington University; Kissinger flunky William Hyland of the Carnegie Endowment, who declared, "Andropov has said that the United States is going in the direction of a first strike"; and Raymond Garthoff of the Brookings Institution, who said, "The Soviets are going to have to look at this as having an offensive capability." Marshall Shulman, director of the Averell Harriman Institute at Columbia University, said that Reagan's initiative "raises questions about what the intentions of the administration are" and reinforces the "impression that this administration is not serious about arms control."

The Harrimanites in Congress are geared up for an assault on the defense budget centered on portraying the President's "compulsive overspending" as an addiction to warmongering. Like Andropov, they prefer to talk about "first strike" and "stopping the arms race" than to discuss the President's actual plan for eliminating MAD and the threat of nuclear destruction.

Perhaps they can explain why Andropov has prevented publication of the full text of President Reagan's March 23 speech in the Soviet Union.

# SPIS: offshore banks aid drugs and crime

by Renée Sigerson

The Permanent Investigations Subcommittee of the U.S. Senate issued a report early last month charging that the \$1.7 trillion Euromarket system is heavily dominated by narcotics traffickers, smugglers, and organized crime cartels which are financially looting the United States. Entitled "Crime and Secrecy: The Use of Offshore Banks and Companies," the report is the outcome of a two-year study which has resulted in the best-documented account of the financial workings of criminal organizations ever issued by an official U.S. government agency.

Public charges that the Euromarkets work to the benefit of international organized crime, and operate largely as a cover for illegal activities, were first made in 1978. At that time, *EIR* editors David Goldman and Jeffrey Steinberg issued what became a best-selling documentary entitled *Dope, Inc.* demonstrating that the international narcotics trade, the "biggest business in the world," was conducted through the electronic transfer of funds provided in secrecy by offshore banking centers. Although the contents of that study were made available to numerous government agencies during the Carter administration, this documentation was heavily suppressed.

The subcommittee report indicates that the Reagan administration is attempting to escalate the "war on drugs" announced by presidential adviser Edwin Meese at the end of March, and the war on the Mafia, announced by President Reagan earlier this year.

### The scope of criminal financial activities

The Subcommittee (known by the acronym SPIS), takes as its starting point the estimation by experts that the illegal economy in the United States ranges "from \$100 to \$330 billion" annually; that is, around 10 percent of total U.S. Gross National Product. Going from there, SPIS estimates the value of "foreign commerce" for illegal activities to be roughly in the same proportion as exports are to the U.S. legal economy, or about \$20 billion per year.

Although this estimate of illegally laundered funds emanating from the United States seems extremely modest, it is large enough to have led the investigators to consider the broadest range of channels through which funds are laundered out of the United States for concealment. The study reports that London is the leading center worldwide for the concealment of funds; and that two-fifths of all foreign banking activities conducted out of Switzerland are performed with other offshore centers, Switzerland being the center for

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

The SPIS task force also concluded that the absolute size of laundering operations aside, illegal financial operations are now so tightly interwoven with "legitimate" operations in the Euromarkets, that illegal funds constitute a threat to the stability of the world banking system. A chief example used in the study is the 1982 bankruptcy of an offshore subsidiary of Banco Ambrosiano of Milan, Italy, a bank controlled by the secretive Propaganda-2 Masonic lodge. (The SPIS document is probably the first U.S. government report to discuss the P-2 affair in Italy—which revealed the intimate connections between criminal Mafias and leading bankers—in any substantial detail). The report states:

In 1982, Banco Ambrosiano of Milan, Italy, collapsed, crippled by a \$1.4 billion exposure in loans to several mysterious Panamanian "shell" companies. . . .

The Euromarket is a critically important . . . feature of international commerce. But in the haven countries where money is laundered. . . it is unregulated. Thus, the same conditions which facilitate international commerce also create criminal opportunities.

The criminal use of offshore facilities poses a problem to the . . . stability of entire national banking systems. The fragile condition of the world's banking system today is a result in part of questionable loans, poor controls and the country risk occurring when so many nations cannot pay the interest or principal on their debt.

It is not inconceivable that it could be a criminally derived loss, not the failure of repayment of a loan from a sovereign nation, which could be the back-breaking straw to the banking system.

Included in the report is a shocking—if not surprising—account of the response SPIS investigators received in the City of London to requests for cooperation between the United States and Britain in dismantling criminal activities in offshore centers. British officials rejected the proposal for cooperation out of hand, asserting for the record that organized crime was an *internal* American problem, due to a significant degree to the shortcomings in the functioning of the U.S. government!

As London sees it, the crime problem for the most part rests with the U.S., for whether it is drug money or other fraud it derives primarily from U.S. sources, i.e., criminal transactions in the U.S., and is processed offshore on behalf of American citizens and companies. The problem is compounded by U.S. agencies which do not cooperate with one another. . . . That, in relation to banking crime, is a small mirror of what these officials contend is the disorganized foreign pol-

icy of the present U.S. administration, including inadequacy in the Caribbean.

Associated with this failure is a U.S. political and ideological attempt to export the responsibility for U.S. crime. . . . [I]t is argued by London that control efforts will incur only costs but no benefits. Given these conditions, whatever the U.S. policy, it behooves the U.K. not to involve itself collaboratively.

As proven in *Dope, Inc.*, Britain's major banks, along with their junior partners in the Canadian banking system, not only participate in the proceeds of the international narcotics cartel, but act as the primary discounting and credit-forwarding facilities for drug plantations, processing facilities, warehousing and transport. While it is natural that British officials would thus be so hostile to requests for anti-crime support, the fact that SPIS chose to publish the contents of their discussion should have far-reaching effects.

Appended to the SPIS study is a list of dozens of legal suits filed by U.S. agencies against criminals who used offshore accounts to conceal financial transactions. Most of the cases cite as many as 10 leading Swiss banks as complicit in the "layering" of offshore accounts. Also prominent in the series is Canada's Bank of Nova Scotia, Barclay's Bank, and offshore divisions of Chase Manhattan Bank. The case stories include documentation on Joseph Hauser, a Mafia kingpin who defrauded untold millions of dollars from trade union organizations through insurance fraud.

While the report devotes much attention to internal political conflicts which stymie a direct approach to law enforcement in tiny Caribbean banking centers, the investigators stress that a crackdown on illegal banking must be organized by "the major trading nations" if it is to work. The study warns against understating the degree to which illegal deposits are accepted by the world's largest—and allegedly most reputable—banks. "For example, in the Caribbean, one major Canadian international bank has a consistent reputation for encouraging dirty money. . . . Senior bank officials [commercial and governmental] describe instances where headquarters banks have removed competent offshore managers for their failures. . . to optimize profits through corrupt relationships."

The SPIS study has already been taken as a warning by international bankers. When it was released in early March, the London *Financial Times* ran front-page coverage of its existence. What many participants in the offshore circuit hope, no doubt, is that this exposure will quickly lose political momentum; and that in the wake of a pending collapse of the world banking system, *Dope, Inc.* will simply pack up and move its operations "on-shore," to such locations as the International Banking Facilities, established in 1982 throughout the United States as competitors to offshore centers. The SPIS report, however, gives reason to suspect that forces in the Reagan administration will not tolerate that kind of solution to offshore criminality.

# How the Bureau was set up as a national gestapo

by Marilyn James

Culminating in Abscam-Brilab, the last several decades of the Federal Bureau of Investigation have been an endless series of unconstitutional excesses. If allowed to continue on its present course of subverting the American law enforcement system, the Bureau, under the guidance of FBI Director William Webster, will most assuredly become a national gestapo.

Americans need only look at the 55-year sentence handed Teamster Union President Roy Williams on March 31 to see the results of the FBI's gestapo tactics already in use.

The trade union president's conviction came just one year after the FBI railroaded a 23-year veteran of the U.S. Senate from Congress. On April 5 the witchhunting FBI's collaborators in court denied an appeal to former Sen. Harrison Williams of New Jersey. He faces a three-year sentence and a \$50,000 fine. He was convicted of a "willingness" to commit a crime that the FBI's own stealthily made films show he did not commit.

The Teamster president was convicted of *attempting* to bribe a U.S. Senator. The FBI spent an admitted \$1 million to tap Roy Williams's phones and, as in Abscam, relied on the testimony of a convicted criminal to make its case. The jury admitted the testimony was "confusing and contradictory." The political purpose of the trial was made clear when Justice Department officials reportedly offered Williams probation if he would agree to step down as the union's president. For refusing he was slapped with the 55-year sentence.

From the FBI's inception, historical investigations show that the Bureau at the very least has been nothing more than a political police deployed to destroy constituency-based political machines through the weaponry of blackmail, extortion, entrapment, and perjury. At most the Bureau is the means of Anglo-Soviet penetration and manipulation against U.S. interests.

The Bureau, which, until a 1935 congressional act, was called the Bureau of Investigation (BOI), was conceived in secrecy, and in defiance of the expressed will of the Congress of the United States. Congress became the first victim of the Bureau's blackmail, and of its frame-up efforts, carried out at the direction of President Theodore Roosevelt and his Attorney General, Charles J. Bonaparte.

In 1907 Bonaparte went before the House Appropriations Committee to request the creation of a permanent detective force for the Department of Justice (DOJ). He used the still

smouldering land-frauds scandal in which the General Lands Division of the Interior Department and several congressional members were found to have been involved in speculative ventures under the Timber and Stone Act of 1878. To conduct what was later found to have been a highly irregular investigation into the initial allegations of land fraud, Bonaparte had to "borrow" special agents from the Postal Service and Treasury Department.

Bonaparte's request for his own detective force was not received well by the congressmen. The House moved to ban the existing DOJ practice of "borrowing" agents. This it accomplished by amending the Sundry Civil Appropriations Act passed May 27, 1908.

## **The backroom birth of the FBI**

In an attempt to sidetrack the amendment, President Roosevelt wrote to House Speaker Joseph G. Cannon, warning that "the provision about the employment of the Secret Service men will work very great damage to the government in its endeavor to prevent and punish crime. There is no more foolish outcry than this against 'spies'; only criminals need fear our detectives."

The *New York Times* rallied to the cause of Roosevelt and Bonaparte. Its editorials protested that the amendment was the work of the land fraud swindlers and that the "Representatives have, however unwittingly, become the tools of thieves. The Senators are duly warned."

A typical Chicago newspaper article that summarized the opposing viewpoint during the debates was published in the *Congressional Record*: "There is no desire for a general detective service or national police organization in connection with the federal government. On the contrary, there is in Congress an utter abhorrence of such a scheme. . . ."

The Congress, believing the matter settled and Roosevelt-Bonaparte checkmated, adjourned June 1, 1908. On July 26, acting at the direction of the President, Bonaparte issued the order that gave birth to the BOI. Upon its return, Congress was confronted with the Roosevelt-Bonaparte fait accompli.

The congressional response was both hostile and immediate. Investigations were launched by both houses into all federal investigative and police agencies, particularly the new DOJ detective force. Bonaparte was forced to appear before the House and was subjected to intensive confronta-

tion and grilling by the angered members.

At the same time, rumors and accusations were circulating that congressmen were being placed under surveillance and their personal papers and mail were being tampered with. Roosevelt publicly denied the charges. But, he admitted that “sometimes through the accidental breaking of such [a mail] package the contents were exposed.” The President then proceeded to publish the correspondence of one of his principal foes, Sen. Benjamin R. Tilman of South Carolina. The object lesson was not lost on the opposition, nor has the Bureau ever forgotten its effectiveness.

Impatient with the persistent, however feeble, cries against the abuses of the new agency, Bonaparte appearing before the congress for the last time on the matter in December 1908, declared: “Anybody can shadow me as much as they please. They can watch my coming in and my going out. I do not care whether there is somebody standing at the corner and watching where I go or where I do not go.”

Kentucky Congressman J. Swagar Sherley’s response to Bonaparte, was reportedly met with resounding applause by the House: “In my reading of history, I recall no instance where a government perished because of the absence of a secret-service force, but many there are that perished as a result of the spy system. If Anglo-Saxon civilization stands for anything, it is for a government where the humblest of citizens is safeguarded against the secret activities of the executive of the government. . . .

“The Fourth Amendment declares: ‘The right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures shall not be violated. . . .’

“The view of government that called it into existence is not lightly to be brushed aside.”

## The first menace

Despite being created by the executive branch, the BOI had no jurisdiction. It spent its first two years fighting to stay in the game. It was obvious to all that, then as now, the Bureau’s only relationship to law enforcement—retrieving stolen vehicles aside—is as a pretext for gathering information to be used in its jihad against its assigned targets and perceived foes. The FBI has justified its long history of gross abuses by pointing in each case to a “menace”—a threat to citizens’ safety or national security so grave as to exonerate even the Bureau. For the fledgling Bureau, “white slavery” was its first “menace” and its long-sought justification for its ongoing existence.

Bonaparte appointed BOI chief Stanley W. Finch jumped at the opportunity to enforce the Mann Act of 1910. Finch immediately realized that, given the appropriate climate, the enforcement of the Mann Act could also be used to justify requests for more funding and manpower. This tactic was liberally applied by later FBI Director J. Edgar Hoover.

The Congress, of course, saw no need for the Bureau to “purify [interstate] commerce” or to pile up “recitals of filth

and iniquity. . . and then run to Congress for more legislation.” The Congress rightly understood that the federal government should not be burdened with “dig up the private scandals of men.”

Finch’s response can now be considered classic Bureauesque, in terms of handling Congress and other agencies. Finch appeared before the congress in 1910 and reported the following chilling state of affairs:

“Unless a girl was actually confined in a room and guarded, there was no girl, regardless of her station in life, who was altogether safe. . . . There was need that every person be on his guard, because no one could tell when his daughter or his wife or his mother would be selected as a victim.” Hoover would later acknowledge, “The average case concerns usually one man and one woman or two men and two women,” —not the gangbusting crime hunt of legend.

Pimps and madams were used as “informants.” Local attorneys were hired to spy on local brothels and keep a census on patrons and prostitutes. These local relationships were used to place agent “handlers” across the nation and turn citizens into the “eyes and ears” of the Bureau. The BOI agents refrained from direct action, but on occasion would threaten to furnish local police with evidence of a local crime to keep the network under control. The Mann Act authorization was frequently used to launch inquests into the personal morality of individuals not connected to criminal activity in any way. Their employers and neighbors were questioned. In this manner the Bureau’s massive bank of raw dossier material on thousands of citizens was initiated.

Also feeding the files was information gathered by the BOI’s primitive, but effective, wiretaps. No one was immune. A former FBI agent later recalled that during the 1930s, “When we were doing investigations under the White Slave Act, there was one dependable way to find out information about call girls, by wiretapping. And we didn’t hesitate a bit.” The records bear out that little of the information electronically gathered ever surfaced as evidence in a court of law. Rather, it continued to feed the “raw” data dossiers.

But As the Mann Act hysteria and arrests died down, the Bureau had achieved three major objectives: it had become a major bureaucracy with offices across the country and an established multimillion-dollar budget; it had secured a network of informants throughout the country, often themselves criminals; and, most importantly, it had its files, with information on thousands of American citizens, information that—without being criminal material—could be used to intimidate and coerce.

## The World War I rampage

No better instance of the BOI’s irresponsibility and thorough disregard for the rights and interests of the American citizenry can be found than in its activities during World War I.

In the years before and during that war, British intelligence directed a concerted propaganda and dirty tricks cam-

paign to secure U.S. entry into the war on Britain's side, using such influence channels as Walter Lippman's *New Republic*. Attacks were leveled against German-Americans and German culture—including the works of such Germans who influenced America as Beethoven and Schiller.

One effective vehicle for this drive was the American Defense Society. Formed with Teddy Roosevelt as its honorary president, and the ever-present Charles Bonaparte (grandnephew of Emperor Napoleon I) as honorary vice-president, the ADS opposed German business in America, employment of Germans, and teaching of the German language in schools.

---

---

*When the FBI's predecessor, the Bureau of Investigations, was created, it was obvious to everyone that, then as now, its only relationship to law enforcement—aside from retrieving stolen vehicles—was to use crime-fighting as a pretext for gathering information to be used in its political war against assigned targets and perceived foes. The Bureau's activities during World War I exemplify its thorough disregard for the rights and interests of the American citizenry.*

---

---

This line was quickly taken up by the remnants of turn-of-the-century nativist movements. By the time of the 1914 outbreak of hostilities, the ADS had fueled jingoism and xenophobia with self-appointed vigilante bands throughout the country. In March 1917, BOI chief A. Bruce Bielaski seized upon this impulse to complement the Bureau's network of informants with an army of thugs. Winning approval from Attorney General Thomas W. Gregory, Bielaski announced the formation of the American Protective League as a civilian adjunct of the Bureau open to able-bodied, patriotic American men who wanted "to help their country."

Within three months, the APL grew to 100,000 members,

and swelled at its height to 250,000 in chapters nationwide. For \$1, the recruits obtained a shiny badge describing the bearer as a member of the Secret Service Division. Later, when scandalized officials of the Treasury Department—of which the Secret Service was a branch—protested that the badges would invite confusion between the leisure-time gumshoes and the real Secret Service, the badges were changed to read "Auxiliary to the United States Department of Justice."

However, while the BOI busily built its vigilante army, it abdicated all serious responsibility for America's wartime security, just as today it has failed to curb drugs and terrorism. While the Bureau's assistance was eagerly sought by other U.S. agencies engaged in wartime intelligence and internal security, the Bureau refused to cooperate. The BOI attitude—now well known by federal state and local law enforcement agencies across the nation—was that if it could not call the shots and grab the headlines, why should it share the burdens of responsibility? Instead, the Bureau used its extralegal apparatus founded on the APL to harrass law-abiding citizens, especially union organizers and immigrants.

### **The draft raids**

Any doubts as to this harsh assessment of the Bureau's actions during the World War I are quickly dispelled when the Draft Raids of 1918 are examined. When the nation was in war full mobilization, the Bureau was fixated on broadening its responsibilities and those of its junior G-men. Still, the energy of the APL was not to be squandered on the national defense, nor would their targets be limited to unionists and immigrants. Now with full arrest powers, the APL watchdogs would be unleashed against any American male hapless enough to be caught in the BOI's first great dragnet.

On Aug. 5, 1918, Secretary of War Newton Baker wrote Attorney General Gregory, claiming that the "known desertion" from the first and second draft calls totaled 308,489 persons. How this figure was arrived upon has never been determined, but it provided the needed pretext for the BOI-APL draft raids.

The hunts began in earnest on Sept. 15. Thousands of the Bureau's special "deputies" were poised to descend upon suspected draft dodgers in cities throughout the country. Anyone who could not produce his draft card or birth certificate when challenged by the BOI-APL agents was rounded up and detained.

In the New York metropolitan area alone, 75,000 suspected "slackers" were arrested and jailed, 30,000 of them on the first day. By the second day of the New York City raids, the press began reporting the wholesale release of men arrested, and accounts of the horrible conditions of imprisonment began to filter out. In the end, it was admitted that for every 200 men arrested, at least 199 were mistakes; better than 99 percent would later be found to have been men who were visiting an area from out of town.

It should be noted that there was a mercenary quality to

the APL's cooperation. U.S. intelligence historian William Corsan reported that "in return for a promise from the Justice Department that they would have sole jurisdiction over slackers, APL members pledged to forego" a promised \$50 bounty per slacker. "On April 15, however, Attorney Gregory authorized 'expense reimbursements' of up to \$50 per slacker . . . in effect renewing the bounty hunter incentive."

The BOI's blundering may have resembled a Keystone Cops farce, but it caused incalculable damage—not only to the victims and their families, but to the nation. First, by whipping up a baseless claim that hundreds of thousands of young men were slackers, the morale of the nation in warfare was at least temporarily compromised.

But even worse, the BOI's *Nacht und Nebel* tactics brought the U.S. close to a police state. Many legislators rushed to the Bureau's defense, taking the attitude expressed in the Senate: "Is there a Senator in this body who would not willingly stay in jail a week, if necessary, in order to have justice meted out to even one such criminal."

Fortunately, not all congressmen had lost sight of the Constitution. One congressman, said, "In the west we have another name for that sort of procedure, although we use it against animals and not men. We call it a round-up, and even then the mavericks are cut out." The combined pressure of outspoken congressional critics, the press editorializing

against "mob rule" and "terrorism," and an outraged citizenry led the Bureau to back down.

Toward the end of the war, reports historian Corsan, the APL had become "too large and had been created from too many separate operations for anyone to control it. . . . Orders from. . . Washington were routinely disobeyed or ignored. For the remainder of the war, various segments of the APL abused their position through illegal wiretaps, arrests, harassments, violations of personal records, and general disregard of civil liberties. The Justice Department lacked the money and manpower to control the APL, or to do without it."

Although the APL was no longer used in the raids, it was preserved as an informant network, feeding illegally secured information—through illegal wiretaps, interviews, surveillance and "black bag jobs"—into the BOI's raw data "black files."

Perhaps the best contemporary verdict on the incidents was given by Senator Bandagee, who remarked at the time of the BOI-APL alliance, "If this great government. . . is to hunt down lawbreakers, it cannot with any consistency assume to act the part of the lawbreaker itself." As Cointelpro, Abscam, Brilab and a host of other "investigations" show, the FBI never learned that lesson.

*To be continued.*

# EIR

## U.S., Canada and Mexico only

**3 months . . . . . \$125**  
**6 months . . . . . \$225**  
**1 year . . . . . \$396**

## Foreign Rates

Central America, West Indies, Venezuela and Colombia:  
 3 mo. \$135, 6 mo. \$245, 1 yr. \$450  
 Western Europe, South America, Mediterranean, and  
 North Africa: 3 mo. \$140, 6 mo. \$255, 1 yr. \$470  
 All other countries: 3 mo. \$145, 6 mo. \$265, 1 yr. \$490

I would like to subscribe to the *Executive Intelligence Review* for

3 months     6 months     1 year

Please charge my

Master Charge No. \_\_\_\_\_  Visa No. \_\_\_\_\_  
 Interbank No. \_\_\_\_\_ Signature \_\_\_\_\_  
 Expiration date \_\_\_\_\_

I enclose \$ \_\_\_\_\_ check or money order

Name \_\_\_\_\_  
 Company \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to *Executive Intelligence Review* and mail to *EIR*, 304 W. 58th Street, 5th Floor, New York, NY 10019. For more information call (212) 247-8820.

## Williams appeal denied; Abscam condoned

The U.S. Court of Appeals for the Second Circuit in New York on April 5 denied former New Jersey Senator Harrison Williams's appeal of his Abscam conviction. The Second Circuit has consistently condoned the Carter administration Justice Department's witchhunt against constituency politicians with its rulings.

An arch-liberal panel of Judges Jon Newman, Amalya Kearse, and Henry Friendly (a Louis Brandeis-Felix Frankfurter protégé) heard argument on the appeal late last fall. Judge Newman began his opinion by denying that Williams's refusal to take a bribe, a fact recorded on the FBI's own videotape, would in any way affect the legal issues in his case. Newman writes: "The evidence against Williams . . . differs in significant respects from that presented in previous Abscam trials, but the major legal issues are similar."

Williams, a 23-year veteran of the Senate, was sentenced to three years in prison and a \$50,000 fine on Jan. 16, 1982 by Judge George Pratt in Federal District Court. Reliable sources report that when Pratt was awarded his appointment to the appeals court after convicting Williams, he shared offices with Judge Newman.

The Second Circuit's decision goes beyond its previous denials of Abscam appeals by, in effect, establishing "willingness" as an *ex post facto* law. The opinion reads: "From the totality of the evidence . . . the defendants were 'ready and willing' to commit the crimes charged as soon as the opportunity was first presented," but does not assert that they did commit a crime.

## Rohatyn proposal introduced in House

House Banking Committee Chairman Ferdinand St. Germain (D-R.I.) introduced HJR208 on March 17, calling for the United States to pursue certain policies at the May 6 Williamsburg economic summit. The res-

olution mirrors the proposals put forward by Felix Rohatyn for a "Global Big MAC" to recycle Third World debt.

The three "resolved" clauses of the St. Germain resolution are that the United States should propose:

"1) consideration of a multilateral agreement to adopt national fiscal and monetary policies designed to bring about a prompt reduction in worldwide unemployment and interest rates;

"2) inauguration of a plan to extend the maturity of foreign debt owed by developing nations; and

"3) commitment to correcting any lack of uniformity of deficiencies which now exist in the regulation and supervision of international banking."

The resolution was worked out in concert with Federal Reserve Board chairman Paul Volker, whose reappointment at the end of his term this fall is supported by St. Germain.

## Euthanasia attacked at committee hearing

Senate Family and Human Services Subcommittee chairman Jeremiah Denton announced at April 6 hearings that he was introducing legislation to ensure that "infants at risk with life-threatening congenital impairments will be provided with nourishment, medically indicated treatment, and appropriate social services."

The legislation, a part of the bill reauthorizing the Child Abuse Prevention, Treatment, and Adoption Reform Act, is a response to the recent Indiana "Baby Doe" case, in which a Downs Syndrome baby was denied life-saving medical treatment and allowed to starve to death because its "quality of life" was not considered worth maintaining.

The mentality of those who would categorize handicapped infants as "useless eaters" was exposed by Dr. David McLone, a Chicago pediatric neurosurgeon, who counterposed the American medical response to babies born with spina bifida (an "open" spine) to that of the British. After surgery performed within 24 hours of birth to close the spinal column, which is done in 85 per-

cent of the diagnosed cases in the United States, 50 percent of affected children are able to walk and 73 percent develop with normal IQs. British doctors, however, only operate on 25 percent of the cases. With technological advances, he and other medical professionals point out, it is now possible to correct the majority of the problems that were diagnosed as mental and physical handicaps in the 1950s.

But another witness, Father John Paris, S.J., who had recently testified that withholding food and water from a comatose adult patient (in the California Clarence Herbert case) was an accepted medical practice, attacked "vitalists" who feel that life must be fought for at all costs. "We bow before the golden calf of life at any cost," Paris stated.

Danton, in his opening statement, pointed out that "allowing the 'less than perfect' among us to die raises the terrifying possibility that more and more groups will be labeled as somehow defective, and allowed to perish. As Dr. Koop [the U.S. Surgeon General] and others have often pointed out, Nazi Germany's Final Solution was the last phase of a 'purification' program that began in the 1930s with the killing of handicapped infants."

## Henry Kissinger: 'Reagan a Neanderthal'

Henry Kissinger said President Ronald Reagan represented "Neanderthal Republicanism" on Italian television April 8, because of the President's commitment to the development of space-based beam weapons that could end the era of Kissinger's Mutually Assured Destruction (MAD) strategic doctrine.

In an interview on MIXER, a program on the national television station controlled by the Italian Socialist Party, Kissinger asserted that the "star" weapons were "not feasible . . . the only thing are the Euromissiles." Reiterating the statements of former West German chancellor Helmut Schmidt on his Kissinger Associates-sponsored tour of the United States, Kissinger declared: "Our allies requested the Euromissiles because they were afraid they would be aban-



done. They opposed submarine-launched nuclear missiles, because they feared the submarines could move away."

"The problem [with the Reagan administration]" Kissinger went on, "is that there are too few pro-European officers there. Reagan represents a Neanderthal Republicanism." Asked why he was not in the administration, Henry resentfully replied, "Because nobody proposed it to me . . . and in any case I would have refused."

To justify his "save the missiles" campaign, Kissinger claimed that the Euromissile deployment would represent no danger to Europe because "the Soviet head of the General Staff declared that the Soviets would answer by hitting only the United States."

## House committee ups fusion, NASA budgets

Subcommittees of the House Committee on Science and Technology have added \$100 million to the administration's request for the NASA space programs, and \$33 million for the magnetic fusion program request in actions taken over the past few weeks.

The magnetic fusion increase attempts to salvage key programs, such as the next-step Elmo Bumpy Torus P experiments, to be built near the Oak Ridge National Laboratory, which had been slated for elimination by the Reagan administration. Other technology projects, such as studies on advanced compact toroid devices and next-step tokamak designs, have been upgraded.

The House subcommittee action brings the FY84 fusion request up to \$500 million. The needed next-step engineering fusion reactor has still not been approved by the White House, but congressmen are stating their displeasure at the lack of support for fusion engineering from the executive.

The additions to the NASA budget also restore programs, such as technology utilization and space applications, to levels at which some productive technology transfer can go forward. Ten million dollars was added to the crucial space station design work and money was added on to the research and analysis sections of the space science, physics, astronomy, and planetary budgets.

The Space Science and Applications

subcommittee also added \$50 million on to the funds for buying space parts for the Space Shuttle fleet. The congressmen specifically stated in their budget report that this was for "maintaining production readiness for a fifth Shuttle orbiter."

## Schmidt and his cronies criticize Reagan's policy

West Germany's former chancellor Helmut Schmidt spoke at Texas A&M University together with former British prime minister and Brandt Commission member Edward Heath, and former U.S. President Gerald Ford, continuing his Kissinger Associates- and Morgan Guaranty Trust-guided tour of the United States and Canada.

The three speakers stressed that President Reagan's anti-nuclear missile defense policy announced on March 23 raises "questions" that must be answered before the country makes a full commitment.

Schmidt cautioned Reagan that "the Soviets may rush to do the same thing, or to do something before the U.S. reaches the stage where they'll be impenetrable to ballistic missiles. . . . Space-age weaponry and negotiations on restricting the deployment of ABM systems comprise a Pandora's box of questions that need to be opened."

The Soviets, Schmidt claimed, have abided by every treaty they have negotiated with the West and, if no new negotiations are begun with the Soviets by the end of 1983 about limiting medium-range missiles, the United States should deploy the Pershing and cruise missiles in Europe.

Space-age weaponry "will be the tools of the military in the next century, but their development and usages still have not been fully discussed by the allies," asserted British Conservative Heath, attempting to reassert the "oldest ally" relationship between Britain and the United States.

Schmidt, who has been using the Palo Alto home of Secretary of State George Shultz as his base during his tour, has called for "U.S. leadership" to avert an "economic depression." Upon his arrival in New York at the beginning of the tour, Schmidt had a private meeting with top executives of Morgan Guaranty.

## Briefly

● **VANCE DEVOE BRAND**, an American astronaut who participated in the fifth mission of the space shuttle Columbia, will make a six-day visit to Brazil beginning April 16, *O Estado de São Paulo* reported April 6. Brand will give a talk at São Paulo University's Politechnique School and at the National Institute of Spatial Research. He will also visit the Institute of Spatial Activities of the Aerospace Technical Center in São José dos Campos, São Paulo. He plans to visit Brasília and the northeast city of Natal, where he will visit the rocket launching facilities of Barreira do Inferno. During his December 1982 visit to Brazil, President Reagan welcomed collaboration between American and Brazilian astronauts.

● **RICHARD BURT**, the Assistant Secretary of State for European Affairs, told a luncheon meeting of the Overseas Writers Club in Washington April 6 that President Reagan's announced Ballistic Missile Defense program did not involve a "new strategic doctrine." Burt, although a former correspondent for the *New York Times*, which has editorially supported Soviet President Yuri Andropov's opposition to Reagan, and a former associate director of London's International Institute for Strategic Studies (IISS), managed to answer, "Of course" when asked if he felt he could loyally execute any diplomatic tasks necessary to implement the Reagan plan.

● **JOHN HUGHES**, the British-born spokesman for Secretary of State George Shultz, chuckled and answered, "Nobody's asked me to take one" when asked at an early April press briefing if any State Department officials had yet been required to submit to lie detector tests as part of the President's crackdown on unauthorized information leaks in the administration. One veteran correspondent present remarked, "If he passed, Shultz would have to ask him to resign."

# Productivity and national security

Unless you were an *Executive Intelligence Review* subscriber at the time, you probably had no idea last winter than an intensive discussion was under way within the U.S. government and armed forces as to the desirability and feasibility of a directed-energy beam national defense which would enable the United States to destroy nuclear warheads in flight. Since the autumn of 1982, *EIR* has made this possibility the focus of the military and scientific intelligence we present.

At the same time, we have identified the economic consequences of such a defense program.

In our Dec. 28, 1982 Special Report on the subject, Military Editor Steven Bardwell, one of the world's leading plasma physicists, wrote:

"The national security of the United States, in the classic sense as national security was understood by the great military leaders at the founding of this country, will be determined for the next several decades by the decision to be made in the coming year on the development of directed energy beam weapons. Beam weapons will shape the military boundary conditions affecting foreign policy, but even more importantly, will determine the economic health of the nation without which no national defense system is possible."

Bardwell went on to describe "the coming of the plasma age," enumerating the technological problems which must be solved to create beam weapons capable of destroying ballistic missiles from near-earth orbit. Namely: sensing and target acquisitions, demanding the perfection of sensors, telescopes, and other detectors; data processing, demanding new breakthroughs in circuit integration and computer algorithms; precision optics; magnetics, materials, and pulsed power.

That is in addition, of course, to high-energy lasers and space engineering capabilities of launching and

maintaining equipment in space.

Bardwell stated: "A qualitative examination of these technologies shows that if they were available in the form required for a beam weapon, then the technologies available to the civilian sector would usher in a new state of industrial processes, which are almost totally dependent at present on the narrow range of the electromagnetic spectrum.

"The characteristic feature of these new technologies is that they access the full range of the electromagnetic spectrum, from x-rays to microwaves. For the first time, it becomes economic to perform chemical, industrial, and agricultural processes using finely tuned electromagnetic energy rather than "brute force" infrared energy. The impact of this general change can hardly be overestimated."

First, fusion energy, the harbinger of the plasma age, which requires the same physics and engineering breakthroughs involved in beam weaponry, and which Japan projects can be on line in the mid-1990s, produces clean, cheap energy using sea water as its fuel source, in intensities a hundred times those available at present. Secondly, plasma torch processing can make astronomical increases in the natural resource base of the world economy. Metalworking, chemical processing, and food processing with the new technologies would be transformed, on a mass production scale.

The science and technology are well within reach, assuming that the government spends on securing peace and economic recovery what it has spent in the past on fighting wars—wars that occurred in the first place because the U.S. passively allowed the "geopoliticians" and "fiscal conservatives" to wreck nations and dictate policy.

Those are the stakes in the current budget debate.

# EIR

## ***Confidential Alert Service***

What would it have been worth to you or your company to have known in advance

- ✓ that Mexico would default on its debt-service payments in September 1982?
- ✓ that Venezuela would become the “next Mexico” in early 1983?
- ✓ that the Schmidt government in West Germany would fall in September 1982?
- ✓ that the American dollar would fall sharply at the end of 1982?
- ✓ that the U.S. economy, after a false-start recovery during the first half of 1981, would enter an unprecedented 18-month downside?

“Alert” participants pay an annual retainer of \$3,500 for hard-copy briefings, or \$4,000 for telephone briefings from staff specialists at **EIR**’s international headquarters in New York City. The retainer includes

1. At least 50 updates on breaking developments per year—or updates daily, if the fast-moving situation requires them.
2. A summary of **EIR**’s exclusive Quarterly Economic Forecast, produced with the aid of the LaRouche-Riemann economic model, the most accurate in the history of economic forecasting.
3. Weekly telephone or telex access to **EIR**’s staff of specialists in economics and world affairs for in-depth discussion of “Alert” updates, if participants need more information.

To reserve participation in the program, **EIR** offers to our current annual subscribers an introduction to the service. For \$1,000, we will enroll participants in a three-month trial program. Participants may then join the program on an annual basis at the regular yearly schedule of \$3,500.

If you need this type of information fast in usable form, contact:

**Peter Ennis**, Director of Special Services, or  
**David Goldman**, Economics Editor  
(212) 247-8820

**EIR SERVICES**  
304 W. 58th Street, fifth floor,  
New York, New York 10019