

EIR

Executive Intelligence Review

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EIR

From the Managing Editor

The presidential summit meeting between Brazil and Mexico last month inaugurated a new barter-oriented trading system in Latin America, a system that could emerge into a fullblown common market. The Special Report in this week's issue documents the results of the Cancún summit, whose very existence was ignored by the North American news media. Those results included an appeal to the advanced-sector nations to take advantage of the economic growth that would be spurred by freeing Latin America's industrialization potential from the debt burden, as *EIR* founder Lyndon H. LaRouche, Jr. specified in his "Operation Juárez" proposal for ending the debt crisis.

On the eve of the May 25-26 Williamsburg summit meeting, that crisis is being ignored by sections of the Reagan administration and U.S. business. A robust U.S. recovery is not at the end of the tunnel, contrary to their claims, unless Washington, D.C. actively makes that happen (see our Economics lead).

American businessmen ought to realize that the end of the dollar zone foreshadowed by the new Latin American barter arrangements could also mean the end of their remaining export markets. Unless a fundamental policy shift occurs, the underdeveloped nations will eventually stop calling for cooperation with "the North"—their perseverance has been admirable—and the present defensive barter moves will turn into all-out trade war and debt repudiations. The Rockefeller Debt Commission is talking about mass pullouts of corporate assets and financing from Latin America; the remedy, say certain U.S.-based multinationals, is the Felix Rohatyn proposal to reschedule a chunk of the debt at long term, under the auspices of an expanded International Monetary Fund.

The Rohatyn plan would buy some accounting-book time for the largest international banks. Mainly, it would buy political time for the Kissingerian strategists who have the same agenda they did in 1976-77, after the Non-Aligned nations considered a debt moratorium: despite the manifest failure of the IMF's policy prescriptions to date, they intend to eliminate every policy maker in the underdeveloped sector who refuses to kowtow to the IMF.

For the economic producers of the world, neither the ostrich (waiting for the global recovery) nor the debtors' prison (refusing new credit to the Third World while postponing payment on the old debt) offers any solution. Our Special Report shows why.

Susan Johnson

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Directed-energy technology unique path to U.S. recovery

by Christina Nelson Huth

President Reagan's commitment to build defensive directed-energy beam weapons could provide the basis for an economic recovery comparable to that of World War II, according to a computer-based economic study just released by *Executive Intelligence Review*. The results of the *EIR* study will be featured in presentations to over 40 conferences scheduled for the months of May and June across the United States and sponsored by the National Democratic Policy Committee.

The *EIR* study calculates the effect of a crash investment program in known and test industrial methods associated with directed-energy technologies, including laser machining, laser welding, laser isotope separation, and plasma metallurgy.

The U.S. economy could:

- 1) reach a 25 percent per annum growth rate within five years,
- 2) add 4 million jobs per year, including 2 million in basic industry,
- 3) double its industrial productivity in ten years,
- 4) eliminate its trade deficit within two years,
- 5) raise per capita income by 5 percent per year, and
- 6) accommodate a much higher level of military spending than the President has proposed, if the technological revolution implicit in beam-weapons technologies is applied with "World War II" methods of brute-force investment and directed credit.

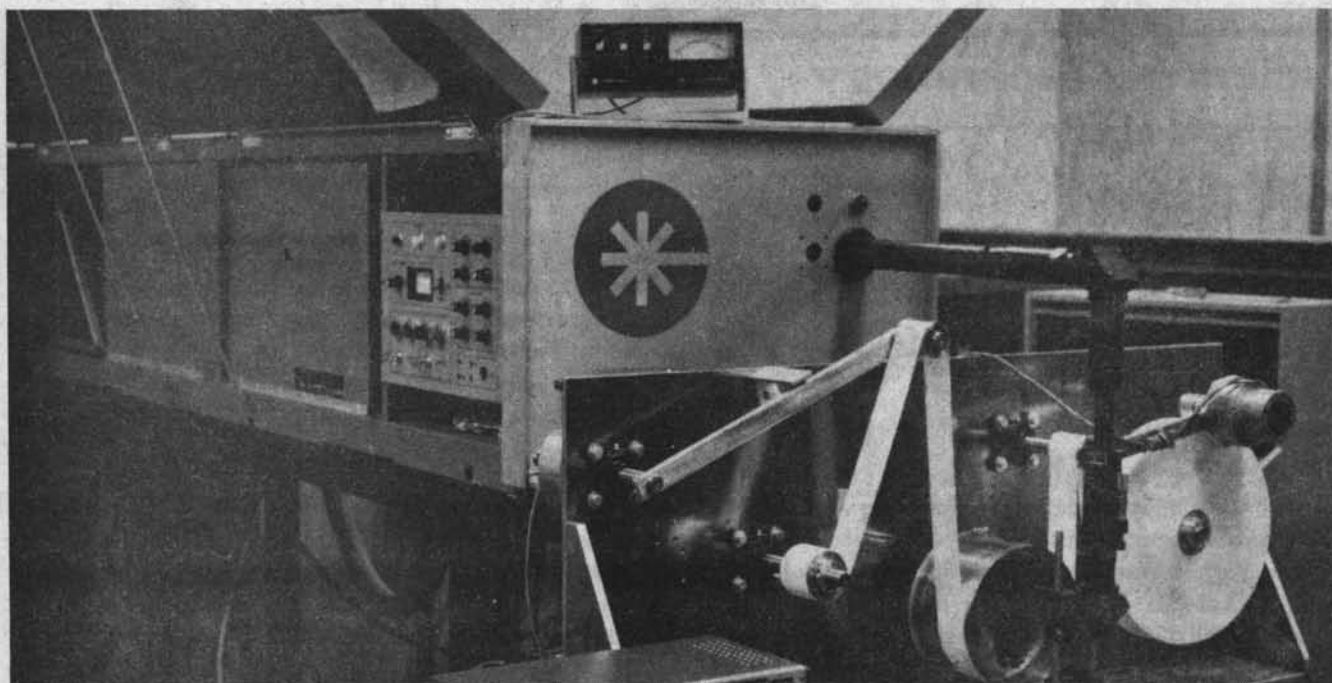
The study continues: "Of course, such productivity estimates, laboriously as they were acquired and calculated, are merely 'indicators' of what might be expected. The World War II experience and other examples of rapid productivity growth show that thousands of subsidiary inventions, transformations in the configuration of the production process,

substitution of processes and materials to accommodate the full scope of the new technologies, and so forth, are required to make the operation work."

The study was conducted using the LaRouche-Riemann computer model of the American economy, in a special version constructed for the simulation. In its forecasting application, the LaRouche-Riemann model has accurately forecast the behavior of the economy for the past 14 quarters.

According to a summary released prior to publication of the full study, "The same *physics of coherent radiation* that apply to America's defense will make metallurgy, machining, welding, and other basic components of industrial activity as different from what we now have as the modern power loom differs from 18th century weaving. Much has been argued for the impact of postwar technological advance on communications and data-processing, to the point that the ascendancy of the 'information industries' over 'declining basic industries' has become a point of dogma. This is now shown irrefutably to be nonsense. What occurred, from the scientific and engineering standpoint, in the electronics field represented a beginners' project relative to what is about to occur in basic industry.

"First, the known techniques of laser-based machining, welding, alloying, cladding, and surface treatment, as employed in commercial-prototype versions, are capable of reducing the social cost of metalworking to a small quantity. America's agricultural revolution has made the social cost of food the smallest in the world; now we are capable of making the social cost of producing automobiles, machine tools, boilers, cranes, locomotives, turbines, and structural steel a comparably small sum.



Courtesy of Coherent Laser

A laser machining station. The beam generated in the equipment at the left is sent through the prismatic tube at right and focused on a metal part.

“A combination of lasing and computer-based automation techniques can accomplish for metal-working what the computer accomplished for data-processing, but with a fundamental difference: the basic capital-goods sector of the economy ‘multiplies’ the activity of all other sectors. This principle is no different from what Leibniz or Alexander Hamilton meant by the term, ‘artificial labor,’ i.e., that the effectiveness of the single goods-producing worker is multiplied by the amount of mechanical labor he bring to bear on the production process.

“In the computer-based simulation now concluded, the physical growth rate of the economy ceases to be constrained by previous factors after five years of a ‘crash’ investment program in known laser technologies, accompanied by conversion of the steel sector to the super-efficient plasma steel process now in prototype phase. The growth rates achieved are comparable to the World War II period, a peak growth rate of 26 percent per annum.

A massive growth in productivity

The study continues: “The rate of productivity growth reaches 16 percent per annum in the fifth year of the program, as the first generation of new technologies becomes available on a mass scale; after this, the growth rate would depend on what new productivities are introduced through technologies known but not yet in commercial-prototype version.

“The productivity assumptions introduced were held to the extreme conservative side of the scale:

“1) That investment in laser machining, welding, surface treatment, alloying, cladding, and related operations could replace approximately half of industrial procedures in the

capital-goods producing industries, and could result in productivity increases of 300 percent to 500 percent as the new technologies were mastered. These estimates were derived from the work of laser-manufacturing consultants, and are corroborated by published results of military testing facilities.

“2) That investment in plasma steel-making and other metallurgy could at least double the productivity of the metals-producing sector over a decade. Present engineering designs for large-scale plants suggest a productivity rise closer to 1000 percent than merely 100 percent. This estimate is based on interviews with the designers of the plasma steel process and a reading of designs and cost-estimates for prototype facilities not yet in operation.”

Several striking conclusions emerge from the study:

“1) Until the introduction of magnetohydrodynamic (MHD) energy production applying first to coal, and later to nuclear fusion and fission power, the new technologies must drag around an enormous burden behind them: electric power infrastructure built according to relatively inefficient methods.”

“2) The electric-power constraint makes the traversal of the first four years of the program extremely difficult, with virtually no margin for error. Investments may be made in nothing other than primary capital goods and electrical power production, both of which have a payoff of only 2 to 5 years; the remainder of the economy must live off its existing capital stock, depleted as it may be, for the first three years. This permits a substantial growth in employment—a starting rate of increase of productivity employment of about 2 million goods-producing jobs per year, almost half of which will be in construction industries.”

Laser communication at the speed of light

by Marsha Freeman

On Feb. 10 of this year, the first section of the world's largest laser-powered telecommunications system began operation as a New York to Washington, D.C. fiber optic link began to carry its first data. By 1984, the system will be extended to cover the full 776-mile route from Boston to Virginia. The American Telephone and Telegraph Company (AT&T) is spending \$125 million for this new system since it will be a more economical method of transmitting voice and computer data in the future.

Fiber optical communications make use of the fact that laser light, being all of one wavelength, occupies a very small space, and the beam can be very narrow. Light can be transmitted through hair-thin glass fibers over long distances, and still carry more information than today's conventional copper-wire cables.

Today, while fiber optics technology is just becoming commercially available, it costs about \$3 per meter of cable. While this is a significant drop from the \$5 per meter cost only nine months ago, it is still nowhere near the cost of \$.15 per meter for coaxial copper cable. Because the fiber optic cable can carry so much more data, however, the cost of actually transmitting the same amount of data the same distance with the two systems is lower for the laser system.

The fiber optics system will cost \$.05 to transmit the amount of information that would require \$3.00 worth of copper cable to transmit. Industry sources estimate that the \$3 per meter cost of fiber optics cable will come down to \$1 per meter over the next year, due to an increase in production and use.

In the AT&T light-wave system, up to 144 hair-thin glass fibers are fitted together to form a cable of about one-half inch in diameter. Such a cable will have a carrying capacity of up to 80,000 simultaneous telephone conversations; a copper cable having the same carrying capacity would have to be almost 10 times the size and 100 times the weight.

The information is transmitted through a pair of fibers by a pair of lasers blinking on and off more than 44 million times a second. This capacity represents the equivalent of digitally coding and transmitting the entire contents of the Bible across the country in seven seconds.

When these tiny pulses of light reach their destination, a device called a photo-detector receives the light and turns it back into an electrical signal, which is then transmitted to the user. By 1987, AT&T plans to upgrade the Boston to Virginia system to handle up to 240,000 simultaneous conversations in its half inch cable, saving \$49 million on construction costs by 1990.

Fiber optical cable systems will be used under the sea in the next decade for transatlantic communications, but some of the real potential of laser communications will bring us information from even further away.

The Jet Propulsion Laboratory (JPL) in California, which manages all of the planetary programs for the National Aeronautics and Space Administration (NASA), is working on ways to make use of laser technology to communicate with spacecraft that are billions of miles away.

In the immediate future, JPL will use fiber optical cables to integrate sets of large antennas which are part of the Deep Space Network (DSN), to improve the accuracy of spacecraft tracking and navigation. Each station in the DSN has a series of antennas on the ground which receives radio signals from spacecraft. In this way, NASA receives data from the planetary probes, and issues them commands, including important navigational commands.

In order to determine precisely where a spacecraft billions of miles away is, so it can be directed on a course for a planetary encounter in the future, scientists measure the difference in the time it takes for the spacecraft's signal to reach two antennas on the ground. To do this at the level of accuracy required, the ability to distinguish differences in time of a billionth of a second are required.

A "clock" is set to that accuracy, which then has to relay the exact same time signal to two antennas that are nearby but not in the same place. If the transmittal of that "go" of the stopwatch to each antenna is by an electrical signal on conventional cable; a comparative measurement cannot be easily obtained, since the time the "go" signal takes to reach each antenna is not the same.

When the signal travels at the speed of light, however, scientists can be sure that the time reference is the same to the accuracy of a trillionth of a second, which is the order of magnitude precision needed to get the measurements required. In addition, by tying two or more antennas into a single functioning unit, even though they are not in precisely the same place, scientists can improve the quality of the weak signal received from a distant spacecraft.

With the signal from the spacecraft now-multiplied, the distance at which man will be able to talk to the machines he sends out into the Solar System will be considerably extended. The quality of the communications he receives will also be considerably improved.

At the present time, there are probes which are leaving the Solar System, and another, Voyager 2, which will encounter at least two more of the outer planets man has never really "seen."

United States and Europe intensify trade war over agriculture

by Cynthia Parsons

The United States and the European Community (EC) will meet in Geneva on May 18 in a final attempt to prevent arbitration by the General Agreement on Tariffs and Trade (GATT) of the dispute over the U.S. February sale of wheat flour to Egypt, a traditional market for European agricultural products. Talks between the United States and the European Community on agricultural trade that ended March 18 failed to resolve the disputes over subsidized exports and competition for markets first publicly announced by U.S. Agriculture Secretary John Block in October 1982. A joint statement expressed a "common desire" to settle differences "within existing systems," but gave no hope for a settlement in the near future. This amounted to an agreement to differ, but did not signal an end to the still-threatening trade war. The sale of U.S. wheat flour to Egypt both heightened trade-war tensions and contributed to the lengthening of the trade talks.

Talks between U.S. Secretary of State George Shultz and the EC Commission President Gaston Thorn on agricultural trade have been postponed because of the delay in settling this year's EC farm price rise. It is also reported that the U.S. State Department is leaning on the Agricultural Department to ease tensions before the end of May Williamsburg economic summit.

The United States has rejected a study carried out by GATT because it does not confirm U.S. allegations that the EC had an unfair advantage in wheat flour trading. According to the *Commodity News Service*, while the decision did not declare the EC in violation of GATT, it did recommend that the EC make greater efforts to limit the use of subsidies. U.S. Trade Representative Bill Brock castigated the panel for "refusing to make the legal conclusions dictated by the facts." Most analysts and trade experts agree that the EC's subsidies only marginally affect the broader trade picture.

However, the EC has claimed that it has suffered a balance-of-payment loss of about \$200 million as a result of the sale and demanded \$30 million in compensation.

U.S. fails to create new markets

U.S. exports fell \$5 billion in 1982. Rather than increase exports by linking long-term development programs to U.S.

exports to be facilitated by subsidized export credits, the Agricultural Department has taken money allocated for export expansion and applied it to export subsidies to sell agricultural products to those countries traditionally supplied by Europe. The wheat flour sale to Egypt is a case in point, where the United States sold 1 million tons of wheat flour using subsidized credit and undercutting the European market. In retaliation, the EC is now offering some \$80 in subsidy per ton of wheat sold to China, a big U.S. customer.

While using export subsidies constitutes a sound economic practice for the United States, the selective trade action in the Egyptian deal seems to stem from special motives to expand U.S. exports. Though the United States has claimed that the Egyptian wheat flour sale was merely retaliatory, it flagrantly contradicts its claim against the EC.

Both sides subsidize agriculture

The USDA has a formal complaint against the EC for illegally subsidizing its agriculture at the expense of the United States. However, in monetary terms the entire argument is nonsensical since both sides do support their agriculture—the EC's subsidy budget, as found in the Common Agriculture Policy (CAP), is \$14 billion for 1983 and the United States's \$18 billion. The issue is that the United States wants Europe to stop subsidizing agriculture, just as the free-marketeers in the United States, such as the Heritage Foundation, are demanding for domestic agriculture policy. The recent *Agenda '83* of the Heritage Foundation devotes its agricultural section to the evils of price supports. To the extent that both sides do cut subsidies, it is the food-producing capacity in both countries that will be sacrificed in the war.

To date, the Egyptian wheat deal has caused nothing but trouble for the United States, since the administration ruled in March that, because the deal is government-to-government, 50 percent of the flour shipped to Egypt must be carried on U.S. ships, which is far more costly than using foreign ones. According to Washington agricultural analysts, the program may be too expensive to carry out. To keep delivery price of the flour to the Egyptians at \$155 per ton, the U.S. government must fork up \$20-\$30 million to subsidize cargo

preference. At this rate, the government will be paying the client to take the goods.

At the mid-March National Grain and Feed Association's annual convention, Michel Fribourg of Continental Grain Corporation proposed a three-step program that he claimed might stop trade war, and he gave some insight into the direction that subsidy removal would take the United States. He proposed a five-year freeze on existing support prices on both sides of the Atlantic and an agreement by Western nations to expand their traditional markets through such plans as the Caribbean Basin Initiative.

The Caribbean Basin Initiative is a program of the Commerce and Agricultural Departments that provided funds for investors to set up labor-intensive shops and agricultural projects such as sugar cane plantations in underdeveloped areas of the Caribbean. The produce of these small industries and farms would be sold in the United States with assured preferential access to markets. Such "development projects" would nominally increase participating developing sector nations' foreign trade so that they could purchase more U.S. agricultural produce. The real effect would be to dump produce grown in labor-intensive projects on the U.S. market, which could threaten the domestic markets of high-technology U.S. farmers.

Attack on the CAP

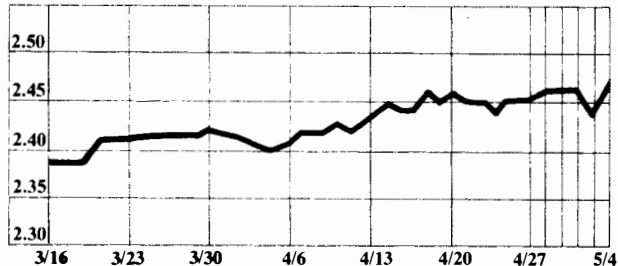
The United States has led a two-year attack on the policies of the CAP to force the EC to phase out all export subsidies over the next five years. Such demands have been unacceptable to CAP members, which subsidize both domestic farm prices and export prices to ensure that farmers receive sufficient income to maintain production, even though world prices are falling. Such policies, the EC nations correctly believe, will ensure that Europe and the rest of the world will never again face the same food shortages it did during and after World War II. CAP has helped increase the EC's share of world food exports from 8 percent in 1976 to 17 percent at present, making it the biggest exporter of food after the United States. With a real development push by the OECD, there would be expanding markets for every member nation in both the advanced sector and the Third World.

The opening salvo in the current agricultural trade war was fired in October 1982, when U.S. Agricultural Secretary John Block declared that if the EC did not stop subsidizing agriculture, then he would not stop at trade war with Europe. After Shultz's meeting with other members of the commission in Brussels in December, both sides have met three times, keeping the issue alive. As justification for the Egyptian deal, Block said at the U.S. Feed Grains Council annual board of directors meeting early in March, "We will not stand idly by and lose markets because of unfair competition or trade restrictions," and that, while he encourages free trade, he saw a "potential role for carefully targeted measures aimed at convincing" other countries to reduce their "trade distortions."

Currency Rates

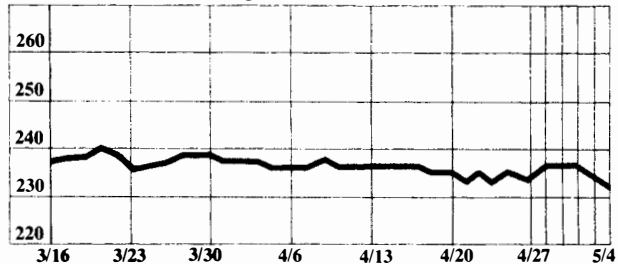
The dollar in deutschemarks

New York late afternoon fixing



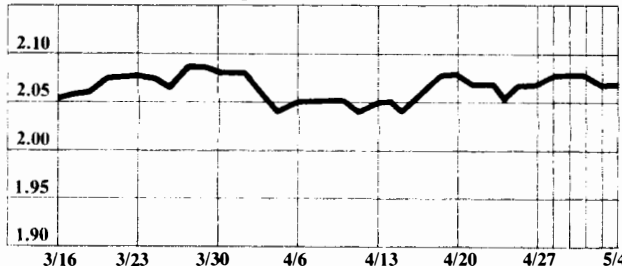
The dollar in yen

New York late afternoon fixing



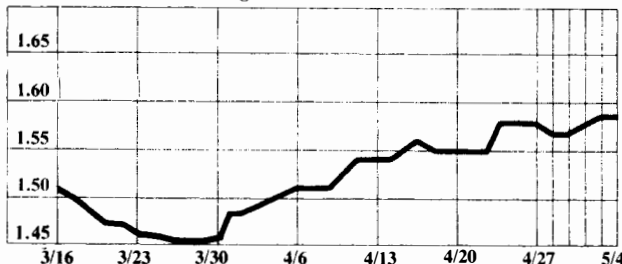
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Leadership draws on Japan model for nation's economic development

by Paul Zykofsky in Kuala Lumpur

One of the first measures implemented by Malaysian Prime Minister Datuk Seri Mahathir Mohamad when he took office in July 1981 was to make it compulsory for all government officials to wear name tags and punch in and out of work. While relatively minor policy decisions, they were a signal that, as one Malaysian told this correspondent, "Mahathir means business." In the months that followed, the maverick Prime Minister shook up the country by closing down inefficient state-run enterprises, announcing a "buy British last" policy, and by launching a new "look East" policy for closer relations with Japan and South Korea.

These policies underscore the basic thrust of Mahathir's leadership of this young nation of 15 million people—the need to work hard and fast to develop the economy. During a recent 10-day visit to Malaysia, this correspondent found that despite the severe impact of the international depression on Malaysia's largely export-oriented economy, the country has weathered the storm far better than most developing and developed economies. While there exist a number of technical economic reasons for this, the broader explanation can be found in the fact that having gained independence less than 30 years ago, Malaysia is still fired by the spirit of developing rapidly and attaining the standing of a modern industrial nation. In this regard, it has been fortunate to have a stable, democratic political system with leadership committed to building the nation and capable of efficiently managing the economy.

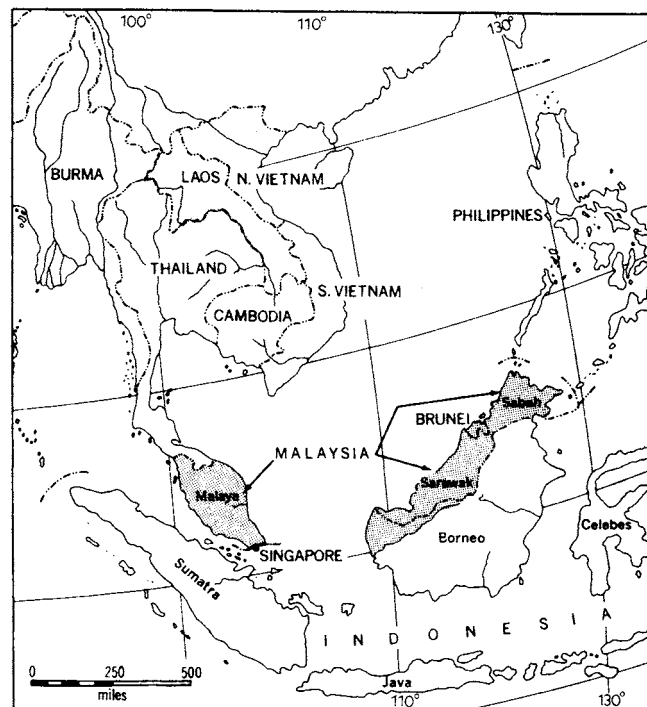
It is difficult, as this correspondent found, to encounter a cynical or negative attitude about the future. Even those people who sharply criticize government policies will readily admit that Malaysia has great economic potential and that, whatever its shortcomings, the current political leadership is dedicated and committed to building a better nation. As one critic of the government put it, "there is no doubt that Mahathir is a man of vision who wants great things for this country."

In the population at large this dynamic leadership has translated into a high degree of confidence about the future. This confidence is not unfounded—it is based on what Malaysia has been able to accomplish in the past two decades. In addition to maintaining a steady annual growth of approx-

imately 8 percent, several people I spoke to pointed to Malaysia's success in becoming the leading world producer of rubber and more recently palm oil—neither of which is indigenous to the country—as proof of Malaysia's ability to move ahead ambitiously. As one economist told this correspondent, "If we were able to become the number one producer in the world of palm oil in a short span of 10 years, people ask, why can't we do it in other fields as well?"

But Malaysia's "success story" is not limited to agriculture. In 1981 it beat out Japan to become the largest exporter of semiconductors to the United States, and in the last few years it has become the third-largest exporter of air conditioners in the world, behind only the United States and Japan.

For the years ahead the government has drawn up an ambitious strategy for development. The Malaysian Industrial Development Authority summarizes the targets for the 1980s as follows: 1) setting up of high-technology industries



for the up-grading of skills in the existing urban centers; 2) establishment of heavy industries so as to strengthen the foundation of the industrial sector in Malaysia; 3) establishment of ancillary and supporting industries to service the needs of various existing industries; 4) promoting increased processing of existing natural resources into semi-finished and finished goods; and 5) to develop on a plantation scale, agricultural crops and increased processing of these crops into semi-finished and finished products.

More specifically, the government has launched ambitious projects to develop the more backward eastern region of the country based on the offshore oil and gas resources. These include: extraction and processing of oil and gas; energy production based on construction of several power stations based on gas and hydroelectric resources; petrochemical plants to produce industrial raw materials using the oil and gas reserves as feedstocks; heavy industries such as steel-making based on using gas as fuel to process imported iron ore; light and medium industries for import substitution and agricultural processing; and a wide range of resource-based industries to exploit the region's other mineral deposits.

Key to political stability

High economic growth rates since Malaysia attained independence from Britain in 1957 have, in large measure, contributed to political stability—by no means an easy thing to achieve in a multi-racial, multi-religious nation based on a conglomerate of small, feudal sultanates and British plantation states. Today, Malaysia's population consists of: 52 percent native Malays who practice Islam and, except for a small aristocratic class, generally make up the poorer sections of the population living in rural areas; a large minority of Chinese origin, approximately 35 percent of total population, descendants of the people brought from Southern China by the British to work in the tin mines and who, over the years, have become the most prosperous segment of society receiving an estimated 60 percent of national income; and lastly the descendants of the Southern Indians brought to Malaysia by the British to work on the rubber plantations who make up approximately 9 percent of the population. Ethnic polarization and the inability to deal with the economic inequalities which existed at independence resulted in severe riots in the capital city of Kuala Lumpur in 1969—a watershed in Malaysia's history. Within a year the government launched the New Economic Policy (NEP), aimed at redressing the economic imbalances and inequalities of the earlier years. As explained in Malaysia's fourth 5-year plan, the NEP "committed the nation to reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race; and to accelerate the process of restructuring of society so as to reduce and eventually eliminate the identification of race with economic functions." The NEP's target is to transfer ownership of 30 percent of the economy into Malay hands

by 1990. Significantly, the NEP recognizes that such a restructuring of the economy "has to be achieved within the context of an expanding economy so that no particular group would experience any loss or feel any sense of deprivation."

Despite tensions under the surface between the different communities, Malaysia's leadership has proven adept, especially since 1969, in dealing with this problem. While political parties break down on racial lines, the ruling United Malays National Organization (UMNO) for many years has worked with the Malaysian Chinese Association and the Malaysian Indian Congress in a coalition known as the "Barisan Nasional" or National Front. While occasional disputes over such issues as language education and minority rights, do emerge from time to time, the UMNO has shown itself capable of solving them in a spirit of compromise.

A more difficult problem in the recent period has been the rise of Islamic fundamentalism, especially in the more backward eastern states of Trengganu and Kelantan where the opposition Party Islam has tried to use religion to build its political base of support. The Mahathir government, however, has been successful in deflating the fundamentalists' campaign, especially by co-opting a charismatic Islamic youth leader into joining the ruling party one year ago.

Most important, the government is well aware of the fact that the key to maintaining racial and religious harmony is rapid economic development. In an exclusive interview with *EIR*, Deputy Prime Minister Datuk Musa Hitam put this succinctly: "Racial and religious intolerance, extremism, can easily be matched, number one, by economic development, and number two, by education."

Economic crisis

However, with the world facing the worst economic downturn since the 1930s depression, it will not be easy for Malaysia to keep up its rapid pace of development. Already, during the past two years, the fall in commodity prices has placed severe strains on the Malaysian economy, which is dependent to a significant extent on exports of crude oil, rubber, palm oil, tin, and lumber. To make up for the fall in prices Malaysia was forced to increase output of these primary products as well as of its growing manufacturing sector. By doing so it was able to maintain a 4.6 percent real growth rate in gross domestic product—a creditable performance in a year when many economies suffered zero or negative growth. However, despite this proven resiliency of the Malaysian economy, a continued downturn in the OECD countries could prove disastrous.

Concern over this within Malaysia is reflected in Prime Minister Mahathir's sharp statements on the international economic crisis. In a speech at the recent Non-Aligned summit in New Delhi, Mahathir warned that the collapse of the world economy is "causing absolute despair to developing countries," and sharply denounced the policies "cooked up in the capitals of some powerful industrialized countries"



Paul Zyckofsky/NSIPS

Construction projects abound in downtown Kuala Lumpur.

which have caused this crisis.

Mahathir has also denounced the way in which commodities “are priced according to the whims and fancies of a host of people who have nothing to do with their production.” Instead of this system, in which the prices of primary products are set by speculators in London, Brussels, and other commodity markets, Mahathir has argued for a system of pricing “according to the cost of production and marketing”—similar to the concept of a “parity price” advocated by farmers in the United States.

Look East

Closer to home, Mahathir has gone all out to toughen up the Malaysian economy by increasing productivity and efficiency, as well as by improving economic ties with Japan and South Korea. These are the two interrelated elements of the “look East” policy he announced in December 1981. Since then Mahathir and Deputy Prime Minister Musa have visited Japan and South Korea on a number of occasions to build up support for the policy. In a recent speech in Tokyo to the Japanese Economic Organizations, Mahathir clearly explained what he meant by this policy: “Our ‘look East’ policy in essence is a call to return to the self-help philosophy of our earlier era: it reemphasizes the need to pull ourselves up by our own hard work, determination, and initiative. I believe that the work force must first be committed to a new life style that places a premium on dedication to work for the good of the community, before we can effectively propel our society into the era of modern technology. We have set for ourselves a target based on the very same goals that you so successfully aspired to attain in the 1960s—namely, to achieve

kodo seicho (high-speed growth) through *seisanryoku kakuju* (increase in productive capacity), *shokusan kogyo* (greater industrial production) and *yushutsu shinko* (promotion of exports).”

The fact that Malaysia is well prepared to assimilate the type of Japanese business methods being encouraged by Mahathir was witnessed by this correspondent during a visit to the Matsushita-National air conditioner factory outside Kuala Lumpur which can produce 20,000 units per month and has made Malaysia the third-largest exporter of air conditioners in the world. As in Japan, workers every morning sing the company anthem and do exercises alongside managers and white collar employees. Different units of the factory are also organized into quality control circles to air grievances and work out problems.

However, the “look East” policy has met with some scepticism in the Malaysian business community. As one analyst explained to this correspondent, there is a certain hesitation to embracing Japan because of the bitter memories of the Japanese occupation during World War II, as well as due to insecurity over what will happen with this policy when Mahathir is no longer Prime Minister.

But even these critics will invariably praise Mahathir’s effort to use the Japanese example to instill a new work ethic in the population and to force Malaysians to look away from traditional trading and investment partners like Britain. This was clearly what Mahathir had in mind when, in October 1981 he announced a “buy British last” policy. Under this policy all tenders and awards to British firms would have to be cleared by the Prime Minister’s office and the government would only buy British goods if it had no other option. While

the immediate cause of this policy was the sudden rise in fees in British universities—affecting some 12,000 Malaysian students—the downgrading of relations with the former colonial power forced the Anglophile sectors of the business community to cut traditional links to Britain, and established that there was nothing to emulate in a country whose economy has been steadily collapsing for decades.

Other analysts point out that behind the “look East” policy is a subtle effort to get the large Muslim population in Malaysia not to look to the Middle East, particularly Islamic fundamentalism in Iran. These analysts point out that despite Malaysia’s strong support for Arab political causes, it is no secret that the current political leadership is quite critical of the way these countries have squandered their oil wealth and have failed to resolve political problems in the region due to their disunity.

Having gained independence less than 30 years ago, Malaysia is still fired by the spirit of developing rapidly and attaining the standing of a modern industrial nation. High economic growth rates have contributed to political stability in this multi-racial, multi-religious society. Now, the fall in commodity prices has hit the export-oriented economy, but the government has a dirigist strategy for survival.

Elaborate explanations aside, the overall impact of the “look East” policy has been to force Malaysians to think seriously about what they want their country to look like 10 or 20 years from now. Another significant result of the policy has been to force Japan to evaluate and define its role in helping the developing sector nations industrialize and modernize their economies. While Japanese economic presence in the developing sector, and particularly in Southeast Asia, is extensive, Japan has traditionally tried to keep a low profile on overall policy issues. As one Japanese businessman explained to this correspondent: “We were a bit shocked by Mahathir’s “look East” policy. For many years Japan has followed examples set by other countries. We followed Prussian Germany in developing our military, we followed Brit-

ain to build up our navy, we followed the U.S. example to industrialize, and now suddenly Malaysia says ‘we are following you.’ We were quite surprised.” A number of economic analysts point out that while Japanese business has profited from the new policy, it is also quite concerned that it should work since any failure might result in a backlash effect. As the Japanese businessman put it, “This is a burden for us . . . but we will try to help Malaysia as best we can.”

There are also expectations that the Japanese government will define its policy towards the developing sector nations during the visit by Prime Minister Nakasone to the ASEAN countries in early May. Significantly, Nakasone has chosen to make a major speech at the conclusion of his tour in Kuala Lumpur.

International initiatives

Under Mahathir the Malaysian government has also taken a number of important initiatives on international issues. At the United Nations General Assembly last September, the Malaysian Prime Minister called for convening a meeting under U.N. auspices to define the problem of uninhabited lands such as Antarctica so as to insure that exploitation of the riches of this continent should benefit all nations of the world.

On the question of South-South cooperation, Malaysia has taken steps to help some of the Sub-Saharan states in Africa deal with increasing desertification. Specifically Malaysia has chosen to work closely with Mali and recently sent a team of experts to study the situation there. Malaysia’s Foreign Minister Tan Sri Ghazali Shafie explained the motivation behind this policy to *EIR* during the recent Non-Aligned summit in New Delhi: “There is a lot that can be done. At the moment we hear a lot of words but very little action. What we have done, because we are quite fed up with words, is to act on our own.” Malaysia has also taken steps to increase trade with other developing countries in Africa and the South Pacific.

At the Non-Aligned summit Prime Minister Mahathir argued forcefully for the developing countries to unite “into regional or world international groups, aiding and trading with each other to the extent that we are capable” so as to force the developed countries to respond to the demands for a New International Economic Order. “For as long as the poor economies are incapable of striking back, we are not going to have one bit of concession from them. . . . The only real solution to this problem of economic inequality and oppression is to build up our own resilience.”

In the past months Malaysia has also responded to the crisis in the developed Western economies by resorting more and more to counter-trade, a form of bartering involving a third party. Unless steps are taken to resolve what Mahathir has described as a “man-made crisis” Malaysia will be forced to most likely use counter-trade to further increase trade with Japan as well as with the socialist sector nations.

Growth continues in aversive conditions

by Paul Zykofsky

With a small population of only 15 million and a limited internal market, Malaysia's economy has been dependent to a significant extent on external markets for its commodity exports. Exports account for more than half of Gross National Product, with rubber, tin, palm oil, and crude petroleum bringing in 60 percent of foreign exchange. The economic crisis in the developed sector economies has resulted in a sharp collapse of demand for these products and speculation on commodity exchanges resulting in a fall in nearly all major commodity prices to their lowest levels since the 1930s.

For Malaysia, which is also the world's largest producer of rubber, palm oil, and tin, terms of trade in 1982 deteriorated for the third year in a row by about 5 percent. This was on top of a decline of 13 percent in 1981 and 8 percent in 1980.

For example, the price of top-grade natural rubber fell by 22 percent from 2.58 ringgit (one ringgit is approximately equivalent to \$0.45) in 1981 to approximately 2 ringgit in September 1982 due to the collapse in demand for tires which account for approximately 60 percent of world consumption of rubber. Production, however, stabilized at 1,520,000 tons in 1982 after four consecutive years of decline.

The price of tin also fell sharply from over 36 ringgit a kilogram in November 1981 to the buffer stock floor price of 29.15 in April 1982, a fall of close to 20 percent. Output also fell sharply to a 23-year low of 52,342 tons.

Prices of palm oil took a beating in the latter part of 1982, falling from 950 ringgit a ton in January to around 700 ringgit a ton by the end of the year, a fall of 26 percent. However, Malaysia was able to make this up by increasing production by nearly 25 percent.

Even the price of crude oil, which has been Malaysia's biggest export earner since 1980, fell by approximately 12 percent during 1982. To make up for this, production was increased by 16 percent to 14.5 million tons, or 303,101 barrels a day.

Slower growth

Despite this severe collapse in prices of most of its export commodities, Malaysia was able to sustain a 4.6 percent growth in Gross Domestic Product by increasing the output

of these products, primarily of palm oil and crude petroleum. Manufactured goods, which now account for 21 percent of the economy—up from 15 percent in 1971—showed the strongest growth and helped reverse the decline, with a growth in export revenues of 18.7 percent. This was primarily due to higher exports of electronic goods.

As a result of the fall in revenues from export duties by 28 percent, the government decided to reduce expenditures and increase borrowing. However, despite the cuts, whatever domestic growth did take place in 1982 was the result of an 8.6 percent increase in public sector spending. The private sector, which accounts for approximately two-thirds of the total domestic expenditure, reduced its spending sharply to a 2.7 percent rate of growth.

In addition to reducing outlays, the government increased foreign borrowings markedly in 1982, with net borrowing of 4.67 billion ringgit, about 1,748 million more than the amount raised the previous year. Despite this, Malaysia's foreign debt remains a relatively low 13.09 billion ringgit (approx. \$5.95 billion) with an external debt-service ratio of only 4.5 percent, up from 2.6 percent in 1981.

Machinery imports

One healthy sign pointing to a steady growth in investment, was the 8.7 percent rise in gross imports, with a sharp growth of 20.1 percent in imports of investment goods, primarily machinery. The central bank, which exerts a high degree of control over private lending, also continued to apply administrative restraints to curb speculation and discourage the outflow of capital. Interest rates fell to a maximum prime rate of 9.5 percent and average lending rate of 12.3 percent.

However, the economic downturn has forced Malaysia to take a closer look at overall economic policy for the years ahead. The central bank's annual report, for example, points out that "the downturn in exports in 1981 and 1982 drove home the stark reality that the economy can no longer depend on ever-increasing exports and favorable commodity prices to generate income growth and to pay for the rising imports to meet the ever-growing consumption and investment outlays at the same time." The report goes on to note that "the economy will need to restructure" and proposes that "given existing resources there is innate capacity within the nation to generate a number of domestic 'engines' of growth."

The areas which can function as "engines" for the economy as a whole are identified as: 1) building and construction, especially medium- and low-cost housing, factories for small-scale enterprises, and highway construction and improvement; 2) manufacturing, primarily in resource-based industries for export and for a "second round" of import substitution at a higher phase of industrialization, including steel and metal fabrication; 3) agricultural food production, for domestic consumption and export; and 4) replanting and new planting of rubber and the reforestation of logged areas.

'Turn our thinking toward the East'

In the following interview Dato Azman Hashim, chairman of the Arab-Malaysian Development Bank—the largest merchant bank in Malaysia—discusses the economic situation and some of the government's policies. Azman is a representative of the emerging class of young bumiputras (Malays) who are moving up rapidly in business. After starting his own practice as an accountant in 1960, he joined the board of Malayan Banking in 1964, and remained there until 1981 when he paid 56 million ringgit (about \$25 million) for a 55 percent share of Arab-Malaysian development bank. EIR interviewed him in Kuala Lumpur.

Q: First of all, I would like to ask you how the Malaysian economy has been affected by the international economic crisis?

A: It has been affected, all right! The Malaysian economy is very much subjected to international events. As you know, we are basically an export-oriented country of primary commodities, and this time around everything seems to have come down at the same time. Even though we have diversified a great deal—previously we were dependent very much on rubber—and so we are going into palm oil, into timber, and so forth. But this time prices of all came down at the same time. Certainly during the last two years, with the recession overseas, the weakening demand for our goods, and weakening prices, we have certainly suffered.

Of course, this is relative. In the 1970s we were used to 10 percent annual growth rate. What happened in the last two years is not negative growth, just slower growth, at a 4 or 5 percent level, but there is still growth. And I think in terms of the world situation, that's fantastic. Other countries are having problems getting 1 percent or even breakeven, so we are still growing. The only thing is that by our standards, our own measure, we feel the slowdown.

Q: Do you see any indications of an upturn this year?

A: Well, we are all hoping that it will come through the West, basically we are looking at the U.S. and now the projections are becoming more and more optimistic. If that is so, give us six months time lag or so, and we hope to have increasing demand for our exports, mainly primary commodities.

Q: But if there is no recovery in the U.S.?

A: The picture will look bad all over the world. Because without a strong recovery in the industrialized countries we can't go ahead.

Q: What efforts are being made within the economy to shift from, say, production of raw materials to more downstream processing industries?

A: That is always being encouraged by the government; manufacturing industries, and, as you've probably seen, we are going in for some major heavy industries.

Q: What about setting up industries that would process rubber domestically?

A: Yes, this is also a basic policy now, in terms of not only rubber but also all the basic industries. Timber, for example. We've been exporting mainly logs; I think over 90 percent of the timber exported now is logs which are then processed in Japan and elsewhere. And that doesn't give us very much added value. So now the encouragement is to go downstream, in terms of making say rubber goods; in palm oil also, manufacture of products. I think that is very logical since all the basic raw materials are here.

Q: What is your view of the prime minister's "look East" policy?

A: Basically he is not saying that we must do everything the Japanese do or become Japanese. Basically I think it's to orient our thinking towards the East, more so in the form of their work ethics. Over the years, since we were colonized, our focus and our models and ideals were always to the West, and mainly towards U.K. not even the U.S., which would not have been too bad. So unless we reorient our focus and thinking, we will end up like Britain, having morning tea breaks, lunch breaks, afternoon tea breaks, unions going on strike every other day, these types of attitudes, which Australia has inherited, by the way, from U.K. It's not going to get us anywhere. We need to be comparatively more productive. So I think ideally the best example right now, is in the East, Japan and Korea.

Q: What has been the effect of this policy so far?

A: There have been very visible signs of Japanese and Korean involvement in a lot of activities. There has been closer communication and also rapport between these countries.

Q: How would you characterize this concept of "Malaysia Incorporated" which the prime minister has been speaking about more recently?

A: I don't suppose you can ever have some countries exactly the same as Japan, because Japan is very unique. But I think it is a concept, and the Malaysian version may be somewhat different, but the idea is there, that you work together for a common objective. I think that's what the prime minister wants to instill.

Q: As I understand it, the New Economic Policy (NEP) was designed to shift ownership of more of the economy into the hands of the bumiputra community? How is the NEP proceeding?

A: This cannot be done overnight, of course, because this is a very big exercise and a very big problem starting way back. The Malays are a mild-mannered people and the rest are already halfway through and we are just at the starting block. So this catching up is quite a job. But I think the progress that has been made is quite visible; you can see the signs of it. And what is good about it is that I think generally everybody accepts the NEP.

Matathir Mohamad: 'Build our resilience'

Over the years Prime Minister Dr. Mahathir Mohamad has gained a reputation for saying what he thinks, a rather unusual quality to find in a politician. In August 1969 his plain speaking led to his expulsion from the United Malays National organization (UMNO) after he criticised Prime Minister Tunku Abdul Rahman for conceding too much to the Chinese community in Malaysia. He followed this up with a book, titled *The Malay Dilemma*, which was banned by the government for bluntly discussing the problem of economic inequalities between the different segments of the Malaysian population and advocating policies to restructure society so that the native Malay population could move up the economic ladder.

While in the initial period Mahathir was branded as "anti-Chinese," in later years his views came to be seen not as anti-Chinese but only as pro-Malay. When Tunku stepped down from the prime ministership in 1970, Mahathir was invited back into the party and in 1976 was named Deputy Prime Minister under Datuk Hussein Onn. When Onn retired in June 1981 the UMNO chose him to head the party.

Mahathir and Deputy Prime Minister Datuk Musa Hitam represent a new generation of leaders in Malaysia. The son of a school teacher from the northern sultanate of Kedah, Mahathir is the first Prime Minister of Malaysia who does not belong to an aristocratic or royal family and whose training as a medical doctor did not take place outside the country.

In the following excerpts from some recent speeches, Mahathir explains some of the key elements of his economic policy.

From a speech given at the Seventh Non-Aligned summit, New Delhi, March 8, 1983:

Lately, the world economy has been going through a most difficult phase. It has slipped into a state of deep recession,

causing absolute despair to developing countries. Among other things, we are confronted today with high interest rates, growing inflation, rising unemployment, mounting protectionism, tumbling commodity prices, and a tight squeeze in financial flows. In an age of instant communication, unlimited wealth and inspired application of man and material, we seem incapable of solving even the most simple of economic problems. Indeed we seem to be completely mesmerised, quite unable to extricate ourselves from the quagmire of our own making. For that is what this recession is. It is a man-made recession, cooked up in the capitals of some powerful industrialised countries.

High interest rates, protectionism, the deliberate manipulation of commodity prices through outdated marketing systems and the release of stock-piles, disregard for GATT, refusal to implement the shipping code, the grouping of already powerful nations into exclusive economic blocs, the unilateral changes in the rules, are anything but acts of God. They are mere decisions made by men, principally the powerful men in powerful countries. There is no doubt that these decisions are wrong, that they have led to the economic crisis that we face today.

The industrialised countries should by now have discerned the folly of their policies. I would urge them to reverse these and bring back some order and stability to the limping world economy. I need not stress the desperate need to prevent a total collapse of the world economy. I remain convinced that what man has created, he can surely undo. History will honour those men who are big enough to admit their mistakes and to make amends for them.

The North-South dialogue is no longer the hope of the developing countries. We know now that we cannot squeeze blood from stone. The North is not about to abdicate their role as the aristocrats of the world economics. For as long as the poor economies are incapable of striking back, we are not going to have one bit of concession from them. Therefore let us stop deluding ourselves.

The only real solution to this problem of economic inequality and oppression is to build up our own resilience. If we are poor let us be frugal, let us conserve every little strength and resource that we have so that our needs do not exceed our means. If we are weak, let us unite ourselves into regional or world international groups, aiding and trading with each other to the extent that we are capable. If we lack the skills let us acquire them from whatever source available. The process is going to be slow and painful. But it is better that we fall back on our own resources than to place our hopes on understanding and help from the unfeeling North.

Malaysia intends to do this. We have tightened our belts. We intend to live within our means. We cooperate with our neighbours. And we are going further afield, to the South Pacific and to Africa in order to seek meaningful South-South cooperation. Whatever little we have or we know, if we can afford them, we will extend to those who need them. It is our hope that others too will adopt this attitude so that we will

not only survive but, God willing, we will one day be free from the economic and technological oppression of an insensitive North.

From speech to the Japanese Economic Organizations, Tokyo, Jan. 24, 1983.

Those of us who are from the developing countries cannot help but admire the fact that you and your predecessors, through sheer hard work and determination, helped to guide the first Asian nation from an island-based agrarian society to become what is perhaps the most technologically efficient economy in the world today. Japan accounts for 10 percent of world economic activity, although occupying only 0.3 percent of the world's land area and supporting about 3 percent of the world's population. The achievements of the Japanese economy have become a model of inspiration for many newly industrialising economies. Indeed, your record now is the envy of the industrial West. The developing economies, no doubt, have much to learn from an economy that was able to achieve growth rates of over 10 percent for over two decades to the early 1970s, and rates of up to 5.5 percent annually in the recent past, with moderate inflation and practically no significant unemployment. Through the unique ability of your researchers and businessmen to work in close cooperation with your government to take the long view, the Japanese economy has been successful in taking the first bold steps towards advanced automation and high technology to raise productivity that have astonished the world.

As some of you may be aware, Malaysia shares a number of similarities with the Japanese economy of the not-too-distant past. We are a small economy dependent on international trade, with a young but rapidly growing workforce. We both share high levels of national investment and savings, and have enjoyed relatively low rates of inflation. More important, we share a common belief in monetary stability and financial discipline as essential pre-conditions to growth. We also share a common objective—which we deeply believe—in raising living standards within the shortest time possible. There, the similarity ends. For Malaysia is basically still agriculture-based, relying on production centered on our vast natural resource base. Increasingly, as we develop our fledgling industrial base, we will require more and more of the capital, know-how, and experience that Japan has to offer.

No doubt, we will need to invest heavily in our human and natural resources, and to mobilise vast sums of money to bring the dream into reality. The government is committed to this bold venture. Its main function will be to provide the leadership and play the catalyst role, and to set in place efficient infrastructural facilities, foster a stable monetary climate, and instill a political environment that promotes private initiative, encourages innovation and judicious business risks. The picture is complete only with the implementation of an aggressive policy to promote the inflow of foreign capital and know-how, including the upgrading of skills based on modern technology.

It is no longer possible to say:

"I have nothing to do with foreign economic and industrial policies."



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Consumer sector steel orders plunge

This may be the end of the 'inventory-led recovery'; the impact of unsold consumer durables remains to be seen.

Steel orders for March dropped 26 percent from February levels, according to Peter Marcus, one of the nation's leading steel market watchers. According to his preliminary figures, the loss in orders came almost entirely from the consumer durable sector while capital goods, the major user of steel, remained flat.

Of the 90 million ton annual rate of steel orders in February, 42 million tons came from the consumer durable sector says Marcus, who tracks orders, shipments, and prices of the seven top domestic steel producers. In March, consumer durables steel orders collapsed 50 percent to about 20 million tons, thus accounting for about 80 percent of the total 26 percent drop in overall steel orders from February to March.

April steel orders are not yet available, but the March figures clearly point to the end of the inventory accumulation in consumer durables.

If the inventory-led "recovery" of January to March is at an end, the mixed industrial production and orders numbers indicate serious dangers in the short-term economic future.

Personal consumption in the first quarter of 1983 rose by 0.6 percent, about half the increase recorded in the fourth quarter of 1982. This slowdown in consumption is due to the huge unemployment overhang in the economy.

An economy going nowhere and primed for some serious trouble soon

produces odd shipments and orders figures. The underlying capital goods sector is in very serious doldrums. Machine tool orders finally showed a month-to-month rise to \$126 million in March, but shipments continued to run at more than twice that amount, and the industry now has only five months of order backlog before it simply closes its doors. Shipments for the industry's first quarter 1983 ran 38 percent below its abysmally low year-earlier figure.

Steel shipments to capital goods industries remained absolutely flat during the first three months of 1983, while business equipment sales, which make up one-eighth of all industrial sales sank 2.7 percent from November (supposedly the bottom of the "recession") to March, posting a 14.8 percent decline for the year.

Other figures seemed to move in contrary directions.

Auto production remained relatively high in April at 527,700 units, while single family home starts bounced up to a 146,000 annual rate in March from the very depressed 94,000 in the first two months of the year. (As *EIR* had predicted, this created a drop—9 percent in this case—in the rate, due to seasonal adjustment.)

High auto production is being maintained simply because the manufacturers insist on overbuilding, as they have been doing for four months. As in housing, they are forcing production in advance of a predicted shut-

down. The much written about 3.5 percent increase in manufacturing durable goods orders in March is an uncertain sign. The March recovery matches exactly the February decline in orders.

Construction spending as a whole (residential, commercial, and industrial, and public works) slipped 1.6 percent in March after turning down 2.9 percent in February but rising 6.0 percent in January. The bright spot in construction is residential housing; the dark side is commercial and industrial building, down 19 percent from 1982 levels, and public works, which is being saved from precipitous decline by the rebuilding of the Tampa Bay bridge.

Price erosions in finished and intermediate industrial goods reflect the extreme sluggishness in this year's first quarter industrial demand. Manufactured finished goods prices (excluding consumer foods) rose 3.8 percent last year, but fell 1.4 percent in the first three months of this year. Intermediate manufactured goods posted a very small 0.6 percent increase in 1982 but a sharp 1.4 percent dip in the first quarter 1983.

Crude materials prices seemed to firm in 1983 after heavy drops in 1982, but much of this came from crude oil price declines. Other crude prices (excepting food and feedstuffs) showed a mixed pattern: iron and steel scrap, aluminum scrap, raw cotton, and rubber rose, but copper scrap and waste-paper prices fell.

The figures are not simply "inconclusive." They show there is no generalized recovery nor an all-out collapse.

The question now is how the economy will respond to a serious consumer durable inventory overhang under the burden of record high real interest rates.

Business Briefs

Developing Sector

Indian steel industry stagnating

Reports published by the Steel Authority of India (SAIL) show that India's steel industry is in total disarray. The inventory level in 1982-83 has reached a record 1.5 million tons—almost 16 percent of India's present annual steel consumption—with no visible signs of improvement in the domestic demand.

India's meager steel consumption—a clear indicator of a stagnating economy—was slashed further last year when the demand of the heavy industry sector dropped by more than 75,000 tons. The Central Electricity Authority reduced its consumption by 231,000 tons, railways by 107,000 tons, and the small industry sector by 21,000 tons. During fiscal year 1982-83, the total consumption of steel was reduced to 9.5 million tons, 1.5 million tons less than what was projected at the beginning of the year.

In the mid-April report, the SAIL projects a gloomy situation for the steel industry in the current year, unless the government takes special measures to increase production in steel and wagon manufacturing, shipbuilding, and rolling-stock manufacturing, all of which are undergoing serious cutbacks. One reason given for such cutbacks is the recent drop in exports to once-booming Middle East and African countries, which accounted for at least 1.5 million tons of Indian steel exports in earlier years.

Although India's actual overall steel demand for the fiscal year 1983-84 is projected at 9.5 million tons, SAIL forecasts that the consumption in the public sector, which accounts for 80 percent of the total, will be less because of resource restraints.

World Trade

Japan's Nakasone tours the ASEAN nations

Japanese Prime Minister Yasuhiro Nakasone began a tour April 30 of the Southeast Asian nations grouped in ASEAN (Thailand, Malaysia, Singapore, Indonesia, and

the Philippines) to discuss both bilateral political and economic relations and the international economic situation. The Japanese premier's tour immediately precedes the May Williamsburg economic summit, and the Japanese are consulting with the ASEAN countries, and separately with the Chinese, on their views on the Williamsburg summit.

Nakasone met with President Suharto of Indonesia April 30 for two and one-half hours of talks. Japan extended to Indonesia a \$285 million loan, and discussed ways to expand trade between Japan and ASEAN.

Nakasone proposed a five-point program for Japan-ASEAN expansion of friendship, including expanded trade, Japanese renovation of ASEAN factories, a personnel exchange program so as to train ASEAN people in Japan, and establishment of an ASEAN-Japan ministerial council on science and technology.

According to Japanese press reports on the meeting of OECD finance ministers the week of April 25 in Washington and the meeting of trade ministers in Brussels—all to prepare for Williamsburg—the Japanese government intends to make the developing sector debt problem a major topic of discussion. Well-informed Japanese sources also confirm that Nakasone intends to bring up in informal discussion the proposed construction of a second Panama canal and the broader concept of a global infrastructure fund for similar large-scale development projects in the developing sector.

International Credit

OPEC announces record \$50 billion deficit

The OPEC headquarters in Vienna announced May 2 that the 13 members of the cartel will run a record \$50 billion deficit this year as a result of the collapse of OPEC oil exports and prices.

Of that projected deficit, Saudi Arabia will run at least a \$10 billion shortfall. Saudi King Fahd has already announced that the kingdom will withdraw at least \$10 billion in foreign investments to cover that deficit in keeping the Saudi Development Plan going.

Even the wealthiest members of OPEC, the states of the Persian Gulf, are making

substantial cutbacks in spending to meet the dramatic decline in oil income. The United Arab Emirates announced the week of April 25 that it will lay off 1,700 foreign workers and also begin cutting back on domestic social programs including cutting free medical care to certain categories of foreign workers. According to sources in Saudi Arabia, the U.S.-Saudi oil company Aramco is preparing to cut its personnel by 50 percent.

Nigeria is in the most critical situation of any OPEC nation. Nigerian short-term debt is variously estimated to be between \$3 billion and \$6 billion. That debt was accumulated as a result of the collapse of Nigerian oil income to finance imports.

U.S. Economy

Business Week seems to change its line

When the Department of Commerce reported that February's consumer sales fell 0.4 percent from January's, *Business Week* magazine devoted an entire feature in its March 28 issue to proving that things were not so bad.

In "Sales Are Stronger Than They Seem," *Business Week* quotes numerous retail sales executives boasting about their business. Under the subtitle "The Best In Years," the magazine writes that K-Mart logged an 8.6 percent sales gain in February, Sears 4.3 percent, Federated 13 percent, and Dayton Hudson Corp. 23 percent.

On May 2, barely six weeks later, *Business Week* chief Outlook editor William B. Franklin writes, "The recovery is not as strong as the numbers suggest." Franklin has noticed that the uptick in production in the first quarter came from a rebuilding of inventory, not from consumer and other sales. In an accompanying article, "Inventories Could Hobble the Recovery," the editors discover that not only have consumer sales not risen, of which they were so confident in late March, but indeed had fallen from December to January and remained flat for February and March. While the magazine's figures are still marginally erroneous, it is clear that they had the real January and February statistics when they wrote their earlier "Sales are stronger than they seem."

Briefly

Domestic Finance

Mortgage sector wants to free up funds

The U.S. Senate Housing and Urban Affairs Subcommittee held hearings May 4 and 5 on requests from the Federal National Mortgage Association (Fannie Mae) for a change in its statutes, which would allow the quasi-governmental agency to free up its portfolio from a large backlog of low-interest mortgages.

The Fannie Mae legislative request stirred opposition among numbers of private finance companies, which claim that Fannie Mae could become unduly competitive, and undermine their share of the mortgage market, because of privileges the agency enjoys through access to government guarantees. Among the most emphatic of the opponents was the Mortgage Insurance Companies of America, the association of mortgage insurance firms.

The dispute at the hearings was surprisingly heated, considering the highly technical nature of the issues involved. Private companies argued that Fannie Mae's directors had exerted unfair pressure on them to support the bill, taking advantage of their government connections. Underlying the controversy is the pressure being exerted on the construction financing industry overall, due to rapidly proceeding deregulation of U.S. financial institutions. Increasingly, mortgage financiers are ceasing to finance mortgages directly and are moving toward becoming intermediaries for large, money-market-based brokerage houses, for whom they issue and then pass on mortgages. Under these conditions, funds are becoming scarcer, and fewer institutions can operate profitably in the industry.

Agriculture

Reagan accepts grain agreement with U.S.S.R.

The April 22 presidential announcement that the United States was prepared to negotiate a new long-term grain sales agreement with the Soviet Union reverses the State Depart-

ment's four-year refusal to sign such an agreement. Commodity traders claim that the announcement is more a result of Capitol Hill pressure more than a change in White House thinking.

The news was met with optimism that the 3.9 billion bushel wheat stocks will at last be sold before they decay. The Soviets have not yet responded to the offer.

Although the Carter administration embargo on grain sales to the U.S.S.R. was lifted by President Reagan in 1981, the 1976 grain sales agreement was left to expire. It has been renewed on a yearly basis, the current one being due to expire Sept. 30. Under the agreements, the Soviets were to buy a minimum of 6 million tons of U.S. grain annually, with a maximum of 15 million tons. This year the Soviets just met their agreement by purchasing 6.1 million metric tons of wheat and corn. In 1982 the Soviets bought 15 million metric tons from the U.S. out of total imports of over 40 million tons.

Since the grain embargo, the United States' share of Soviet grain purchases fell from 75 percent to 25 percent. Grain trade observers are predicting that the Soviets will increase their share of U.S. purchases this year because of poor Soviet harvests.

Agriculture

USDA: 'all the corn needed for PIK'

The U.S. Department of Agriculture announced April 22 that it had acquired 1.1 billion bushels of grain under its loan forfeiture offer for use in the Payment-In-Kind program, which awards farmers surplus grain for not planting crops.

The Commodity Credit Corporation acquired slightly more than it needed for corn, slightly less than the quantity of sorghum needed and less than two-thirds of the wheat still needed to pay farmers signed up for the program. The acquisitions came from supplies held as collateral for loans the farmers received from government programs.

The amount of grain forfeited shows that farmers were, as USDA had predicted in February, too debt-strapped to repay their grain storage loans, and "just walked away from it."

● **SIR ROY DENMAN**, head of the European Community delegation to Washington, told reporters May 5 that a strong stand against trade protectionism will probably be the only firm outcome of the Williamsburg heads-of-state meeting later this month. Outside of such a "reaffirmation" of the consensus of the GATT ministerial meeting from last autumn, Denman warned, nothing of importance should be expected from the summit. Denman's characterization fits a pattern of statements recently from international financial officials who want to use trade conflicts as a way of avoiding serious international deliberation on debt problems.

● **THE WALL STREET Journal** has joined the campaign to popularize Adolf Hitler during the year that marks the 50th anniversary of his coming to power in Germany. In a front-page article May 4, the *Journal* describes how Hitler memorabilia are "stirring up interest as never before." The article describes in detail the money being made in speculation on Hitler autographs, and the profits generated by books and articles on the Third Reich.

● **BRAZIL** is already in violation of every quantitative condition set by the IMF in February, despite real reductions in money supply which have sent interest rates up to 23 percent per month. Cause: inflation caused by the 30-percent devaluation forced by the IMF itself. Brazil may try to renegotiate conditions, tighten the screws further, or just tell the IMF to mind its own business.

● **LAWRENCE CHIMERINE**, chairman of the prestigious Chase Econometrics, told a leading business publication that "the recent pace of output gains cannot be sustained at the current pace of sales." Mr. Chimerine also ventured, "I think there has been some small degree of unintended inventory accumulation."

Common market spearheaded by Brazil and Mexico

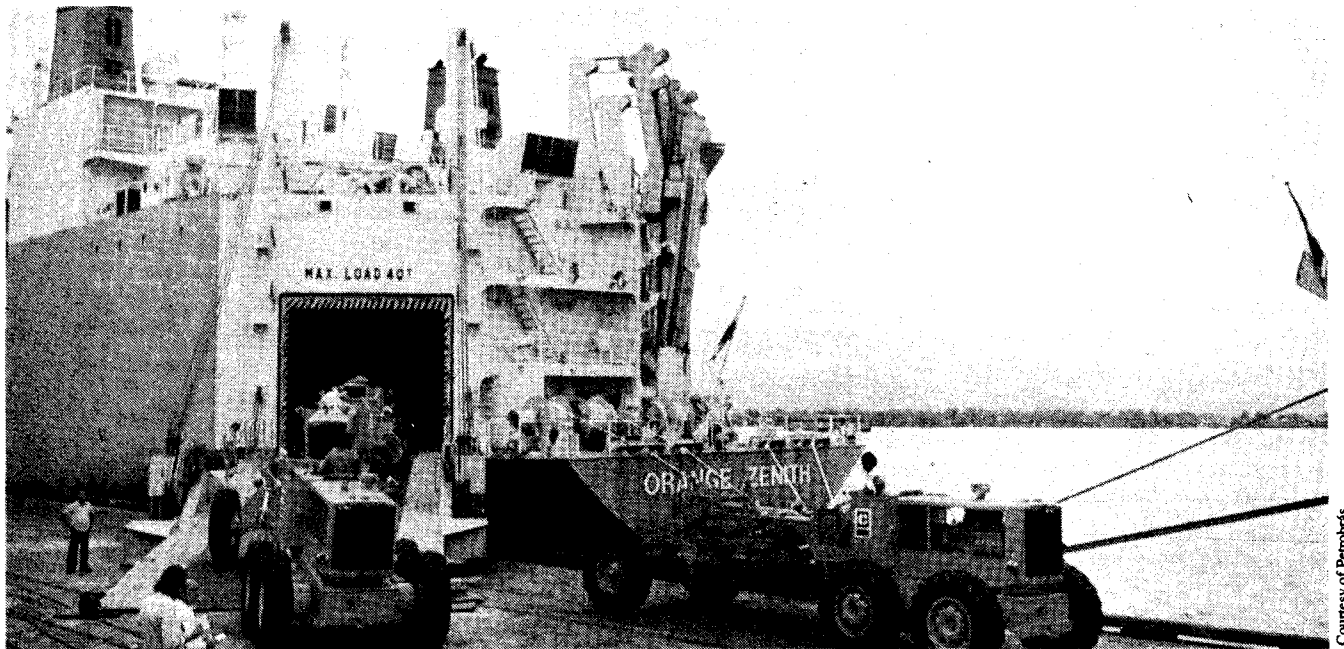
by Mark Sonnenblick in New York and
Josefina Menéndez in Cancún

Latin America is beginning to trade without dollars. At their April 26-29 presidential summit, the governments of Mexico and Brazil made the political decision to unite forces and begin to integrate their economies to force an end to the world crisis or—failing that—to survive it. Rather than giving every dollar they earn from their exports to the debt collectors (as Brazil did last year), they have decided to barter their production and rapidly multiply tenfold the trade between themselves. Mexico is exporting its oil in exchange for Brazil's machinery and food grains without either partner having to have a dollar or a "good credit rating."

When extended throughout Spanish and Portuguese America, such a dollar-free common market will give its members freedom to force creditors either to renegotiate the \$300 billion in debts under socially tolerable conditions or to hold debt paper which will never be collected. Now that the continent's two most powerful nations—and the world's two largest debtors—have broken the ice, such barter operations are likely to proliferate throughout the region.

The political commitment Mexico and Brazil forged was not just to themselves, but also to what Mexican President Miguel de la Madrid called the "common fatherland" of all Ibero-America. Brazilian President João Figueiredo did much to end the tragic history of "divide and conquer" by which the British and their junior partners in the U.S. State Department have cynically manipulated a "balance of power" in Latin America in their own geopolitical interests. General Figueiredo caused Henry Kissinger's heart to bypass several beats when he categorically declared, "If the United States decides to invade Central America, Brazil will never support it." The "special relationship" Kissinger signed with Brazil in 1975 is now a dead letter.

By laying the foundations for Latin American economic self-sufficiency, Brazil and Mexico are not seeking to break with the United States. Yet, if Washington fails to heed the "urgent appeal" issued by Mexico and Brazil for the United States to break out of its own depression through "the accelerated development of the countries of the South," it will lose its natural markets to the south. The United States will witness the demise of the dollar in Ibero-America, as it rapidly becomes a currency good only for the odious task of usurious debt repayment.



Courtesy of Petrobrás

Caterpillar road graders made in Brazil en route to Ecuador in exchange for oil; \$20 million of Brazilian-made Massey-Ferguson farm tractors were bartered to Mexico at the Cancún summit. Latin America can produce almost all its needs, if necessary.

Figueiredo and de la Madrid sent out an alert that the economic summit meeting in Williamsburg, Virginia, on May 26-27 may be the last opportunity for the industrialized countries to end economic chaos with a new system of North-South cooperation.

'Development means more U.S. jobs'

The "Declaration of Cancún," which the two presidents signed on April 29, explains how unemployment in the United States could be ended through a New International Economic Order. The Brazilians and the Mexicans do *not* ask the U.S. taxpayers for a single penny of "foreign aid," and they certainly did not ask for the United States to throw away \$8.4 billion into the International Monetary Fund (IMF), an institution which has destroyed Ibero-American nations' productive capacity and their ability to repay their debt.

velopment of the countries of the South is necessary not only to meet the aspirations of their peoples, but also to contribute to the modernization of the economies of the developed countries themselves, thus alleviating their grave unemployment problems."

Not a word of the Cancún message directed toward the people and government of the United States was allowed to appear in any of the American newspapers and other media monitored by *EIR*. The only coverage found at all was a story in the *Journal of Commerce*, which reported on the barter deals. The blackout was so extreme (although complete reports were carried in all the Mexican and Brazilian press) that even specialists like a large Canadian bank's Latin America analyst were unaware that the meeting had taken place.

The declaration recalls that "one out of every six industrial jobs in the United States depends on exports to the developing countries," and continues, "Thus accelerated development of the countries of the South is necessary not only to meet the aspirations of their peoples, but also to contribute to the modernization of the economies of the developed countries themselves, thus alleviating their grave unemployment problems."

An iron curtain descended around the United States to preserve the delusions of the Reagan administration and the American population that the fabled domestic "economic recovery" and continued IMF-mandated austerity in the underdeveloped sector would make the crisis disappear. Not a word of the Cancún message directed toward the people and government of the United States was allowed to appear in any of the American newspapers and other media monitored by *EIR*. The only coverage found at all was a story in the *Journal of Commerce*, which reported on the barter deals. The blackout was so extreme (although complete reports were carried in all the Mexican and Brazilian press) that even specialists like a large Canadian bank's Latin America analyst were unaware that the meeting had taken place.

How to form a common market

Throughout Ibero-America, people are waking up to the fact that they have much to gain and little to lose in creating a new trading system. The strategy being followed by the Brazilian foreign ministry and others who are leading the way is to try to get a whole series of bilateral deals in place before formally announcing that barter has replaced the dollar.

At issue is the call made last August by noted U.S. econ-

omist Lyndon H. LaRouche, Jr. for the Ibero-American nations to join in a strong common market and drop what he called "the debt bomb," originating the use of this term. LaRouche argued that the Anglo-American military onslaught against Argentina presaged a return to "gunboat diplomacy" for debt collection.

LaRouche insisted that the Ibero-Americans help persuade the United States to stop acting as an enforcer for the City of London and return to Monroe Doctrine policies of defending the sovereignty of sister republics. The Declaration of Cancún carries through on many of his suggestions.

Riots and the prospect of more serious social problems have convinced even the most pro-U.S. public officials throughout the continent that they must find an escape from IMF policies, and from the destructive GATT system of free trade. The continent is seething with discussion and motion towards "creative mechanisms" for dealing with the crisis:

- Peruvian President Francisco Belaunde Terry has called for an Andean Pact currency to revitalize that flagging common market. Even formerly staunch advocates of free trade such as the Peruvian National Society of Industries and the Peruvian Exporters' Association are now promoting state-to-state barter operations and the formation of a Latin American common market.

- Such a market could be established at a summit meeting of all the region's presidents. Brazil and Mexico formally endorsed the call for such a meeting made by Ecuador's Christian Democratic President Osvaldo Hurtado.

- Colombian President Belisario Betancur is on record for joint solutions including possible joint debt renegotiation.

- Brazil is making barter arrangements into a way of life. In addition to deals noted elsewhere, Brazil is negotiating systems for trading without dollars or the mediation of international banks with Venezuela, Argentina, Uruguay, Paraguay, Algeria, and Iran.

- Brazil and Nigeria are about to sign barter agreements to permit bilateral trade to return to the 1981 level of \$1.5 billion. It has fallen to practically zero, due to the refusal of international banks to finance their trade.

- Brazil and Angola signed an agreement on April 15 for Angola to exchange \$100 million of oil for Brazilian steel products.

- Brazil is bartering bauxite for oil with the Soviets. A huge Soviet industrial fair took place in São Paulo the first week in May, designed to increase trade, including triangular trade with East bloc members such as Poland, by roughly 50 percent.

- A very high-level Libyan delegation was just in Argentina secretly; *EIR* has reliable reports from Buenos Aires that various forms of barter deals are under consideration.

- Venezuelan Finance Minister Arturo Sosa is discussing trade deals with Japan, denominated in yen, not dollars.

- The Venezuelan government has signed small barter deals with Ecuador and Peru.

- Argentine and Mexican officials reportedly discussed barter during a recent meeting of the U.N. Economic Com-

mission on Latin America in Santiago, Chile.

Argentina is the missing link—and it is a crucial one. While Ibero-America has all the oil needed to supply its needs and is thus invulnerable to energy warfare, only with Argentina's immense grain and beef capabilities can it immediately insure itself against the food warfare which has been plotted by the Club of Rome and other think tanks. As shown in accompanying reports, Argentina's break with British free trade policies will require a change of government.

Argentina's participation in the emerging new trade bloc will give that bloc the required flexibility to make it a genuine multilateral institution. Right now, Mexico needs more grain than Brazil can provide. Argentina could send grain to Mexico, receive payment in capital goods from Brazil, with Brazil getting oil from Mexico.

As the exchange process moves beyond simple barter, and becomes multilateral rather than bilateral, trade becomes extremely difficult unless there are norms for deciding the values of varied products and a multilateral clearing system for payments. That is the function of a common market, an Ibero-American central bank and a regional currency—the necessary next steps on the Ibero-American economic agenda.

While all the separate barter operations are being quietly mounted, there is still a tremendous fear in Latin America of antagonizing the international bankers. Hence the loud public disclaimers of any intention to cease debt payments or form a debtors' cartel. The fear is understandable. U.S. Treasury Secretary Donald Regan and more overt emissaries from Morgan Guaranty bank have threatened all the major countries that they would lose access to the U.S. credit and trade markets and would have their vital imports blocked if they sought to jointly renegotiate their debts. The argument is that economic activity and consumption would be ravaged if Ibero-America dares break with the IMF.

Studies conducted by *EIR* over the past eight months, however, reach the opposite conclusion. A preliminary report, summarized below, found that the region is self-sufficient in food, energy, and almost everything else, and could therefore stand up to economic warfare. Another *EIR* study published in January and based on the LaRouche-Riemann econometric model found that the Mexican economy will disintegrate if IMF conditionalities continue to be applied, whereas Mexico could achieve a modest recovery if it broke with the international usury system and defended its productive apparatus with the aid of a common market. *EIR* is currently applying the model to Ibero-America as a whole to provide a graphic contrast between the common market approach and the current IMF austerity policies.

Latin America's leaders, however, are not waiting for all the data to come in. The hunger, the riots, the dangers of spreading conflagration they see all around them, have convinced the more courageous of them to act now. General João Figueiredo and Miguel de la Madrid have created new hopes for the world. Will the United States seize its opportunity to avert a financial collapse? Or will the South be forced to go it alone?

'Foster development of the South to reactivate industrialized nations'

Excerpts from the "Declaration of Cancún" issued jointly by the Brazilian and Mexican Presidents April 29. Emphasis has been added.

The Presidents of Mexico and Brazil, meeting in Cancún, the site of the first encounter between heads of state and government on international cooperation for development, in view of the situation of the world economy and the stagnation of the North-South Dialogue, declare:

Mexico and Brazil are both quite worried by the marked deterioration of the world economic situation, which is drowning the international community in the gravest crisis since the thirties.

The crisis has lowered the world's economic growth rate, and made it negative in 1982. The crisis has also meant a period of stagnation for Latin America, provoking in 1982, for the first time in almost half a century, lower production in the region, accentuated deterioration of the terms of trade reaching 30 percent over recent years, and a 10 percent drop in export income last year. The crisis has also caused foreign debt to increase rapidly up to the order of \$300 billion for the Latin American region.

There are recent signs—though limited and unreliable—of recovery in some developed countries. These effects, however, will not translate into a sustained and stable expansion of the world economy, and in particular, of the developing countries, if the barriers to trade persist and the deterioration in international cooperation continues.

In the face of the imperative need to confront this situation, the Presidents of Brazil and Mexico underlined the importance of paying attention to the following considerations:

The region has had to take adjustment measures with high economic and social costs to face its acute foreign imbalance. The Latin American countries cannot accept that these measures become translated in the medium and long term into economic retraction and continuous lowering of already inadequate income levels. They demand, therefore, urgent effective actions to give their exports access to developed countries' markets and sufficient financial resources under adequate conditions.

The duration, scope, and depth of the crisis reveal its structural character and the deficiencies of the international

economic system. The growing integration of the world economy demands simultaneous and coordinated measures, especially in trade and finances. The crisis can be dealt with only through global initiatives of international cooperation. . . .

A static recognition that interdependence means that all economies are influenced by each other is not enough. It is urgent that interdependence be converted into a vector to transform the prevailing international economic order. *Thus, accelerated development of the countries of the South is necessary, not only to meet the aspirations of their populations, but also to contribute to the readjustment and modernization of the economies of the developed countries themselves, alleviating their grave unemployment problems.*

The developing countries are already a dynamic and important participant in the multiple settings of the world economy. Approximately one-third of the exports of the developed countries go to the developing sector. One out of six industrial jobs in the United States depends on these exports.

Under conditions in which the developed countries have ample idle capacity in many sectors, the import demand of the developing countries offers them an enormous potential to reactivate their economies on a non-inflationary basis. . . .

Fostering trade

[T]he flows of resources necessary to foster development and finance trade [must be] restored. Linked with these actions, progress in the reform of the international monetary system is necessary, as the developing countries have repeatedly proposed.

The presidents of Mexico and Brazil . . . direct themselves in particular now to the heads of state and governments of the industrialized countries who will meet next May in Williamsburg, with the hope that they determine to make international economic cooperation effective for development, and to efficiently confront the crisis.

The Brazilian delegation included businessmen avid to make deals with their Mexican counterparts and to orient them on how to fight for economic growth. Arthur João Donato, the president of the Federation of Industries of State of Rio de Janeiro, made participants in the Mexico-Brazilian

business luncheon April 28 aware that the summit had changed the world:

Today's situation has changed as a function of the crisis. . . . The creditors of Brazil and Mexico will take the change that has happened into account in order to change their behavior from that of mere inflexible bill collectors.

Excerpts follow from Brazilian President Figueiredo's welcoming statement, April 26:

The developing countries cannot bear the greatest burden of the present economic crisis, because they are not primarily responsible for it, and because they lack the ways and means to survive it. To subject us to greater sacrifices imposed by the international dislocation brings grave risks, even for those who delude themselves in believing that they are the beneficiaries of existing structures. Equilibrium and austerity may not be obtained to the detriment of economic growth nor by the asphyxiation of the productive apparatus on which the welfare and social happiness of our populations depend.

We cannot accept the unending decline in the levels of international trade and exchange which we fought to set up between developing countries. The preservation of the growth of our economies is an important factor for the relaunching of the world economy on a solid basis.

[Figueiredo then charged that the industrialized countries had betrayed the promises of global solutions they made at the Cancún summit, two years ago. The spirit of Cancún could have greatly improved North-South relations,] if there were understanding of the real meaning of that dialogue and political will to carry through on its objectives. From the Cancún meeting until today, in reality, the North-South dialogue has only regressed. . . . We must have the humility to recognize the faults of the present system and look in new mechanisms or new institutions for the welfare of humanity.

At the presidential state dinner, April 27, Mexican President de la Madrid stated:

Although the recent conflict in the South Atlantic brought forth the blossoming of an atmosphere of Latin American unity which must not be lost in peacetime.

Mexico is committed to solidarity with Latin America. On this solidarity Mexico bases its most deeply rooted principles and our most closely held responsibilities. Our international doctrine has never sought to fill power vacuums, nor take leadership roles where a nation's essence is lost along the way. Let us affirm our political will to achieve solidarity and integration; and let us unite forces to overcome with vigor and self-confidence the great problems which trouble our peoples.

Of course, not everything falls exclusively upon us. But, quite the reverse of the linear thinking on which empires are based, international life is not the preserve of unilateral ac-

tion, nor should it be a laboratory for a select few. State society as a whole is obliged to perform decisive tasks in the century now closing and which already takes shape. Given the unjustified and incomprehensible persistence of our problems, it is legitimate to say that the international system is in crisis. . . .

We should not give in to a simplistic study of conspiracy theories because the great powers themselves are moved by hidden forces. Nor should we. . . reach the absurdity of believing that there are entire nations willing to deliberately go to self-immolation, in order to preserve the benefits of their leaders, in an obvious show of unsustainable Manicheism. . . .

The pretexts invoked to increase tensions and to destabilize the links between the countries of Central America and the Caribbean abound. Thus, we must multiply the incentive for pacification and intensify contacts and consultations among the states directly involved, in unrestricted support for the principles of non-intervention. We must prevent impulses for renewal from being annulled, and provocations from overflowing into a generalized and uncontrollable conflagration, which could harm all of us, the powerful as well as the weak.

I am convinced that the so-called spirit of Contadora must be transformed into a continuous spirit of détente. . . . We must also remember that the peace task has focused so far—due to the extreme dangerousness of the situation—on political management of the effects of the conflict, but not on its causes. . . .

To counteract the strategies of extermination, we have sought purely technical formulas which have not managed to remove the obstacles. Now is the time to also seek the human solutions demanded by the enormous sufferings of these peoples, in a new and revitalizing escalation of peace.

Central America and the Caribbean show the international crisis in its virulent form. But its dark trail also clouds the horizon of countries like ours. I won't say that it has the same effects on Mexico or on Brazil, nor that we are on the edge of the precipice.

It is undeniable, however, that the turbulencies of the economic retraction have transformed themselves into deep financial fissures which, in the form of the foreign debt, have endangered our hope for development. These phenomena of retraction again lead us to warn that the inadequacies of the international economic structure are a limiting factor rather than a starting point for solving our problems, which only we can do; because this is our inalienable responsibility. . . .

It is important to emphasize that the interdependence which Brazil and Mexico seek is among equals. . . . Our binational cooperation should be made into a decisive factor of mutual benefit and critical mass for a rapprochement within Latin America. . . . That is how we answer to the deep affection the Mexican and Brazilian people have for each other and the responsibility imposed on us by our own specific weight.

Mr. President: The greatness of Brazil does not lie fun-

damentally in its vast geographical spread nor in its enormous development potential, but rather in that great source of wealth which is your people. . . . Your destiny is tied to the destiny of the Latin American nations; and thus, with that of Mexico. Yours is a nation which has an invaluable resource in the intelligence and strength of your institutions. The time has come to give new form to the aspirations of our peoples because the time has come to fight for policies in favor of man and his hopes.

I toast to the solid friendship between Brazil and Mexico and for the confidence that together we will know how to move ahead. . . .

Mexican President de la Madrid declared during an April 29 toast to his Brazilian guest:

We have established the necessary political climate at the highest level of mandate of our Republics . . . but it will be our officials, our intellectuals and technicians, our businessmen and artists who will have to give content to this political will as it corresponds to our democratic, plural, mixed, and mestizo societies.

Mexican foreign minister Bernardo Sepulveda had this appreciation for the U.S. ambassador to the United Nations in his April 28 press conference:

When one listens to Mrs. Kirkpatrick, one is left with the impression that she has been a professor, schoolteacher, and that occasionally in the United Nations, she reproduces the treatment that she gave her kindergarden students. . . . It happens that the United Nations is a community of free and sovereign nations, where the principle of sovereign equality prevails. We have not and will not let any speaker of any government to dictate the nature and the orientation of our foreign policy.

[On President Reagan's speech to the Congress, Sepulveda stated:] One can notice a series of ideas which had been announced previously and which start from different premises on the Central American conflict, from those held by us, the members of the Contadora Group.

The president of the conservative Association of Brazilian Exporters, Humberto Costa Pinto Jr., declared:

All that blocked greater exchange between Brazilians and Mexicans was the underdeveloped belief that oriented our efforts according to the trade flows between the industrialized nations.

Anyone who thinks the restrictive monetarist policies imposed on us by the orthodoxy of international financial institutions will resolve our problems is deceiving himself. . . .

It is evident that the international financial system will soon have to admit that foreign debt requires an innovative

and creative treatment, so that, with more leeway we can go back to growing, producing, and exporting more to pay our commitments. If there are not daring and original initiatives of an international scope, we all run the risk of a regression into a world of closed and hostile economies, with all the perils that implies Without growth, we will advance toward desperation and revolt not only of the radical minorities, but of the majority of the workers.

Senator Albano Franco, president of the Brazilian National Confederation of Industry, told the same luncheon:

The force and arrogance of the rich countries gains much from the ingenuity and incompetence of the backwards or developing countries and from the present, aged, and unjust international economic order. This order, which benefits savage oligopolies and anoints soul-less, atheistic usury is the genesis of injustice, the other name for disorder.

[Franco warned that international capitalism is being discredited by the world crisis.] The danger increases when interest costs, more than wage bills, weigh down on and multiply firms' costs.

Not a word appeared in major U.S. media during or after the summit. Coverage elsewhere was sparse. The Times of London, April 27, wrote about the summit:

There is much speculation . . . [they] will discuss a contingency plan during their two days of talks whereby their two countries would join forces into pressing the IMF and the world's banks into accepting their own, more favourable terms for repayment of their vast foreign debts. [The Times] says analysts in both countries think they could insist later [this year] on lower interest payments on loans or longer grace periods for their repayment or both. This in turn would lead to huge losses for the international banks. . . .

The crisis has brought common market fever throughout the continent, even among business layers which had traditionally opposed stronger roles for the state in trade. Gonzalo Garland of the Peruvian Exporters Association spoke at an April 28 meeting of the Club of Life in Lima. Garland declared:

We have magnificent opportunities for Latin American-wide commercial integration, especially among the countries of the Andean Pact, where we have a population of 80 million alone Unlike any other continent, we have every type of natural resource plus the necessary industrial facilities in the making to do what is necessary.

For Latin America there is no individual way of moving forward except arm in arm. We cannot remain isolated entities, but must act jointly. One form of cooperation would be to form Latin America into a unity that can renegotiate its debt collectively.

'North-South understanding has never been so important'

Mr. Shigeaki Ueki, the President of Petrobrás, Brazil's state oil company, granted the following interview April 28 to EIR's correspondent at Cancún, Josefina Menéndez. Mr. Ueki served as Brazil's Minister of Mines and Energy from 1974 to 1979, before being named head of Petrobrás, which has \$16 billion annual sales. A previous interview with Mr. Ueki was published in EIR, on May 18, 1982.

Menéndez: How do you see the world economic panorama, especially in relation to oil prices?

Ueki: I think that the world situation is quite problematic. It is not only the oil price shock—the two oil price shocks; nor only the deterioration of world trade; nor only, in isolation, the lack of international liquidity. I believe that the interaction of all these interconnected problems has reached a climax, a point which really demands profound reflection from everybody. The world problem, in my view, is much, much graver than in the most pessimistic articles in the press.

I think the crisis is very serious and that it requires a courageous, unconventional, and unorthodox solution. And, unfortunately, this solution can only emerge after a major disaster. Because only then, unfortunately, will the top world leaders become convinced that the crisis is not something made up by the press, that the crisis really is deep. We hope that no greater disaster occurs, since the world already has enough conflicts in various regions to awaken the leaders to reality.

I think that the solution for developing nations has already slipped beyond their reach. The violent shrinkage of international liquidity has brought with it the end of capital flow from the developed nations into the underdeveloped nations. We are now probably witnessing the return of the capital invested over many decades in these underdeveloped countries back to the industrialized nations. Instead of capital transfer, capital is leaving.

In this environment, there is no way for the developing countries to overcome the crisis through their own efforts.

On the other hand, neither will the developed countries be able to solve on their own their crises of unemployment, which are a troubling source of increased social tension, even in the developed nations. The solution for the developed nations is also out of reach, beyond the capacity of the developed countries themselves. Thus, within such a complex international picture, it has never been so important as it is now to have a greater understanding between the developed and the underdeveloped countries.

In the developed countries, we see today idle capacity in all the industrial sectors, because with advanced technology, needs can be met with less utilization of raw materials. Plant and equipment are becoming obsolescent much more rapidly than the capacities of depreciation and amortization of the capital invested. . . . Thus, this change, this technological advance, combined with psychosocial reactions including the back to nature movement, of being more simple, is what is causing large-scale unemployment in the industrialized countries where the only expansion is in the service or tertiary sector. But we should all be conscious that the tertiary sector can only survive if the primary sector of agricultural and mineral production, and the secondary sector of industrial transformation, create the basis for the tertiary sector jobs. . . .

Well, how can we utilize this idle industrial capacity if we do not invigorate the economies of the underdeveloped countries? Therefore, in my opinion, if we don't first of all strengthen the International Monetary Fund (IMF) and create other more efficient instruments of cooperation in the international financial area, it will be tough to solve international liquidity problems. And without increasing international liquidity, we cannot expect to expand world trade, nor to resume the development of many countries in the world.

And second, all politicians must make a great effort to again sell the hope, the perspective of better lives for three quarters of the world's population. . . . This show of trust and this contagion of optimism, of hope for better days, can

only emerge from a union of the industrialized countries with the developing countries.

What rules today is strong pessimism that the solution is very distant. This is an environment favorable to the emergence of ideologies and movements which are no good, which are detrimental to world peace and harmony. I think it is time for deep reflection and courageous solutions.

Menéndez: What are the perspectives for development that Brazil found with Mexico? I understand that there is an agreement for Mexico to sell an additional 20,000 barrels per day of oil to Brazil.

Ueki: I am optimistic that bilateral trade between Brazil and Mexico constantly increase. In 1981, Brazilian exports to Mexico and Brazilian imports from Mexico were on the order of \$700 million each way; that is a practically balanced bilateral trade totaling \$1.4 billion. During the first half of 1982, the balance continued, but in the second half, for reasons both countries already know, trade flows became quite unequal: Brazil imported \$450 million more than it exported to Mexico. In the first quarter of this year, the imbalance is at a greater rate, which would become \$600 million if it continued all year.

Faced with this situation, our country, which is desperate to export in order to import products which are essential for our economy, must explore every possibility to sell any kind of Brazilian goods and services to Mexico to cut down this imbalance. From the varied contacts we made here in Cancún, many possibilities emerged for increasing Brazilian sales to Mexico; and we hope that this will even things out. We decided to expand our oil purchases by 20,000 barrels per day, mostly because Mexico had a manifest desire for that increase, which also promotes greater economic cooperation between the two countries.

Menéndez: Could this type of accord with Mexico become a model for similar oil agreements with other Latin American countries? For example, between Brazil and Venezuela or Ecuador?

Ueki: It is not so easy with Venezuela and Ecuador because, first, the two countries as OPEC members have established base-lines for their production and made multilateral commitments which make bilateral understandings quite difficult. Second, both Venezuela and Ecuador—despite being at a stage of development similar to ours and Mexico's—have relatively limited markets. For this reason, to expect an understanding like the one we are seeking here with Mexico, will not be easy. . . . Naturally, to the extent we intensify trade with the countries of Latin America like Mexico, Venezuela, Ecuador, the relative weight of exports from other regions to Brazil will diminish. That is, countries outside of the area of Latin America will lose shares of our oil market.

Menéndez: Mr. LaRouche, the founder of the magazine

Executive Intelligence Review, has been speaking of the possibility for the countries of Latin America to organize around a Ibero-American common market, and to seek joint renegotiation of their foreign debts. Do you think that the barter agreements between Mexico and Brazil could be the beginning of establishing the foundation for an Ibero-American common market?

Ueki: Well, a broader understanding between the developing countries, intensifying exchange of their products as much as possible, above all without using up convertible currency, naturally, becomes an instrument which we all should try to bring into being. This is not an easy task because each one of our countries has specific problems and for historical and economic reasons we have stronger commercial links with the industrialized countries. . . .

It is politically desirable, economically desirable, in every way desirable for the developing countries to have stronger trade relations among themselves. I am not so pessimistic as to think that because it is difficult, we should not try. Our company, Petrobrás, for example, has been putting great efforts into building up trade, precisely with developing countries. . . .

About the idea of forming a debtors' cartel, I think—this is my personal opinion—that it is not in my way of thinking a good idea because we lack necessary justification. First of all, a moral base. If we all went to the market and borrowed money, whether to consume or to invest, those out there who lent it refrained from consuming—saved while they could have spent it on other things, but decided not to spend and lent it to us. So, what we borrow, we must return. And, uniting the debtor countries gives a connotation of a collective action in order not to pay. Thus this posture is extremely difficult for us to adopt, because it could have a connotation of an irresponsible attitude. And we all should recognize that, unfortunately, the underdeveloped countries, our countries, despite the difficulties, despite the crisis there still share two other negative characteristics. One is waste; despite being poor debtors, unfortunately, we have a much greater wasteful tendency than the industrialized countries. . . .

The other characteristic we must also recognize is that, unfortunately, we work less. In our countries, there are more holidays than in the developed countries. So if we were all working more, wasting less, and through some international scheming we were pulled into a crisis, we could consider a collective reaction. But before we take such a drastic position of collective reaction, we must have self-criticism in which each one of us who is responsible in the developing countries sees if we are really doing what we should. . . .

Then, if we are pressured by the foreign debt to the banks and by asphyxiating real interest rates, we will have the moral authority of collectively demanding a change. But without that, I don't think we have the moral conditions to impose any conditions nor any basis for a collective dialogue about this. That is my point of view.

The prospects for a Latin American common market

by Mark Sonnenblick and Peter Rush

In his August 1982 book *Operation Juárez*, EIR founder Lyndon H. LaRouche argued for the formation of an Ibero-American common market and a joint continental renegotiation of its foreign debt.

These measures, LaRouche argued, are required under any international environment. If the United States and the other OECD nations come to their senses and reverse their present suicidal course of confrontation with LDC development and agree to a favorable debt renegotiation, the Ibero-American common market would coordinate a quantitative and qualitative jump in the development process of every country in the market. If not, it provides the only feasible method for nations to successfully resist the threats to the very existence of their societies and their sovereignty now being leveled against them by means of the international financial system.

EIR is currently preparing a detailed econometric analysis of such a proposed Common Market, with use of the LaRouche-Riemann model. The following draft was prepared as a summary overview of the subject to guide the full study. It first reviews the general trade picture of the major countries in the region, to see their degree of potential self-sufficiency in major commodity areas, and then examines the ability of the continent to respond to several scenarios of differing degrees of economic conflict—including a possible generalized cut-off of imported items.

When the Latin American Free Trade Association expired in 1981, intra-zonal trade was only 15 percent of the total trade of the countries in the area. But this low figure does not accurately portray the region's true potential for self-sufficiency. A preliminary assessment suggests that the region currently has in place the productive capacity needed for supplying from within the region on the order of 80 percent of all current imports and over 95 percent of total consumption.

That does not solve all supply problems, and there are some real vulnerabilities to potential economic warfare. But regional economic security can be defended, largely because governments like that of Brazil during the past decade have

made the huge investments needed to achieve self-sufficiency in all but the very highest technologies.

Energy

Unlike Japan, Western Europe, and the United States, Ibero-America has zero vulnerability in energy. Its crude oil production peaked in 1979 at 5.5 million bpd, while consumption of oil products was only 4.4 million barrels per day in the same year. Venezuela has installed capacity to increase its pumping by perhaps over 1 million bpd almost instantly, and Mexico could increase pumping by 1 million bpd fairly quickly. Only the smallest countries currently lack adequate refinery capacity, and Brazil itself has refinery capacity almost double what it is currently using.

The region is fully self-sufficient in steam coal and other energy sources, except the recharges for Brazil's one operating nuclear-electric plant, and heavy water for Argentina's Atucha I nuclear reactor.

Food

Again, the continent is essentially self-sufficient here, in an area often used as an economic bludgeon. According to FAO statistics, self-sufficiency ratios for all of Ibero-America in all major food areas are over 100 percent, with cereals the only exception, at 97 percent. Argentina, especially, can increase production immensely through double cropping, fertilizing, and use of now-idle land.

Metals

Ibero-America is a major world supplier of every common and most strategic metal ores. Until a decade ago, it exported ores and imported metals. Today, Ibero-America has enough refinery capacity to be more than self-sufficient in raw steel, primary aluminum, refined copper, primary refined zinc, primary refined nickel, refined lead, and refined tin. There are probably still shortages of capacity in some shapes of steel, with zero or deficient capacity in many specialty steels and alloys.

The region lacks refining capabilities in many of the less common metals whose ores it produces.

Other materials

Metallurgical coal is, in volume terms, the most serious deficit item in the region. It is needed to make steel. We do not recommend the wide-spread Brazilian method of substituting for it by turning forests into charcoal. In 1980, Ibero-America imported 6.1 million tons of metallurgical coals and produced very little of it. Colombia and Peru have known deposits which could supply this demand in future years, but for the moment, the U.S.S.R. and Poland seem to be the obvious suppliers, should the West embargo Latin American trade.

The region is bountifully supplied with raw materials and processing capacities for wood and paper, cement, glass, and most similar classes of items.

Fertilizer

Until recently, the region was highly dependent on outside sources of fertilizer and its feed-stocks, especially phosphates and potash. For phosphates, Peru, Brazil, Colombia, Chile, and Mexico have huge reserves. For potash, which the region spent almost \$400 million importing in 1981, there are few options to the OECD countries other than Eastern Europe, whose surplus capacity is slightly greater than Ibero-America's import needs.

Consumer products

Today, the region has capabilities for self-sufficiency and even large-scale export of almost every manufactured consumer product. The only area where there is not full self-sufficiency in production of the components for these products is electronics, where substantial proportions of items like TV tubes are imported from the Orient. No great harm would be done if such imports were eliminated.

The only consumer area in which imports would have to be continued is medical products, of which only part of the \$400 million imports could or should be substituted.

The region's main weaknesses, not surprisingly, are in chemicals and machinery production. Here, according to latest available figures (1980), the deficit of the seven largest countries in total chemical trade (total imports minus total exports) was \$5.6 billion. This is a very sizeable deficit, which, if suddenly made unavailable under conditions of economic warfare, would impose a severe hardship on the industrial processes that utilize these chemicals. However, since 1980, both Mexico and Brazil have brought on line significant new capacities in chemical production, so the situation is not as grim as these figures suggest.

With respect to machinery, non-electrical equipment had a net import of \$8.125 billion (imports \$9.6 billion, exports of \$1.475 billion), while electrical machinery had a \$3.1 billion deficit (imports of \$3.7 billion, exports of \$624 million). The loss of these imports would also be serious, though here again, Brazil has a very significant degree of under-utilized capacity in many areas of machinery.

Scenario I: Total trade embargo

Given the gravity of the current world crisis, and the bad precedents set in the Malvinas, it is certainly possible that the OECD would respond to united Ibero-American debt action with retaliatory economic warfare.

There is no doubt that such an embargo would shortly shut down a large share of the industrial capacity of Mexico, Brazil, Argentina, Chile, and the other nations which have significant industrial plant imported from abroad. The critical problem is that of spare parts for foreign-manufactured machinery which would be unavailable under such a scenario.

The Ibero-American countries have survived periods of difficulty in obtaining external inputs. During the depression, their import capacity was cut by more than half, due to lack of exports and lack of credit. Then, during World War II, machinery, fuels, chemicals, and shipping were all requisitioned for the war effort, and available only in short and irregular supply. Yet, Ibero-America's industrial output increased during those periods.

Today's machines are more complex than those of the 1930s. But, the region's capital-goods engineering capabilities have grown a hundred-fold. For example, Brazil's total capital goods production was \$3 billion in 1977 and its total capacity is roughly \$8 billion now. According to the Association for the Development of Basic Industry, Brazil has the technology and the facilities to produce 92.5 percent of its 1982 capital goods needs, with capacity to spare.

Such a scenario, however, is as politically improbable as it is economically dismal. The reciprocal effect on the United States and Europe from such a radical embargo would be great. Also, it would politically push the region into the arms of the Soviets, and thus carries a high geopolitical penalty.

Scenario 2: U.S. trade embargo

A somewhat less disastrous scenario, one which has already been mooted in radical monetarist U.S. circles, is a unilateral U.S. boycott of imports from and embargo of exports to any Ibero-American economy that defaults on its debt. However, this threat was made on the assumption that only one country, not a whole continent, were to take this action. The effect on the U.S. economy of such a continent-wide action would be swift and drastic, not only wiping out many U.S. export-oriented companies, but also by denying the United States many imports. Such a move would be extraordinarily difficult to implement politically in the United States.

Nonetheless, it is instructive to examine Ibero-America's options in the event of such a scenario. The two essential questions to be examined in this event are: 1) what critical spare parts imports come from the United States that could not be readily replaced; and 2) what imports other than spare parts are supplied in such quantities that finding alternate suppliers would be impractical.

With the best available foreign trade statistics, we have

calculated the relative import dependence on the United States, Europe, and Japan, of the main Ibero-American importers of machinery and chemicals—the two primary areas of severe import dependence.

Certain rough conclusions can be drawn. In most areas of machinery, Europe, and also Japan, are capable of taking up the entire slack left by a United States withdrawal from the market. Exemplary is Japan, which in most machinery categories presently exports many times the total Ibero-American import. If requested to take up the slack left by a U.S. withdrawal, a 5 or 10 percent increase in exports would cover the deficit. For Europe, similar calculations can be made, which will show similar ratios. And in Europe the presently spare capacity allows for almost instant increases of production by 10, 20, or more percent. Europe (most notably Italy) also has the chemical capacity that Japan lacks.

Thus, in general, the threat to cut off Ibero-America on the part of the United States is a “threat” to throw a trade bonanza to Europe and Japan.

Scenario 3: The credit cut-off

A more likely possibility than either of the above under a unilateral debt rescheduling and interest suspension “debt bomb,” and associated common market formation by Ibero-America, is the suspension of all extensions of credit from the OECD nations to the continent.

Under such an OECD policy, there would be no cut-offs of trade per se, but Ibero-America would have to pay cash, or barter on equal exchange of values, for everything it imported. There would be no suppliers’ credits, no short-term loans, no long- or medium-term loans, and no new lending of any kind.

In effect, that would limit Ibero-American nations’ imports to a figure somewhat below their exports, below by an amount equal to the sum of profit remittances, technology payments, net freight charges, and any other permitted or essential service payments.

In 1980, the entire continent had a combined commercial balance of payments deficit of \$7.5 billion. This included the trade balance plus net services other than profit remittances and interest, and movements of capital. Profits were another \$5 billion.

To deal with this shortfall, Ibero-American nations forming a common market would have to fully mobilize the human and capital resources of their economies on what amounts to a war footing, including emergency measures, currency and banking reforms, and government direction of investment to ensure maximum use of limited resources.

Therefore, certain categories of services, most importantly those corresponding to Ibero-American tourism abroad, will be expected to be hostage to the crisis, and savings of several billions can be expected.

For the remaining \$6-\$8 billion, two options exist. First, where essential imports are now purchased abroad, but where existing regional capacity is underutilized, the creation of a

Common Market Central Bank and a common currency unit of account permits the issuance of intra-bloc credit to put the underutilized facilities to work producing the needed items. Second, luxury imports have to be cut.

It appears that anywhere from zero to \$6 billion is the approximate size of the ultimate import reduction required, depending on the extent of utilizable spare capacity. Most of the sacrifices would have to be borne by the middle classes in Brazil, Mexico, Venezuela, and Argentina. Central America is already suffering.

The magnitude of the figures presented suggests that only a portion of the region’s new development programs would have to be triaged for the time being, as well as more than \$6 billion that is devoted to construction of new facilities.

In any event, the resulting economic pattern in Ibero-America will be significantly better than that which would result from the unfettered application of IMF “conditionalities” under the existing monetary order.

Common market potentials

The following considerations apply to all three scenarios. Under any of the eventualities, a top priority must be attached to fostering intra-bloc trade. For lawful reasons, most nations have generally preferred or been forced to go outside the continent for both imports and exports, with the minor exception of trade between Argentina and Brazil.

Immediately, the recessionary conditions in Brazil, Argentina, Chile and to a slight extent so far in Mexico, define a short-term potential to cover the deficit in import-purchasing capacity identified above. A conservative estimate is that at least 10 percent of Brazil’s industrial capacity could be put back into production in weeks if external demand were there. The comparable figure is 25 to 50 percent for many industries in Argentina, Uruguay, and Chile.

Brazil, in particular, has the capacity to produce most of the machinery required, for example, by Mexico and Venezuela. Brazilian businessmen estimate that Brazil has the capacity at present to produce domestically about 80 percent of the machinery that is now imported. And what is now imported is, in most cases, well under 50 percent of the machinery consumed in each branch of the investment goods industry. Mexico’s degree of self-sufficiency is much less: in machine tools, less than 25 percent of the country’s needs can be met domestically. Argentina is stronger in the consumer areas, and its capacity to produce capital goods at this moment is not clear. Chile has a chemical industry, now running at well below capacity.

In the worst-case scenario of total trade cutoff, of course, the region would have no choice but to make the best of what it could produce domestically, which would be a very difficult process, but not in principle impossible. The appropriate models for the kind of problem presented are the Soviet experience in the 1930s and 1940s, the U.S. experience in World War II, and the Ibero-American experience during the 1930s and early 1940s.

Argentine opposition plans an anti-IMF government

by Dennis Small

"It is Argentina that most worries me among the Latin-American nations. They could well be the first to announce that they cannot meet their foreign debt payments, and trigger a continent-wide chain reaction."

So said a Wall Street banker in a recent conversation with *EIR*; he was reflecting a concern that is fairly common in well-informed financial circles. What Argentina's creditors fear is *not* that the current military government is about to break with the International Monetary Fund, join a debtors' cartel, and help organize an Ibero-American common market. What they are losing sleep over is that it is a near certainty that the *next* government of Argentina—to be elected on Oct. 30, 1983 and take office on Jan. 30, 1984, if all goes as scheduled—will take those three crucial steps.

It is this writer's conclusion after a three-week visit to Argentina last month that the bankers' fears are fully justified.

In the course of extensive off-the-record conversations with members of the leading political forces of Argentina, it became evident to me that every major opposition element in the country—including the three main political parties, the entire labor movement, and significant groupings within the armed forces as well—is totally hostile to the austerity policies currently being dictated by the IMF, and is committed to returning the country to a path of rapid industrial growth. But a public debate is raging over the tactics needed to achieve this—in particular, whether Argentina should support the creation of a "debtors' cartel" and an Ibero-American common market, as first proposed by *EIR* founder Lyndon LaRouche in mid-1982 in his *Operation Juárez*.

Pressure politics

According to an April 1 wire printed in every major Argentine newspaper, that country's foreign creditors delivered a message to President Reynaldo Bignone that "any deviation by Argentina in the area of debt payment or violation of agreements with the International Monetary Fund, could result in the application of what is defined in international forums as 'exemplary punishment,' as a lesson to other large debtors." The creditors not only ordered the govern-

ment to "scrupulously comply with agreements signed with the International Monetary Fund," but demanded that the next elected government do the same. Less than a week later, U.S. Treasury Undersecretary Timothy McNamar arrived in Buenos Aires to deliver the same message. And Henry Kissinger, according to *Tiempo Argentino*, got into the act by warning privately that the country "was in a situation very similar to Iran," and would shortly be "dismembered."

When informed of this international arm-twisting, Lyndon LaRouche, who has enjoyed a close working relationship with numerous groupings inside Argentina, in particular since his outspoken support during last April's Malvinas war, sent a piece of advice to his Argentine friends, which was reported by a leading Buenos Aires daily, *Tiempo Argentino*, in its April 10 issue: "Lyndon LaRouche has recommended to some Argentine leaders that they 'lie' with regard to the public debt, that is, that they not reveal their true governmental intentions on the subject until the very moment that they become the government. . . . [LaRouche's] memoranda are being avidly read by the leadership of Argentina's principal political parties these days."

There are strong indications that many Argentine political leaders were acting on LaRouche's "deception" tactic long before he recommended it to them. Of course, this is not to suggest that everyone who loudly pronounces his opposition to a debtors' cartel, in private believes the opposite. In fact, many of the country's opposition leaders in all honesty maintain the illusion prevalent in most nations in Ibero-America, that they are somehow "special" and can therefore fare better through bilateral negotiations with their creditors than with a debtors' cartel. Countless times this author heard yet another well-meaning Argentine politician mouth the formatted statement, made in London, but repeated earnestly in every Ibero-American capital: "Oh, my country has a very different debt problem than _____, _____, and _____. Why, _____ didn't know how to manage their debt; _____ has a much weaker economy than we do; and everyone knows that the _____ are just a bunch of jerks. Why would we want to join a debtors' cartel with countries like that?"

After seven years of economic devastation, wrecked by the strict application of Chicago School monetarist policies under a military government, Argentines will go to the polls on Oct. 30 to elect a new civilian government. There is little doubt at this point that the victor will be the **Peronist party**—named after General Juan Domingo Perón, the charismatic nationalist leader who governed Argentina from 1946 to 1955 (when he was overthrown by a British-run coup), and then again from 1973 to his death in 1974, when he was succeeded until 1976 by his second wife, Isabel.

Not only will the Peronists win the upcoming elections, they will win them massively. In 1973 the Peronists were swept back into power with nearly 60 percent of the popular vote. Since then, they have tripled the number of registered party members.

The prospect of such a landslide makes the international bankers shudder. This is because the Peronists—despite the presence in their ranks of forces who have supported and implemented monetarist economic policies, especially towards the end of the Isabel Perón government; and despite the party's current lack of leadership of the stature of Gen. Perón—are fundamentally a nationalist, pro-development movement which has historically despised the British colonial system of economics, politics, and philosophy, and has fought against its significant influence inside Argentina.

Various Peronist economists and politicians have gone on record opposing the formation of a debtors' cartel. And it is in fact a crucial question exactly which faction within Peronism will ultimately name the presidential candidate. But the mammoth labor base of the party (the Peronists control every significant union in the country) is militantly anti-IMF, and has shut down the entire country with general strikes a number of times in the past few months. And the Peronist movement as a whole has a strong tradition of favoring Ibero-American integration of the sort described in LaRouche's common market proposal. In fact, Perón made numerous efforts to *politically* integrate the continent as well, often referring to the need to form a "United States of Latin America."

A substantial portion of the **UCR party** (Radical Civic Union), the second-largest party in the country, is also anti-monetarist and in favor of reindustrializing Argentina. Most striking were the comments recently made on Argentine television by Antonio Tróccoli, one of the leading economists of the UCR, who unabashedly announced that he favored Argentina simply declaring a moratorium on its foreign debt. Although other UCR economists, such as the banker-linked Bernardo Grinspún, are willing to strike a bilateral deal with the IMF and the banks, the leading presidential candidate of that party, Raul Alfonsín, has expressed his sympathy for some kind of Latin American unity on economic issues. Alfonsín explained his ideas on these matters in an exclusive interview with *EIR*, which we reproduce below (future issues will carry interviews with presidential candidates and other figures from the other major political parties).

The **MID** (Movement for Integration and Development), the country's third party, is also in favor of dirigistic development policies, although the grouping maintains a strong stance against the formation of an Ibero-American common market, arguing that this would only benefit the multinational companies.

The military: which way out?

The outcome of the factional struggles inside the armed forces will also influence the next government. There are even rumors of a new, reactionary military coup *before* October, designed to prevent the Peronists from taking power. Those who favor such a coup are making use of the crisis around the tens of thousands of "disappeared persons" who were the often-innocent victims of the military's "dirty war" against terrorism in the late 1970s.

The Air Force is by far the most anti-IMF of the three forces, having gone on record repeatedly in the recent period protesting the monetarist policies of the current military government—of which the Air Force supposedly represents one-third! Although traditionally having far less influence than the Army, the Air Force's impact on national policy was strengthened as a result of their excellent performance during the Malvinas war, as compared to the lackluster roles of the Army and the Navy.

The Navy also has a minority influence in overall armed forces policy, but its views on economics are generally contrary to the Air Force's: they support the government's current implementation of IMF austerity policies. For example, when the Air Force recently criticized the economic management of Finance Minister Wehbe, the next day Navy Commander in Chief Franco took to the press to stridently defend him.

But the overwhelming factor in determining the orientation of the armed forces is the Army, of which a large chunk has historically been tied to the oligarchic landholding, exporting, and financial interests which dictated the past seven years' monetarist policies. But there is also a tradition of nationalism in the army which today maintains the idea of rapid industrialization.

The course Argentina will embark on from 1984 onward is now being determined by two factional struggles: the *interna* within the Peronist party, and the *interna* inside the Army. If Argentina is to achieve stability and return to economic growth, it will have to be on the basis of an alliance or at least an understanding between the pro-development nationalist forces within these two groupings, the Peronists and the Army, as a political fulcrum for others. It is essential that they jointly launch a series of great national projects at the frontier of science and technology, to reconstruct Argentina's nearly shattered industrial economy. As the leading nuclear-energy power on the continent, with two heavy water plants already in operation, Argentina has the necessary base of skilled manpower and experience to lead a united Ibero-America in this direction.

'Latin America is seeking unity'

An interview with Raul Alfonsin, presidential pre-candidate of the Union Civica Radical (Radical Civic Union), given to EIR's Latin America editor, Dennis Small, on April 25 in Buenos Aires.

Small: What do you think of the possibility of forming some type of debtors' association in Ibero-America?

Alfonsin: We think, and we have been working on this for many years, that some kind of integration of Latin America must be brought about.

Within this process of integration, I give fundamental importance to the "internalization" of foreign trade. For example, Venezuela buys \$1.3 billion worth of food, mainly from Europe and from the United States; but we Argentines could have adequately supplied them.

Small: Would this be a kind of Latin American common market?

Alfonsin: Maybe that would be too pretentious; but this is in reality the direction we have to be working toward. That is to say, we must work together to defend our interests. In 1950 Latin America's share in total world trade was no less than 12 percent. Today it has a share on the order of 4 percent. Our terms of trade keep getting worse, and it keeps getting harder to place our products.

Within this bad situation, which we have to resolve, there is also the need to harmonize our financial policies. Just four countries alone [Argentina, Mexico, Brazil, and Venezuela] owe \$220 billion dollars—even though here we have to analyze the fact that the only country in the world which has contracted a fabulous debt to destroy itself, is Argentina. If you take this into account, you will realize that we have to work together, at least to protect ourselves from being forced to pay usury. Because they are trying to collect usury, several points above normal interest rates. They are trying to collect from our countries, and this absolutely cannot be. I would not pay this usury. I am willing to fulfill our country's promises, but not on the basis of destroying our people by paying international usury.

The solution we need is to convert the debt into long-term debt and pay at a lower interest rate. It would be paid in 20 years; in reality no one can demand anything else. We are going to pay and we want to pay—but only the debts that are not fictitious, because there are many debts that are fictitious,

so-called "self-loans."

As distinct countries, we could gain greater weight with a general integration, deepening the Latin American Economic System [SELA], leaning on the U.N. Economic Commission for Latin America [ECLA], in short by a continuing effort for the New International Economic Order.

I observe that voices are getting louder and louder in proposing that NATO should get ready to intervene in the theatre of operations outside Europe, because apparently the supply of raw materials and energy necessary for European growth is perceived to be threatened. Principles, foundations, and elements of international law are being called into question. For this reason, too, we must provoke an activity which we, the different countries of Latin America, can develop jointly.

Small: There are reports here in Argentina that the IMF and the international financial community have pressured those who might govern Argentina in 1984, to make them comply with their debt payments and keep them from forming any type of debtors' association. Can you, as one of the leading candidates in the upcoming election, tell us if this report is true?

Alfonsin: I have received no insinuation whatsoever of this type; and I will act in accordance with whatever is in the interest of the nation, without accepting pressures of any kind.

Small: A Wall Street banker in the United States recently said the following on the subject of Latin American debt: "They can study the option of declaring moratoria on their debts, if they want, but the era of growth and expansion for these countries is over. They are going through a period of sobering adjustment. It hurts; they have to cut back. The expansion of their economies, and debt expansion at these rates, can no longer continue. They are screaming because it hurts; but that's too bad. Screaming is not the same as saying they refuse to pay." What comment do you have on this quotation?

Alfonsin: Of course, right now the world is going through a crisis which originated in attitudes of this type, in the mentality of the Chicago School which put finances ahead of production. It is a crisis which is affecting us in a particularly profound way in Argentina, because the government has been applying these very ideas.

It is evident that what this gentleman is saying about Latin America could be said about the world. It is a world which, pressured by the financial interests, has not grown. Probably it will not grow this year, and who knows if there will be growth next year. But Latin America is—as it behooves us to do—seeking forms of integration to respond to this type of aggression. And I hope, when I hear this, that we Argentines are going to attain the moral authority to demand solidarity from other countries, and above all from the democrats of different parts of the world.

Who wants a new missile crisis to explode now

by Susan Welsh

Soviet Communist Party Chairman Yuri Andropov's latest arms control offer, issued May 3 and immediately hailed by Henry Kissinger and welcomed as "a step in the right direction" by the British Foreign Office, is not intended as a serious attempt at compromise on the issue of medium-range missiles in Europe. It is a smokescreen, an attempt to blackmail U.S. President Reagan into either abandoning his commitment to a beam-weapons defense policy or undergoing a missiles crisis in which he would lose first Western Europe, and eventually the United States as well.

Although "Made in Moscow," this operation is assisted by the highest levels of the British foreign policy establishment; the common and openly admitted Anglo-Soviet aim is to oust President Reagan and to restore the Trilateral Commission/Council on Foreign Relations crew to full control over the U.S. administration. As part of this strategy, they are manipulating the fears of Western Europe that the U.S. will "abandon" its allies, hence driving West Germany in particular to make its own accommodation with Moscow, and in this way to set up a European "Third Force" under British direction.

Reagan's March 23 announcement of a new strategic doctrine for the United States based on the development of anti-ballistic missile defense systems—which he offered to share with the Soviet Union—was a mortal threat to the British and to Andropov and his supporters in the Soviet Union. During the weeks since Reagan's speech, the pages of Soviet and British newspapers have been virtually indistinguishable in their violent denunciations of the American President and what they like to call his "star wars" policy.

For the British, Reagan's shift from "Mutually Assured

Destruction" (MAD) to "Mutually Assured Survival" meant an abrupt decline in the fortunes of America's self-proclaimed "junior partner." Britain's much-vaunted (and expensive) "deterrent" (its submarine-launched nuclear missiles) was now a pile of worthless junk; the ideological hold of "Thatcherite" economics upon the Reagan administration was now threatened, since the ABM policy would require dirigist methods and could spark an industrial expansion in the U.S. like that initiated by President Roosevelt in the mobilization for World War II. Most important, a Mutually Assured Survival policy increases the relative importance of the two superpowers, significantly reducing the room for British manipulation of Washington, such as that which occurred during the "test case" for MAD—the Cuban missile crisis of 1962.

"Reagan has gone over the top," says David Watt, head of the prestigious Royal Institute of International Affairs. "The role of Britain in the next period is to be used by both sides . . . particularly by the Russians. . . . We British have a better understanding with the Russians." "What do you do when the President of the United States has gone wild? He's very difficult to stop?" asks François Duchene of Sussex University, until recently a coordinator of the British section of the Trilateral Commission.

As for the Soviets, their howls of rage against President Reagan's ABM policy have nothing to do with what Andropov propagandistically claims is a U.S. attempt to launch a first nuclear strike against the Soviet homeland. What Andropov fears is the U.S. economic recovery which a crash directed-energy beam weapon policy threatens to unleash. The Soviet Union has been intensively developing its own beam

weapons research for quite some time; it will now escalate such efforts sharply.)

The issue of the "Euromissiles" is different, and the crisis shaping up around the scheduled deployment of U.S. Pershing II missiles in Western Europe at the end of this year is what makes the current situation particularly dangerous. The Carter administration, operating under the offensive "MAD" nuclear doctrine, decided to install nuclear missiles there which for the first time would be in range of Soviet targets, with as little as a five-minute flight time and high precision. The Soviet SS-20s, which the Pershings are purportedly intended to counter, are not within reach of U.S. targets, and therefore, as distressing as they may be for Western Europe, they are not comparable to the projected NATO deployment. The NATO deployment is as unacceptable for the Soviet Union as Khrushchev's installation of nuclear missiles on Cuba was for the United States; this was known to the people who pushed through the "Euromissile decision," and the pre-programmed crisis is now set to explode.

If the Soviet leadership cannot get the United States to abandon both the Euromissile decision and the beam-weapon defense policy, all indications are that they intend to go for a "Cuban missile crisis in reverse" showdown very soon. The announcement by Swedish Prime Minister Olof Palme that Soviet mini-submarines had penetrated Sweden's coastal waters (see article, p. 39) was very likely the opening salvo in the buildup to such a crisis.

The Arbatov-Carrington game

Just as the Swedish story was breaking in the international press, two high-level "unofficial Soviet negotiators" appeared abroad: Alexander Bovin, *Izvestia* commentator and advisor to Andropov, went to London for a meeting of the elite Anglo-Soviet Round Table and gave several interviews to the press in which he announced that it was impossible to deal with the United States as long as Reagan was in the White House. Georgi Arbatov, Moscow's "America handler" and friend of Henry Kissinger, arrived in the United States for private meetings, including a session of the Dartmouth Conference. Shortly thereafter, Andropov made his "new arms control proposal."

The Anglo-Soviet strategy to force Reagan out (or to force him to abandon the Mutually Assured Survival policy) is based on the psychological profile of Reagan which Britain's Tavistock Institute circulated soon after his inauguration: that Reagan is a "cowboy," who will shoot from the hip and then buckle when the pressure gets too high. (A profile, of course, which never expected that Reagan would go with the beam weapons policy in the first place!) They plan to inundate the President with multiple crises in foreign and domestic policy: the economy unravelling, Central America becoming a "new Vietnam," the outbreak of a new war in the Middle East. The crisis in NATO over the scheduled Euromissile deployment, with rioting in West Germany and hostility toward President Reagan from West European leaders

would, they anticipate, create the conditions in which a sudden Soviet-American showdown would end with Reagan's capitulation across the board. In this crisis, Britain's Lord Carrington, Kissinger, et al. would offer a "new channel" for East-West negotiations, controlled by the British.

The push for a U.S.-Soviet summit conference began to be voiced by Carrington and was echoed by all the usual Kissingerian channels around the 1st of May. Arbatov's trip to the United States was intended to begin setting that up. Then came the rumors of a meeting to be held in Paris between Soviet Foreign Minister and Deputy Prime Minister Andrei Gromyko, and U.S. Secretary of State George Shultz. Carrington, the former British Foreign Secretary, in a speech to the London International Institute of Strategic Studies (excerpted in the *Washington Post* May 1) called for "dialogue" instead of "megaphone diplomacy" and proposed a summit meeting. James Reston, in a commentary in the *New York Times* the same day, declared that the Soviets are threatening "if we emplace new missiles in Europe, to put intermediate Soviet nuclear missiles within striking distance of the United States." Reston recommended a summit meeting.

A leading British strategist, asked about the rumors of a Gromyko-Shultz conference, replied: "I don't want to be chauvinistic, but I see Carrington behind the scenes of that meeting, the cunning hand of Carrington, pointing out: this is the way for the dialogue to go." The U.S. State Department is the stronghold of the Carrington tendency in the U.S. government, he said, and is "on the ascendancy. . . . Reagan may say what he will."

The Anglo-Soviet gameplan is to accentuate the crisis in NATO, to turn Western Europe against President Reagan. This, they calculate, will induce Reagan to withdraw from Europe, leaving it to the British and the Soviets. "I would be in favor of getting Western Europe together and coordinating," said the previously-cited François Duchene. "Only Germany could lead such an effort. . . . Germany has over the years become a de facto alternative policy center to the United States; it learned this reflex during the Carter era. . . . The German moves would have to work in tandem with the U.S. Congress. If they oppose Reagan's budget, express worry about the Star Wars and Mutually Assured Survival policies—if that occurred, and at the same time Germany would emphasize the importance of East-West discussions, then possibly we could pressure Reagan."

Another British strategist, former Chief of the Defense Staff Lord Carver, endorsed such moves toward an independent Europe as indispensable. Reagan's ABM policy "will stir up Western Europe and will encourage movements like European Nuclear Disarmament [END] that don't like the U.S., and will strengthen the idea in western European governments that they've got to do something themselves, something much more important, that they must reach their own independent modus vivendi with the Soviet Union. Of course, this reaction would play into Soviet hands," said Carver mildly. "But Carrington is right—this is what we must do."

British try sabotage of NATO defense

by Herbert Quinde

Broadly echoing Lord Carrington's perspective for decoupling Europe from the United States (see article, page 34) is Robert Banks, British Conservative Party parliamentarian. Commenting on President Reagan's speech from his office at the House of Commons, Mr. Banks stated, "I don't think people have come to grips with it as yet. . . . President Reagan gave new impetus to the whole thing [decoupling Europe]. There is a decided unease about reliance on space systems for communications, intelligence, and so forth, and that possibly would be the scenario for war which means we have to depend on their [U.S.] satellites, communications, [and] intelligence in time of war. . . . I am not sure that everybody would be happy about seeing an escalation in the number of weapons in space."

Supreme Allied Commander/Europe, U.S. General Bernard D. Rogers, refused to be interviewed by *EIR* on Reagan's new policy, using the excuse that it would "not be appropriate" for the leader of a joint military structure to comment on the policies of one member nation. But this has not in the least prevented Mr. Banks, a British subject, from vocally opposing the U.S. Commander in Chief's initiative.

In a document anticipating President Reagan's March 23 address, Mr. Banks presents the hysterical British defense of the Mutually Assured Destruction doctrine. The document, prepared for the Scientific and Technical Committee of the North Atlantic Assembly (NAA), is titled "The Technology of Military Space Systems." The NAA is NATO's "educational" and lobbying arm among the legislators of its member countries.

Sen. Larry Pressler's (R-S.D.) rabid opposition to space-based weapons in the U.S. Congress is best understood in the context of his participation in the NAA's Special Committee on Nuclear Weapons in Europe.

Mr. Banks' argument is encapsulated in his document, where he states, "If the United States deployment of a space-based weapons ballistic missile defense (SBW-BMD) led to a similar Soviet deployment, the independent British, Chinese, and French ICBMs which currently complicate Soviet strategic planning would be rendered obsolete. This would constitute a net loss for the United States security and would

probably alienate American allies. Furthermore, since the deployment of an effective SBW-BMD would vastly improve the chance for a successful defense of the United States from a Soviet nuclear strike, it might be seen by America's NATO allies as a decoupling of the United States's and European security. In other words, if war began in Europe, the United States would have the capability to limit any nuclear exchange to European soil. This could have a profoundly negative impact on Western European confidence in the United States."

Mr. Banks elaborates his thesis: "It should also be considered that ASAT [anti-satellite] deployment by the superpowers might have a telling effect on the nuclear deterrent forces of other countries. Any ASAT attack (or threat thereof) on British, French, or Chinese C3 (Command, Control, and Communications) satellites would seriously call into question their capability to control their nuclear strike forces. For the same reason, these countries would wish to restrain BMD deployment. They would prefer to see ASAT deployment similarly arrested, i.e., to ensure the deterrent value of their nuclear forces. If ASAT are deployed, the practical effect may be an increase in Alliance reliance on United States strategic forces."

Mere ignorance? Hardly. Mr. Banks is most clearly expressing his central concern when he states, "The prospect of deploying a SBW-BMD is immediately attractive because it would transform the current strategic calculus from a strategy of assured annihilation to a formula for ensured survival. However, the precise impact of deploying such weapons is much less certain and much more complicated than this appealing but simple impression. Among other things, the deployment of a SBW-BMD would immediately. . . . radically alter the existing superpower strategic relationship."

Responding to the brainwashing of its European allies by the British "Third Force" enthusiasts, U.S. Secretary of Defense Casper Weinberger forcefully demolished the "Fortress America" deception in a speech on April 11 before the Aviation and Space Writers Association convention (see *EIR*, May 10). "An effective shield against ballistic missile attack would prevent aggression by neutralizing an aggressor's offensive capability. We know the Soviet Union has been working to achieve these same defensive systems for many years, and *we hope that they will continue* [emphasis added]. A truly stable superpower relationship would be one in which both sides were protected from attack. . . . As the President said in his speech, we seek the capability to defend ourselves *and* our allies from the threat of military force."

Reflecting the indoctrination in Club of Rome Malthusian ideology which permeates the NATO bureaucracy, Mr. Banks whines that technology is moving faster than political decision-making, which "may be allowing technological momentum to undermine Alliance security." He even goes so far as to blame the U.S. Space Shuttle program for creating a "relentless and amorphous technological push for space development."

'Right deal with right despot'

From a recent speech by Britain's former Foreign Minister Lord Peter Carrington, reprinted in the Sunday, May 1, issue of the Washington Post:

Our own tradition must be for the peaceful resolution of potential conflict through energetic dialogue. The notion that we should face the Russians down in a silent war of nerves, broken only by bursts of megaphone diplomacy, is based on a misconception of our own values, and of Soviet behavior. . . . The right deals with the right despots can often be in our own interests. . . . It is not our aim to drive the Russians further into nationalistic and militaristic introversion; to give them a pretext for strengthening their economic might over East Europe. . . . Soviet communism is like a particularly unappealing piece of Victorian architecture. . . . To drive at it with a bulldozer would be a bit risky, but death-watch beetles can work miracles over the years, without help from the outside. . . .

It is a plain, simple fact that for a third of a century the alliance has succeeded in its primary aim of deterring an attack on Western Europe. This has been achieved by a combination of military strength and political will, as well as by a prudent reluctance by Moscow to engage in such a venture. We must ensure that none of these factors changes. If they do not, the prospect of war will remain remote.

But do not let us overlook the size of existing nuclear forces in the West, not to speak of their accuracy. Look, too, at the quality of our conventional forces, and take into account the advantages enjoyed by the armies of a free alliance compared with the conscripted countries of the Warsaw pact.

As for morale, the British, with European and America support, have just sailed 8,000 miles to protect a handful of their kith and kin on a remote island. Does anyone doubt that we would fight to protect 55 million at home? Or that other members of the alliance would do likewise?

It seems to me extraordinary, and against the dictates of common sense, for anyone to claim that the West in military terms is in danger of sinking to its knees.

Now, my conclusion is not that we can afford to be generous in Geneva. But I am saying that these talks should be conducted in an atmosphere of calm confidence, and that the broader political dimension of East-West relations should be constantly at the forefront of the Western mind. It would be wrong to approach these important negotiations on the military defensive—on the military alert—and for our dialogue with the East to be hag-ridden by fear of military inferiority. . . .

And finally we must make absolutely clear our belief that arms control is in everyone's self-interest, not only economically but in terms of real security.

As a defensive alliance NATO has been a self-evident success. But it must be an imaginative alliance too. It is not just a pooling of arms, with the Americans throwing in the biggest stake. We must pool our ideas as well, and forge these into sound and consistent policies.

What should these policies be? Hobbes' first law of nature, it is often forgotten, was "to seek peace, and to follow it."

'Cunning hand of Carrington'

From an early-May discussion with a top British strategic planner, provided to EIR:

Q: There are reports that [Secretary of State] George Shultz will be meeting with [Soviet Foreign Minister Andrei] Gromyko soon. What would this mean?

A: I'm not surprised that Shultz and Gromyko are going to be meeting, contrary to others. I'm just back from the U.S. Both sides realize now that either they will imprison themselves in their own rhetoric or they will have to break free of it. Both sides know that what is at stake beyond the arms control and arms talks is perceptions, attitudes. It's a sophisticated approach. Signals have been sent, considerable ones, justified ones, from both sides: they know that rhetoric is dangerous. Alexander Bovin's article in the British press was the key signal that East-West affairs must not be allowed to take on a theological aspect. It's recognized on both sides.

Q: What is your view of Reagan's new beam weapon policy? And what's behind the reports of Soviet mini-submarines off the Swedish coast?

A: Ah! that's a good question: these are the extremes. Unmanned robot/submarines and space warfare. Both sides are going to proceed with their own military operations. The submarines are highly complex, very advanced technologically, very expensive. Now for the beam weapons, look up the editorial in this week's *Aviation Week*. . . . Reagan's speech about space war was not key. Key was his speech on "Russia is the source of all evil." But I assure you, if submarines and beam weapons were decisive, Shultz and Gromyko would not be meeting. I don't want to be chauvinistic—but I see Carrington behind the scenes of that meeting, the cunning hand of Carrington, pointing out: this is the way for the dialogue to go. The Scowcroft Commission has added urgency to U.S. policies. The adoption of the MX and the single-warhead missile means important things for START. . . . We British are instrumental, in the diplomatic area and in other areas. We're engaged in dialogue at all levels with the Soviets, not only diplomats, also military people, specialists, doctors, scientists and so on; we give a professional underpinning to the dialogue.

The influence of the State Department is impressive, on

the ascendancy. Reagan may say what he will.

Q: Georgi Arbatov, too, was in the U.S. recently; I should imagine he gave a try at cooling things off?

A: Yes, yes. Arbatov facilitated this process. You know he spoke to Scowcroft? Of course, both sides weren't exactly falling over each other, but as Americans say the "bottom line" had been reached. Shultz and Gromyko meet right after Shultz's trip to the Middle East—this is very important, more important than people realize.

'Uncouth fellow in White House'

David Watt, director of the Royal Institute for International Affairs, wrote in the London Times on April 29 under the headline, "Coming to Terms with Andropov." Watt is commenting on an earlier column, published in the same London paper April 23, by Soviet commentator Alexander Bovin, in which Bovin forecast a Cuban missile-style crisis over the upcoming Pershing missile installation in Europe. Bovin is an on-the-record opponent of the Reagan beam-weapons policy. From Watt's April 29 response:

For Bovin, the paradox and puzzle is that the United States, which had its revolution more than 200 years ago and has duly progressed according to plan, has suddenly under President Reagan turned in the opposite direction and is now, apparently, determined to lead an ideological crusade against communism and the "empire of evil" that is the Soviet Union. . . .

The Russians have excellent tactical reasons for talking to us [the British] in this way at this particular moment. The French are having an anti-Soviet beanfeast; the West Germans are suspected in Washington of "neutralism." The British are not only worried—politely, but definitely and at all levels—about the Reagan administration, they also still have some influence in Washington and are in a mood to try and exert it.

How, then, if we were in the Kremlin, should we handle the British? Well, we adopt our most civilized tone. We appeal to their sense of history and moderation. We speak more in sorrow than in anger about this brash, uncouth, un-British fellow in the White House whom more mature, experienced nations have to try to restrain for the good of humanity. In short we butter them up, and who better qualified to lay it on than Comrade Bovin?

Again, there is nothing inherently impossible in Bovin's particular gloss on all this or in the supposition that Mr. Andropov has about as much practical concern with ideology as Pope Alexander VI—a potentate underpinned by an absolutist philosophy but one with whom it was possible to do business on a limited basis and even, occasionally, to dine,

provided you took suitable precautions.

Yet, at the end of the day, it scarcely matters whether the Russians are sincere and truthful in this account of their present feelings or whether it is all tactics. We have to answer the questions for ourselves. Lord Carrington supplied an authoritative set of British answers in his Alistair Buchan Memorial Lecture last week, saying in effect that a Geneva deal on compromise terms is in our interest; that the Soviet system will collapse in the end of its own accord without dangerous assistance from us; and that dogma and "megaphone diplomacy" are out of place in our deals with the East.

He is quite right. What is most required at the moment is calmness, firm self-confidence, and flexibility. And the fact that for the time being the Soviet leaders, ably represented by Mr. Bovin, would probably agree for a variety of reasons, good and bad, with the general Carrington position while Mr. Reagan would probably not, does not necessarily invalidate it.

'Britain will be used by Russia'

The following discussion with Royal Institute of International Affairs (Chatham House) head David Watt, which took place April 27, was provided to EIR. Watt is now in Moscow.

Q: You've seen the Andropov interview in *Der Spiegel*, haven't you? Isn't Andropov going a bit too far . . . practically inviting the U.S. to invade Nicaragua . . . saying that the Soviets are [acting] comparably, are defending their "national interests" in Afghanistan?

A: How else does one react to Reagan, who's completely over the top? This, and you must've heard about [Soviet commentator Alexander] Bovin's BBC appearance, is nothing strange. It's quite predictable. Reagan has really gone too far.

Q: What role do you see Britain playing in this period?

A: Britain will be used by both sides, particularly by the Russians. We British have a better understanding than Washington and the Germans with the Russians, and we will be used . . . especially if Reagan is re-elected. . . . Carrington's speech sums up the spectrum for British activity. It's narrow but nevertheless an important step. . . . Reagan's tactics . . . indiscriminate sanctions against the Russians will not work.

Q: I've spoken to people around the Reagan administration who frown on all this recent British maneuvering which they see as undermining Reagan.

A: They have been frowning at us for a long time. . . . But they will have to tolerate it. . . . They see us as the lesser evil of the two.

Submarine warfare in Scandinavia accelerates missile crisis threat

by Michelle Steinberg

On May 4, in a serious escalation of the ongoing Scandinavian submarine warfare, the Swedish navy detonated two underwater mines in coastal waters near the city of Sundsvall, aimed at a foreign submarine. According to observers, an oil slick appeared on the surface immediately after the mines blew up, but Swedish Navy Commander Bertil Daggfeldt said that no divers would be sent immediately to investigate what was hit. Commander Daggfeldt, the official military spokesman, also stated that the mines were set off after reported "optical observations of what was undoubtedly a mini-submarine showing the periscope."

The target of the detonated mines was one of the mysterious Soviet "mini-submarines" first named in the report of the Swedish parliamentary commission released in a press conference by Prime Minister Olof Palme on April 27. At the same time, a submarine sighting off Norway, a NATO member country, brought the incidents into the sphere of "superpower confrontations." On April 28, Norwegian Defense Minister Andres Sjaalstad issued an official statement that "We are prepared to destroy the submarine if it refuses to surface."

After seven days, the Norwegians ended their search efforts unsuccessfully, but not before several missiles were fired at suspected enemy submarines.

Specialists confirm analysis

On May 4, the same day as the Swedish mining attack, a lead editorial entitled "Submarine Theory" appeared in the *Sydsvenska Dagbladet*, a major Swedish daily newspaper based in the southern city of Malmö. The article states that the Soviet mini-sub violations of Swedish territorial waters are not directed against Sweden but are intended as "warning shots" for NATO and the United States. "In its propaganda against the NATO decision on intermediate range missiles and cruise missiles in Western Europe, Moscow has threatened that the implementation of that decision will trigger countermeasures from the Soviet side, which will also be directed against the United States."

"Is all this lively submarine activity in the Baltic and off the Norwegian coast designed as warning shots against NATO and the United States? Is the purpose to demonstrate the Soviets' capability of using submarine weapons of a partially radically new nature to operate virtually without impunity as far as they like in the territorial waters of foreign powers and

even in harbor areas?"

The *Sydsvenska Dagbladet* article is a direct restatement of the analysis put forward by Lyndon H. LaRouche, Jr. in a statement issued after the release of the Swedish commission report (see *EIR*, May 10). LaRouche warned that the technology of mini-submarines deployed by "mother ships" identified in the Swedish commission report is the possible first signal of a looming "Cuban missile crisis," which the Soviets will provoke in preemption of the Euromissiles deployment.

According to military experts in the United States and Europe who have held discussions with *EIR* since the release of the Swedish commission report, there is a high probability that the Soviets will respond, as they have warned, to the Euromissile crisis by a several-track deployment that will give them a parallel "launch on warning" capability against the United States.

Among the threats from the Soviets that the United States could face during 1983 are the following:

- 1) The placement of as many as three to five Soviet missile-carrying submarines off the Atlantic and Pacific coasts of the United States, possibly augmented by forces in the Caribbean.

- 2) The placing of Soviet missile-carrying submarines in the North Pole region, possibly augmented by mobile SS-20s.

- 3) The possibility of nuclear and thermonuclear underwater mines or thermonuclear-armed robotic submarines within U.S. coastal waters near major population centers, if the Soviet navy has deployed "stealth" technology for a more advanced variety than those provocatively deployed in Swedish coastal waters.

Since 1969, there have been approximately 279 sightings of Soviet submarines in the waters off the coast of Sweden and Norway. While some naive or treacherous policy makers may cite this fact to deny the significance of the escalated deployments of Soviet submarine warfare around Scandinavian countries, ignoring the clear statements of intent emanating from the Soviet Union will cause American and other NATO leaders to be unprepared, and, this time, far more vulnerable than in 1962.

In his April 28 statement on the day following the Swedish commission release, LaRouche warned that the fact that the "sneak attack" technology indicated by the Soviet mini-submarine capability had been made public through Olof

Palme is a primary part of the Cuban missile crisis scenario.

Palme, one of the top leaders of the Socialist International, and one of the closest allies of Henry Kissinger, is part of the international effort to sabotage the implementation of President Reagan's new strategic defense doctrine. Through his leadership of the East-West Palme Commission on disarmament—the flagship of the peace and nuclear freeze movements—Palme has consistently advocated policies which mean the weakening of the United State militarily vis-à-vis the Soviet Union.

Documentation

'Preparatory phase in Soviet military plan'

On April 26, the Swedish Submarine Defense Commission completed a report on Swedish defense capability against alien submarines, and the nature of a series of submarine invasions which occurred in heavy density during October 1981. Excerpts from the report follow.

Section 5. The Hors Bay Incident

. . . The incident occurred during the month of October, starting on Oct. 1 at 12:50 p.m., when two draftees' observation of backwash and a submarine periscope in the vicinity of Furuholmen-Berganäs in Hors Bay caused an initial anti-submarine deployment with helicopters and patrol vessels until Nov. 1, when the search for submarines in the area was halted. . . .

The commission strongly denounces rumors that the anti-submarine hunt in Hors Bay resulted in the sinking of one submarine. The "vacuum-cleaning" operation begun immediately has not given any results in the form of findings of material from a foreign submarine or material pertaining to a foreign power. On the other hand, the investigation has produced other results of great significance for the reconstruction of what really did happen.

Tracks on the sea floor have been found in the area around Hors Bay-Mysingen Bay:

In Hors Bay, i.e., in Djupviken and Mäersgarn and in the strait between Huvudholmen and Alvasta Laangholm.

Tracks have been found outside of Danziger Gatt.

Tracks have been found in the northern part of Mysingen Bay.

As is shown by the video-photographic material [accompanying the report], these tracks indicate two different varieties of sea floor tracks, both coming from mini-submarines and, on top of this, tracks from a sea-floor-parked conventional submarine.

The documented tracks indicate two different types of

mini-submarines. At certain locations tracks have been found indicating a caterpillar tread vehicle, while other tracks indicate keel scratches on the sea floor by another type of mini-submarine. At one location outside of Mälsten (just outside the magnetic tripwire) a large number of tracks have been found, tracks of both types of mini-submarines as well as sea floor scratches of a conventional submarine thought to have been functioning as the "mother ship."

A careful evaluation of the information from the sea floor shows that the mini-submarines have been manned, and that they can travel "floating" under water, propelled by a propeller or driven by caterpillar treads on the sea floor. Due to their small size they can operate in very shallow waters.

It can be justifiably presumed that the submarine intrusion into the naval base area at Hors Bay constituted only a small part of a larger and coordinated operation over a larger geographic area. This is a pattern also observed in relation to other intrusions of foreign submarines into Swedish waters.

In the Stockholm archipelago, this operation included probably six submarines, of which three were mini-submarines of as yet unknown character.

These submarines have probably operated such that a conventional submarine has served as a base of operations for one mini-submarine.

One mini-submarine in this operation has been operating in the Stockholm central archipelago. After leaving its mother ship this mini-submarine has intruded into the inner archipelago. Certain observations even indicate that this mini-submarine penetrated all the way into Stockholm harbor during the last week of September. . . .

Section 7. The question of submarine nationality

. . . In sum, all these indications together with known patterns of operations from the Baltic Sea area, make both military and civilian Swedish experts believe that the intrusion into Hors Bay, as well as other intrusions during the 1980-82 period have been made by submarines belonging to the Warsaw Pact. . . . After careful consideration, the commission has adopted this view. . . .

Section 10. Security conclusions

One theory is that a foreign power wishes to provoke an increased anti-submarine defense effort on the part of Sweden. . . . This theory is strongly questionable. . . . The same goes for all other political motives for the intrusion. Another kind of reason for the intrusion which can be rejected is that of military training and maneuvers without relation to military operations. It would be absurd to imagine that anyone would take such a risk. . . . It is important in this context to differentiate between motives and intentions directed against the other military bloc [NATO] and those directed against Sweden. . . . The main conclusion is that the submarine activity represents preparatory phases in an operative military plan.

Italian civil war slated to launch destabilization of Europe

by Vivian Freyre Zoakos

Extraordinary general elections have been scheduled for Italy June 26, following last month's collapse of the government at the instigation of the Socialist Party. Covering this situation, the leading international press has pretended that nothing is actually amiss. Italians are simply slated to approve yet another government among the 40-odd which have ruled since the end of the war.

Such spurious nonsense is of a piece with the same journalists' assertions that Italy is not truly undergoing an economic crisis, despite the admitted collapse of its industrial base. Heavy industry is being "replaced," it is reported, by a black market economy of light manufactures offering employment at slave wages.

The current Italian crisis is not business as usual, nor is it Italian in origin. Italy is being used as a pawn in an international strategic game. In the pattern of European destabilization set off by the British, the Soviets, and such "Anglo-KGB" assets as Henry Kissinger, described in this week's International lead article, Italy may be the first Western European government to be toppled. Collaborating in its destruction is the ancient Italian "black" oligarchy, the feudal *fondi* that never approved of the creation of an Italian state in the first place.

Political institutions destroyed

Italy is now slated to undergo nothing short of a civil war, made possible by the gutting of its political institutions. The two mass-based parties, the Christian Democracy, which has ruled Italy almost continuously since the war, and the Italian Communist Party (PCI), whose base in the trade unions and Catholic-nationalist traditions have made it quite independent of Moscow (until now), have both begun to undergo a radical transformation.

The PCI has recently become the willing pawn of Soviet party secretary Yuri Andropov and the same black nobility that promoted Benito Mussolini into power. The Communist Party has recently decided to "bleed off" its vote—around 30 percent of the electorate—in favor of the much smaller Italian

Socialists. The significance of this is appreciated when one considers that it was the Socialists who collapsed the recent government. They did so after their general secretary, Bettino Craxi, met with Henry Kissinger in Milan. He sought Kissinger and the U.S. State Department's support for a prospective Craxi government.

In exchange for its votes, the PCI is hoping to be granted greater voice in the government, including, possibly, some cabinet positions on the "French model."

The Christian Democratic party, which controls approximately 35-40 percent of the vote, has been internally destroyed, over the past six months in particular. What has been destroyed is the party's complex internal system of factional "machines." With the collapse of its internal constituency politics, the party has come under the increasing domination of the same oligarchical families now running the PCI.

The Italian neo-fascist MSI party (Italian Social Movement) is simultaneously being groomed for a significant spurt of growth at the June 26 elections. Their electoral campaign will center around the fact that one of Mussolini's sons, Vittorio, will be included in their electoral slate. The voters are being urged to "Vote MSI: Vote Mussolini into Parliament."

On top of all this, a new phenomenon has entered Italian postwar politics, the "party of the scheda bianca," referring to the "white ballots" which 6 million, or 18 percent of the population, are predicted to cast come election day. In a country with an historical voter turnout of 98 percent or more, the refusal of 18 percent of the population to cast its ballots for any candidate is being analyzed as symptomatic of an incurably diseased political system.

But the relevant perception is that the Italian media, led by the Agnelli press, are actually organizing on behalf of the "white ballot."

It was FIAT magnate and Trilateral Commission member Gianni Agnelli who said at the meeting of the Italian industrialists' association (Confindustria) on April 13: "Italy risks ending up like Turkey. But after all, Evren did excellent

things there. These Turkish generals are good; they are fine people, really fine people.”

Agnelli and his fellow Confindustria executives at that conference, as the statement would indicate, were discussing the necessity of a coup d'état. In the guise of reporting on the disaffected “white ballot” vote, the press mafia controlled by these gentlemen, such as the “prestigious” *Espresso* and *Panorama* magazines and the daily *La Repubblica*, have published editorial on top of editorial in which leading journalists explain how they themselves intend to cast white ballots given the current, untrustworthy character of the political parties.

PCI: new Andropov-Venetian instrument

The single most serious destabilizing event in Italy over the recent period was the takeover of the Italian Communist Party by the Andropov and Venetian crowds. The phenomenon was amply clear during the PCI party congress of two months ago, and even before, when party leader Enrico Berlinguer and one of the leading Venetian spokesman, Republican party president Bruno Visentini, suddenly publicly revealed their agreement on all areas of policy. Simultaneously, Berlinguer, whose profile has always been “conservative,” became the unlikely spokesman for New Left radicalism.

Becoming explicit in a recent speech, Berlinguer identified the American Euro-missile deployment scheduled for later this year, with one site to be Sicily, as the leading issue of the electoral campaign. He declared his willingness to have the PCI work closely with the radical leftists to prevent the deployment of the missiles and to achieve a nuclear freeze. Thereupon, the PDUP and Manifesto radical parties—well-documented breeders of Italian terrorism—began to self-dismantle. Their leading members are entering the PCI.

The second-largest party in Italy, the PCI is almost equal in size to the ruling Christian Democrats. Now, it has put itself forward as the Italian branch of the peace movement—financed throughout Europe by the Soviet Union, although organized by the fascist international. This development is emphatically not mere opportunism “as usual” for the PCI. During the postwar period, the party has been mainly free of Soviet control, and has behaved repeatedly as the defender of Italian national self-interest in most important areas.

The PCI's descent into Andropovian and Venetian control carries with it innumerable penalties for Italy. The PCI controls the largest part of the national trade union movement. Last January, for the first time ever, the trade unions agreed to cut the cost of living escalator in wage negotiations with Confindustria—on orders from the PCI. Suddenly, the party has begun to preach the gospel of austerity. Since then, the predictable collapse of once-strong Italian trade unionism has become increasingly apparent. For example, over the recent past, Confindustria has broken off one after another round of contract negotiations with impunity. The trade unions, already suffering an enormous loss of credibility due

to their betrayal on the cost of living issue, have been unable to respond effectively.

With the economy collapsing ever more rapidly, that is only the beginning. Italian industrial production for the first two months of 1983 showed an average 8 percent decline relative to the previous year. The most important sectors, such as machine tools, showed an incredible 20 percent collapse, compared to already disastrously depressed levels in 1982. The “black market” cottage-industry phenomenon so insistently discussed by the international press not only cannot substitute for industry; it is indicative of the increasing anarchy of the trade union situation. The conservatively estimated 25 percent of the work force now employed by black market cottage industry is not under trade union control. In those remaining industrial sectors still nominally under such control, the trade unions have adopted austerity as their own policy, and are rapidly losing the support of the labor force.

It is under these conditions that the PCI, controlling the CGIL trade union confederation, has transformed itself into the spokesmen for left-wing radicalism—that political fringe which generated the internationally infamous Italian terrorist gangs. That political fringe, however, was from its inception nurtured by the true party of terrorism in Italy, the Socialists. This being the case, it is perfectly lawful that, among the other cited turns of the PCI, the party is also making a deal with the Socialists to turn over to them a significant percentage of Communist votes in the upcoming elections.

This deal has been given a name by the press. It is called, appropriately, the “bleeding” policy; the PCI bleeds itself of its own votes in the hopes that the U.S. State Department will allow Communist entry into the government, if a strong-enough Socialist party is there to guarantee “democracy.”

The election scenario

The most likely scenario for the June 26 elections is that the “radicalized” PCI will “lose” a significant percentage of its vote to the Socialists. Most informed observers put the likely Socialist vote at 20 percent—meaning about an 8 percent increase, courtesy of the PCI. The MSI neo-fascists, under the Mussolini banner, would also gain, while the Christian Democracy would stay more or less stable.

Then there is the “white ballot party” as the third largest in Italy. This would represent a ready force for chaos in the second phase of the destabilization. That phase would see a large neo-fascist movement pitted against the radicalized Communists in an unfolding civil war. Craxi may or may not achieve his dream of becoming the new Mussolini.

An Italy in chaos would act as the launching pad for parallel destabilizations of its European NATO allies. Under such conditions, Yuri Andropov might well gain a much-coveted divorce between Europe and the United States. As for the oligarchy, their insane ambitions were laid out by Olivetti chairman De Benedetti in an interview earlier this year: global economic collapse and chaos are the needed precondition for reorganizing the world on a new model.

The Longo Mai commune: control point for Swiss terrorist operations?

by Joelle Leconte in Paris

On April 21 the Longo Mai “agricultural commune” held a press conference in Paris to respond to recent media revelations concerning the circumstances surrounding the February death of Lieutenant-Colonel Nut, one of France’s top counter-espionage agents. The media had revealed that Nut, who was responsible for the South-East regional bureau of the DGSE (France’s CIA), was killed while conducting an investigation into the Longo Mai sect.

The president of Longo Mai, François Bouchardeau—son of the newly appointed Minister of Environment Huguette Bouchardeau—was the group’s spokesman at the press conference which turned into nothing more nor less than a series of attacks against the Parti Ouvrier Européen, the French party headed by Lyndon LaRouche’s principal political collaborator in France, Jacques Cheminade.

Why did LaRouche’s collaborators come under fire? Most likely it is because in France and internationally, LaRouche and his collaborators have shaken plans for a second “May 1968” throughout Europe which is planned both by the extreme right as well as by the friends of the KGB.

From all available evidence, the DGSE suspected Longo Mai of operating in conjunction with foreign powers. The headquarters of the sect, near Forcalquier, is in the middle of a zone in which the Plateau of Albion and its strategic missiles, the Cadarache nuclear research center and the strategic petroleum reserve of France are located.

According to the right-wing newspaper *Minute*, the Soviet Consul and Vice-Consul of Marseilles have visited Longo Mai. They were among the 47 Soviet diplomats and journalists expelled from France in March on charges of espionage, one month after Nut’s assassination.

But terrorism, rather than espionage, seems to be the behind the scenes activity at Longo Mai. This hypothesis has been raised several times since 1977, but always quashed: the sect has too many powerful protectors in high-level places.

Revolution down on the farm

In the year 1972, two leftist grouplets, Hydra from Switzerland and Spartakus from West Germany and Austria, held

a conference in Basel, Switzerland, and elaborated a back to the land charter for a group that took the name Longo Mai. Longo Mai, in Occitan, means “Long may it last.” (*Occitan* is the ancient language of southern France, which has become a rallying-point for certain of the exotic regional-separatist movements attempting to destroy the centralized state.) The first “pioneer camps” were established in the south of France, in the Alpes-de-Haute-Provence region.

Of the founding organizations, Spartakus was based among young workers in Siemens factories—just like the original Red Brigade cells in Milan during the early 1970s. Among the founding members from Hydra, Gotthard Klingler is still one of the most important leaders of the group. But not all of Longo Mai’s founders were young leftist workers. One of them, Hermann Bershen, was a colonel in the Swiss army.

Longo Mai was launched publicly in 1973, with much fanfare from the leftist media like *Le Nouvel Observateur* magazine. The sect is in every respect the brainchild of the Malthusian Club of Rome, which spawned the back-to-the-land ideology that took hold in the demoralized atmosphere that followed the May 1968 student upheaval in France.

In the early period the typical recruit, culled from a “progressive” religious group, a technical school oriented toward “appropriate technologies,” or a youth group, would be sent for a training period in a farm associated with Longo Mai’s Europe-wide network.

There, the disoriented adolescent would be forced to submit to the sexual and other promiscuity of communal living. In addition to homosexuality and sodomy (if only the sheep of the Pyrénées could speak!); various forms of group “therapy” were practiced in order to further degrade the individual and induce psychosis. Only after these stages would the recruit be considered ripe for para-military training and sent to the main camp at Forcalquier.

In Austria, the group was accused of terrorism and assimilation into the Baader-Meinhof gang, West Germany’s leading “left” terrorist band. It is known that a member from the Hydra group in Switzerland was involved in arms traffic for

the Baader-Meinhof. An Austrian member of Spartakus from Vienna, Jacob Mytteis, sought refuge in Longo Mai's camp in Forcalquier after a warrant was issued for him in Austria, and the Swiss and West German authorities refused to allow him entry into their countries. Numerous other West German "militants" who were having trouble with the law were also taken in by Longo Mai. During the early years of Longo Mai, then Minister of the Interior Raymond Marcellin had several foreign members of the cult expelled from France on charges related to state security.

Counterculture and big business

The worker's production cooperative (SCOP) of Longo Mai was created in June 1973 in Forcalquier, and its farm some few miles away in Limans. Its current president is François Bouchardeau, the son of the radical Minister of Environment. Some 40 men and women live there now, along with a dozen or so children born there.

The leader of the Limans commune, Roland Perrot, aka "Remi," is more than 50 years old. He is described by deserters as a megalomaniac, imposing his will and overt homosexual desires on the rest of the commune. During the Algerian war he is known to have begun collecting contributions within the left to create a deserters' underground. The project fell apart, but the money was never returned.

There are seven associated farms existing in France, Belgium, Switzerland, and Austria, more than a dozen "craft" businesses, as well as a coffee shop, garage, hotel, printing company and so forth. A Paris office was maintained for a time, in the same location where later the Friends of the Earth and still later Greenpeace had its offices. A newsletter is published in Basel. The group has its own radio station, as well as its own flying club. Longo Mai had just submitted an application for opening an advanced pilots school at Vinon airport when Colonel Nut opened his investigation.

According to Longo Mai's spokesman, the community acquired a plane and submitted this application because eight of its members had received pilot's licenses during the days of their "adventures in Costa Rica," and they were concerned about maintaining their validity. This story has in no way diminished suspicions about the group's involvement in trafficking. Nor have the group's many farms located near the borders of France, Italy and Switzerland.

United Nations complicit?

Since 1973, Longo Mai has also carried out "charitable" operations in Central and South America, first involving Chilean refugees and Sandinistas from Nicaragua. This operation was the pretext for massive fundraising drives in Switzerland and received the support of the United Nations High Commission on Refugees. Longo Mai's leaders claimed to have brought 200 Nicaraguan refugees back to Switzerland, but there were in reality never more than 31. A scandal broke out in Switzerland, where the refugees were blatantly exploited as cheap labor in the agricultural camps, and as

props for fundraising drives.

Toward 1976-77, Longo Mai attempted to establish a "model agricultural community" in Costa Rica. Two tracts of land were purchased in San Isidro. This, and an office in the capital, San José, still belong to Longo Mai.

The bankers from Basel

Longo Mai's international infrastructure is directed from a bureau in Basel. Colonel Nut was said to be particularly interested in investigating these men in three-piece suits who used to visit Longo Mai from Switzerland. The Basel bureau maintains the computerized listing of Longo Mai's more than 100,000 supporters, who contributed some 60 million francs (about \$10 million) during the 1970s. The accountant in a certain Mr. Zaugg.

According to the press, Longo Mai has received large amounts of funding from the Verein Bank of Basel, as well as certain large Swiss firms, including the Hoffman-LaRoche pharmaceutical firm. In the latter case, the funding has taken place through Longo Mai's Basel representative, Gotthard Klingler, the son of one of the firm's directors. The Crédit Agricole and the Banque Rothschild have also been involved in funding operations.

According to some reports, several former members of the Secret Army Organization (OAS), the guerrilla group that was responsible for numerous assassination attempts against the life of Charles de Gaulle, helped to found Longo Mai. According to another report, the director of Longo Mai's publishing house is a former SS member.

This opens up the possibility that Longo Mai, despite its "progressive" cover, is a joint asset of the KGB and the Nazi networks represented in Switzerland by the financier François Genoud. Another fact that is highly suggestive of this possibility is that the Siemens company out of which the core founders came, is closely associated with the Siemens Foundation headed by Armin Mohler, the author of "The Conservative Revolution," the bible of the European pagan "New Right."

In 1980, a group of university professors gave a press conference in Switzerland in support of Longo Mai, in response to a series of articles published by the social democratic newspaper *Arbeiter Zeitung* of Basel. Among them was Professor Pierre Fornallaz, director of the Zurich-based Center for Appropriate Technologies and Social Ecology. The center develops "soft" technology programs for governments and corporations, according to the prescriptions of the Club of Rome and World Bank.

Over the years, Longo Mai has also received support from international institutions such as the International Labor Organization, the Food and Agriculture Organization of the U.N., the Council of Europe, and the European Community. Club of Rome member Sicco Mansholt—German Green Party leader Petra Kelly's former employer—and ex-Austrian Chancellor Bruno Kreisky have also supported the Longo Mai cult.

Zafarrancho in the Zócalo

The fistfights which took place during this year's May Day march had many lessons.

The contingent of marchers from the teachers' union (SNTE) began the clockwise circuit of Mexico City's giant central plaza, the Zócalo. Just behind came a contingent of dissidents in the union called the "Coordinadora." As the two groups came in contact, squads of thugs, known in Mexico as *porros*, poured out of conveniently parked buses. Armed with clubs, the thugs waded into a spreading mass of fistfights. It was a classic Mexican *zafarrancho*.

Police moved in to break up the melee. But a few minutes later, the scene repeated itself when another delegation of the dissident teachers reached the reviewing area directly below President Miguel de la Madrid's balcony in the National Palace.

The casualty total for the day, according to police, was 47 injured, 24 of them treated in the hospital. The newspapers the next day flowered with protests from left-wing unions, charging police repression. A number of papers published pictures of the police in action in the Zócalo, next to pictures of Polish security forces repressing May Day marchers in Poland.

For de la Madrid, the violence was a reminder of how volatile the labor situation is becoming as the International Monetary Fund's economic program destroys worker's living standards.

The labor movement's economists calculate that inflation for the first quarter of this year was 43 percent. The official figure is 20 percent. But the IMF-mandated salary adjustment

is 12 percent. Labor is demanding that that be quadrupled.

The incidents during the May Day march should not be misread simply as a sign of labor radicalization. They came amid a remarkable show of strength by longtime labor chieftain Fidel Velázquez and the CTM union, a pillar of the governing PRI party. The march was one of the largest in modern Mexican history. Estimates of the number of marchers range from 1 to 1.5 million. And it was Velázquez's own decision to allow dissident unions to march in the official parade (in previous years, the so-called "independent" leftist unions always marched a different parade route). His point was simple: that under the pressure of the economic crisis, the government should realize that the labor movement can unite as much as it can fragment. Velázquez announced in late April that he will embark on weekly tours to every part of the country—an extraordinary show of leadership from the 83-year-old unionist.

Though the slogans in the march were not openly anti-IMF, the CTM is systematically and successfully targeting the leading cabinet ministers responsible for implementing IMF policy. Two months ago the union slammed Commerce Minister Hector Hernández. The last week of April, it was Planning Minister Salinas de Gortari's turn, after he had turned in a laughably rosy quarterly economic report, in which he had asserted that the economic crisis is "under control." Velázquez charged that the "modera-

tion of workers demands" had solely served to help some private sector profits and help the government "meet obligations abroad."

In this context, it would be wrong to see the left-wing unions as an autonomous force, gaining strength as the IMF accords discredit the labor forces allied with the government. *Disloyal members of the president's own cabinet are using the dissident union groups as tools to weaken labor and protect the IMF program.*

An example is Labor Minister Arsenio Farrell Cubillas. In an early March meeting with the leadership of the Revolutionary Confederation of Workers and Peasants (CROC), Farrell out of the blue declared that the group "is called upon to become the real representatives of the Mexican proletariat." The rest of the labor movement was left open-mouthed by the blatancy of the effort to pit the CROC—an established but smaller union current—against the CTM.

The mastermind of the disloyal government faction is Education Minister Jesús Reyes Heróles, a strong backer and masonic lodgemate of the IMF's chief collaborator in the government, Finance Minister Jesús Silva Herzog. From the first days of the de la Madrid government Reyes Heróles primed the dissidents in the SNTE to finish off that embattled union.

In recent months, the dissident "Coordinadora" group had been seen to be faltering. All that is now reversed with the *zafarrancho* in the Zócalo. The dissidents, now with the bloody shirt they wanted, have returned to life and have called a protest march for May 15.

No one quite knows who sent in the 400 *porros* who precipitated the clash on May 1. Some observers say they saw the words "Public Education Secretariat" on the sides of the buses.

International Intelligence

Helmut Schmidt attacks Reagan

In an article written for the pro-British West German weekly *Die Zeit*, former chancellor Helmut Schmidt stated May 4 that the Western alliance does not need what he calls Reagan's "Space Wars 1983." Schmidt is now an editor of *Die Zeit*, whose publisher, Countess Marion Dönhoff, helped establish the environmentalist movement.

Schmidt, who has been working and conferring regularly with Kissinger Associates since he left office in Bonn on Oct. 1, 1982, counterposes "American inconsistency and incalculability" to the "most important contribution by England to the Atlantic Community," which he says is "political continuity, international experience . . . her common sense." Kissinger Associates' Lord Peter Carrington is termed "the best Western Foreign Minister of the late 1970s and early 1980s."

Schmidt goes on to say that all outstanding problems with the U.S.S.R. can be solved in the context of the Geneva talks.

Before writing this hideous piece of hatred of Reagan and praise for the British, Schmidt had addressed a Hamburg gathering of anti-Reagan spokesmen arranged by Time-Life Inc. From the State Department, Helmut Sonnenfeldt, Richard Perle, and Richard Burt attended.

The next engagements on Schmidt's schedule are a keynote address to NATO's SHAPEX in Brussels, presentations in Canada and in the United States, and participation in the celebration of Henry Kissinger's 60th birthday.

French bombings point to security leak

Investigations following the series of April 29 Paris bombings uncovered a weapons cache and a map of the Elysée Palace (the official residence of the French president) and its security arrangements in a garage-box rented by the Parisian head of the Corsican National Liberation Front (FNLC),

Jean-Dominique Gladioux. Two months ago two Action Directe activists were arrested leaving another garage-box on the same street which had been transformed into an explosives reserve.

The map of the security arrangements of the Elysée Palace could only be obtained through the Elysée staff itself, which will be investigated.

The European Labor Party in France has proposed that the security threat presented by the presence of Regis Debray on the presidential staff now be investigated. Through the French version of the U.S. *Counterspy* organization, the Bureau d'Information sur l'Intervention Clandestine, whose head he was until May 1981, Debray has protected left-wing terrorists in France, including the Curiel KGB network, the Longo Mai infrastructure, the Hyperion school, and other friends of May 1968 insurgent Daniel Cohn-Bendit.

Mexico and U.S. respond to invasion of Nicaragua

Nicaragua's ministry of foreign relations charged May 2 that 1,200 more ex-Somozista guards, supported by 1,000 Honduran soldiers and 1,000 mercenaries, crossed into Nicaragua the last weekend in April. This escalation has drawn front-page banner headlines in the Mexican press, as a threat against Mexico itself. *Excelsior* commented in its editorial May 3, "To arm mercenaries and soldiers of fortune against a country . . . is a grave setback whose consequences are not yet foreseeable, but whose extent should be pondered: respect for civilization has been lost, and the threat is against all."

In the United States, politicking over Central America between congressional Democrats and the administration continues, with neither side offering a way out. On May 3 the House Select Committee on Intelligence voted, nine Democrats to five Republicans, to cut all U.S. funding for "covert operations" against Nicaragua, and passed a proposal spearheaded by Democrat Ed Boland (endorsed by the *New York Times* and Sol "Club of Rome" Linowitz, one of the Council on Foreign Relations' Central America specialists). It calls for the United

States to allocate \$80 million in aid to Honduras and El Salvador for "overt" arms interdiction. The committee, responding to CIA head William Casey's testimony that a U.S. pullout of funds would lead to a "bloodbath" against the "counterrevolutionaries," voted for a pull-out over the next 45 days.

In the course of the Honduran invasion, the U.S. State Department-backed Edén Pastora's troops—with Italian Socialist Party mercenary Hugo Spadafora joining them—simultaneously invaded Nicaragua from Costa Rica in the south.

Honduran government officials have not admitted that the invasion occurred.

Left-versus-right violence breaks out in Denmark

The leader of the Danish Progress Party, Mogens Glistrup, was stoned by a mob of 300 youths in a Copenhagen park as he was about to deliver his May 1 speech. The Progress Party is an ultra-right-wing party created around Glistrup in the early 1970s on a platform of zero-taxation, zero-bureaucracy, and complete free enterprise. The press, which at that time built him up, is now making Glistrup into a martyr.

When he tried to escape, the fascist mob screamed, "Throw him in the lake!" They physically assaulted him and started showing him toward the lake. Glistrup barely escaped.

Mobs of youths between 8 and 25 years old are now rioting almost daily in the streets of Copenhagen. They are occupying houses, smashing shop windows, robbing shops, and starting fires in the streets. Many have been trained at Copenhagen's infamous drug-and-terrorism compound, Christiania.

Princess Anne dines with Zia ul-Haq

Princess Anne is the first member of Britain's royal household to visit Pakistan since the execution of Prime Minister Ali Bhutto in April 1979. In what was billed as an in-

Briefly

formal private tour as a patron of the Save the Children Fund, Princess Anne was given a dinner by the ruling dictator, Bhutto's executor Zia ul-Haq, and stayed overnight at the government guest house.

The Duke of Edinburgh also visited Pakistan recently on behalf of the World Wildlife Fund. Pakistan, of course, is a former component of the British Raj.

Argentina starts up its second nuclear plant

The heads of the nuclear programs from 14 Latin American nations were on hand May 3 for the inauguration of Argentina's second nuclear power plant, the third operating plant in Latin America. The 600-megawatt natural uranium heavy-water Embalse Rio Tercero reactor, located 100 kilometers outside the industrial city of Cordoba, was completed in eight years at a cost of approximately \$1.4 billion.

The completion of Embalse Rio Tercero is a demonstration of Argentina's "dominion of nuclear technology" in its "exclusive application to national development," said Carlos Castro Madero, the head of the nation's nuclear program. He noted the spread of optimism that has accompanied the construction of the plant and gave particular praise to the local officials and residents in the area around the reactor. "Their support stands in vivid contrast to the negative attitude that one observes in areas next to nuclear facilities in other countries," he said.

Clarín, the leading Buenos Aires daily, noted editorially on May 4 that Embalse's completion is all the more rewarding, given what the Argentine economy has been forced to suffer. The country "had to risk every type of difficulty, from those arising from foreign pressures to the lack of [monetary] resources . . . but the project went forward because the conviction that it was and is necessary to progress in the nuclear program was maintained." The fact that the overall nuclear plan has had to be cut back is no sign of lack of capability, *Clarín* said. Rather it is what can be expected of the "debilitation and diminution of the country" that has resulted from certain economic policies, pointing to the monetarist faction.

French scientist supports E-beam policy

Professor Marceau Felden of Nancy University, director of the laboratory of studies of ionized fields, gave a speech in favor of Reagan's new defense policy May 5 in front of the Gaullist-linked "Cercle republicain" in Paris. The title of the presentation, advertised in *Le Monde*, was "New Nuclear Weapons and Space War in the Year 2000. Is a Third World War Possible?"

Plasma scientist Felden, who was present at the recent Fusion Energy Foundation Paris conference on E-beams, utilized the FEF's material in his presentation, and transmitted some sense of excitement about Reagan's March 23 proposal to the audience. He presented it as an "extraordinarily important event where Reagan put into question the entirety of strategic thinking that has dominated since the beginning of the nuclear era. . . . In a sense Reagan's speech represents the point of no return."

After developing how new scientists and technical breakthroughs open this possibility, what the Soviets are up to in that domain, what the American defensive system would like, he came to the question of France. Even though the *force-de-frappe* was very competently made, he said, the new weapons render it absolutely obsolete in a matter of years, and thus France has to orient in the direction of this new effort. He stressed that France has the technological and scientific know-how to develop such systems: "France is the third power in the world concerning lasers."

The deployment of such weapons systems, said Felden, would be possible for ground-based chemical lasers as early as 1987-88, and for space based systems around 1990-95.

He then came back to the strategic discussion and emphasized the difference between "Mutually Assured Survival" and the MAD doctrine developed by "people like John Foster Dulles, McNamara, Schlesinger, Brzezinski, and Kissinger. However, as demonstrated by Sokolovski's book published in 1979, the Soviets have never swallowed the Mutually Assured Destruction doctrine. . . ."

● **THE SOVIETS** have offered Israel a deal for the release of several hundred thousand Soviet Jews in exchange for Israeli withdrawal from the West Bank and the inclusion of the Soviets in a primary role in the Middle East peace negotiations, the *Jerusalem Post* reports April 29. The offer was made at an Oxford University conference under the auspices of the New York-based Institute for East-West Security Studies, the *Post* indicated.

● **THE ITALIAN COMMUNIST** Party sponsored a late April conference on Africa's Sahel region in which conference participants praised customs such as polygamy, while denouncing inputs of Western technology as disruptive of "nomadic life."

● **FRIBOURG**, Switzerland has become the world's leading research center for investigating the pseudo-Islamic mystical cult of Sufism, according to sources at the Society of Jesus's Gregoriana University in Rome.

● **A NIGERIAN COLONEL** who represents the interests of the Muslim Brotherhood in his country paid a secret visit to Saudi Arabia to obtain funding for Brotherhood activities, European security forces have reported.

● **ARYE GINGER**, the Israeli arms merchant who represents U.S. mobster Meshulam Riklis and former defense minister Ariel Sharon in Israel, is buying up the Israeli branch of AEG Telefunken. His partner is a top representative for the Clal Investment Bank interests of Israel.

● **NAZI INTERNATIONAL** representatives will hold a secretive meeting May 12 in Antwerp, under the auspices of the Belgian Flemish Vlaamse Militanten Orden (VMO), an openly Nazi group.

Washington power struggle over strategic response

by Criton Zoakos

Throughout the first week of May, an intense political struggle has been going on in Washington over to how best prepare the country to deal with what is now generally recognized as an imminently pending "Cuban missile crisis" type of confrontation between the United States and the Soviet Union. The term "Cuban missile crisis-type," previously employed in print only by this review, was adopted by the editors of the New York Times on May 1, for the purpose of proposing a Kissinger-brokered summit meeting between President Reagan and Soviet Communist Party Secretary-General Yuri Andropov.

Vice-President George Bush, in a May 4 speech before the Association of American Chambers of Commerce in Latin-America, addressed the same subject in the following way: "Let me explain the President's meaning in the following way: little more than 20 years ago, an American President went before the American people to announce that he was ordering a naval quarantine of Cuba because offensive Soviet missiles had been placed in that country. We remember the Cuban missile crisis and the threat to peace that it posed. We should also recall what led to that crisis—a miscalculation on the part of our adversaries as a result of our failure over the years to come to grips with a threat to our hemisphere. It was a failure that ultimately led to a major confrontation between the world's two great powers. That is the kind of crisis President Reagan seeks to prevent."

The strategy-making establishment in Washington is split

over how to handle this crisis into two basic schools of thought. Among the official spokesmen for the first are President Reagan and Defense Secretary Caspar Weinberger: they propose to scrap the strategic doctrine of Mutually Assured Destruction (MAD) as a precondition for resolving the looming confrontation.

Opposition to Reagan strategy

The second school of thought proposes to retain MAD at all costs.

Within its ranks, this tendency offers two alternate options, the nuclear freeze movement's option of unilateral U.S. disarmament and the Henry Kissinger-Peter Carrington option of first triggering the crisis full scale by deploying the Pershing II missiles in Europe some time this year and then "managing" the crisis under the auspices of the notorious "Kissinger back channel." The efforts of the nuclear freeze peaceniks and of the Kissinger-Carrington MAD maniacs are harmonized by the activities of Gen. Brent Scowcroft under the cover of the Scowcroft Commission's Report to the President.

Both Kissinger and the "peaceniks" share a commitment to prevent at all costs President Reagan from implementing his decision to scrap the MAD doctrine and replace it with his version of Mutually Assured Survival, a doctrine which would be based on the development and deployment of sophisticated relativistic beam weapons capable of "rendering

intercontinental ballistic missiles impotent and obsolete." Both Kissinger and the peaceniks enjoy the full support and appreciation of the Andropov leadership in Moscow, as well as the support and appreciation of Secretary George Shultz's State Department.

Neither the Kissinger Republicans nor the Harriman Democrats appear to have any particular objections to a full-blown Cuban missile crisis. They are, however, unified in near-hysterical opposition to the prospect of seeing MAD replaced by Reagan's doctrine of Mutually Assured Survival, first announced in his history-making March 23 speech to the nation. In a letter to certain newspaper editors, published in the May 3 *Christian Science Monitor* and other locations, the President pinpointed with precision the core issue which has unhinged his Kissinger-Republican and Harriman-Democrat opponents and their Moscow cothinkers in this matter. "I cannot help but believe," the President wrote, "that strategic defense holds out new hope for removing nuclear terror from our lives. With the prospect of defense against nuclear weapons comes also the prospect of negotiations not just to restrain and codify the balance of terror, but to eliminate these weapons from the face of the earth."

This was not the first time the President had publicly offered the Soviet leadership serious arms reduction talks in the context of mutually agreed upon development of defensive systems which would end the era of nuclear terror and its codified military doctrine, MAD. Both he and Defense Secretary Weinberger have reiterated the offer to share with the Soviets technologies relevant to anti-missile defenses. The Soviet Union selected the occasion of a Soviet-British Roundtable meeting in London at the end of April to formally reject this offer by the United States, and, in a statement by Andropov spokesman Aleksandr Bovin, brand anti-missile defenses as "destabilizing."

The spirit of Mr. Bovin's rejection of the President's offer to share defensive technologies with the U.S.S.R. was shared by Sen. Malcolm Wallop (R-Wyo.) during a Senate Armed Services Committee hearing on anti-missile beam weapons on May 1. Wallop, while professing support for an early deployment of space-based chemical lasers, apparently does not share the President's interest in utilizing these new technologies for the purpose of stabilizing strategic relations between the nuclear superpowers. Such sharing, in Wallop's and Bovin's reckoning, would definitely make the doctrine of MAD obsolete.

While Mr. Bovin was in London meeting with the Royal Institute of International Affairs, his immediate superior, Georgii Arbatov of Moscow's U.S.A.-Canada Institute and rumored successor of Andrei Gromyko as Soviet foreign minister, was in the United States meeting with two Kissinger cronies, William Hyland and Gen. Brent Scowcroft himself, at a Dartmouth Conference in Denver, Colorado. One of the immediate byproducts of the Scowcroft-Arbatov collaboration was a rather crude letter to the President, drafted by

Sens. Charles Percy (R-Ill.), William Cohen (R-Me.), and Sam Nunn (D-Ky.) and Reps. Albert Gore (D-Tenn.), Les Aspin (D-Wis.), and Norman Dicks (D-Wash.), telling Reagan: "We are concerned that the administration has not responded more fully to the arms control recommendations of the Scowcroft panel," especially its proposal to abandon multiple-warhead missiles for the smaller single-warhead missile dubbed "Midgetman," as was demanded by Henry Kissinger.

The Scowcroft Report

It was an intervention typical of the collaboration these days between Kissinger Republicans and Harriman Democrats around the "bipartisan," Kissinger-inspired Scowcroft Commission Report. That report's objective has been exclusively to dampen the impact of the President's March 23 speech and to return the United States to MAD-based arms control policies. Since the publication of the Scowcroft Report, the Kissinger Republicans in the Senate have been mobilized to use that report for the purpose of preventing the President from either going ahead with the development of the new defensive weapons systems or altering the doctrinal context in which future arms control negotiations can be conducted.

Senator Larry Pressler's office has been insisting that the single most important clause of the Scowcroft Report is that which recommends that future arms-control negotiations should be based on counting the number of nuclear warheads on both sides and on trying to limit those—a typical MAD-based argument. The basis of arms control negotiations up until now has been the number of launchers of both sides rather than that of warheads (also an MAD-based concept). If future negotiations are to be based on President Reagan's doctrine of Mutually Assured Survival, the primary interest of the negotiating teams will be on how best to cooperate in achieving technologies to knock out missiles, and not the number of missiles in possession of each side.

As of now, the President is occupying the morally "high ground," as he himself, the Defense Secretary, Senator Armstrong, and many others have been quick to point out. This matter is politically very important in light of the disastrous "pastoral letter" that the American Bishops' Conference managed to produce the first week in May. The immorality of Kissinger and company's MAD lies in the fact that it conceives of defense exclusively by means of "retribution," while Reagan's approach of Mutually Assured Survival views defense as a matter of protecting human lives against nuclear missiles (see Secretary Weinberger's speech, page 54). This moral point may have been missed by most in the midst of the past weeks' tumultuous developments, but, in the long run, it will have a far-reaching effect. The Jesuit "liberation theology" plurality among U.S. Catholic bishops has been outmaneuvered by the President of the United States on a matter of lasting moral importance (see statement by *EIR* founder Lyndon LaRouche, page 51).

Andropov's deluded allies

What both the Kissinger Republicans and Harriman Democrats have grossly misestimated are the current intentions and concerns of their immediate policy partners in the Andropov leadership in Moscow. Because of this misestimation, Kissinger Republicans and Harriman Democrats are crucially deluded about the role they hope to play in the soon-to-erupt missile crisis. It is going to be a crisis different by far from what they currently envisage.

In a recent war-game simulation of Soviet leadership reaction patterns played in Ottawa, Canada, the following features of Soviet strategic thinking were identified: the current Andropov-centered consensus believes that it has achieved a marginal but crucial strategic advantage over the United States which is likely to continue in the next few years; it also believes that it is faced with serious internal economic problems which if not overcome, and if correlated with a possible U.S. economic recovery, will relegate the U.S.S.R. into secondary status within four to five years.

If the United States follows Reagan's doctrine of Mutually Assured Survival, it will abandon its recent "Aquarian" post-industrial orientation and take off economically in a dramatic way. If the United States does not go with Reagan's doctrine, it continues MAD which makes the deployment of Pershing II missiles in Europe *doctrinally* unacceptable to the U.S.S.R., since it is the doctrinal context of MAD which makes them "first strike" weapons, not their technical specifications.

Given these constraints, the Andropov-centered leadership has essentially two alternatives: either go along with Reagan's Mutually Assured Survival and witness a major industrial and technological revival of the United States and thus acquiesce in "second-rate" status for the U.S.S.R. within four to five years, or go all out to utilize the U.S.S.R.'s existing and projected temporary military superiority. Such utilization must achieve two simultaneous Soviet policy objectives: First, prevent at all costs the implementation of the announced Reagan doctrine, i.e., ensure that the United States remains locked in the Kissingerian MAD and cognate doctrinal refinements (flexible response, forward defense, theatre nuclear war, and similar extensions of MAD). Second, prevent at all costs the deployment of Pershing IIs in Europe. Both of these Soviet commitments are of equal priority, and under the Andropov-consensus commitments, there cannot be tradeoffs between the two.

The Geneva talks

There is one further stipulation in the currently adopted Soviet strategic posture: the prevention of the Pershing II deployment must not be achieved by negotiating a removal of the Soviet SS-20s, since such removal would negate the existing margin of Soviet military superiority, the very premise of the above-mentioned commitments. *Therefore the Soviets are committed to a failure of the Geneva negotiations.* This commitment is evident in Marshal Ustinov's latest East

Berlin speech, in the East German decision to cancel Erich Honecker's visit to West Germany and in Andropov's own May 3 procedural proposals for the Geneva talks.

The May 4 "nuclear freeze" vote in the United States House of Representatives, as modified by the "Levitas amendment" in the last minute before the vote, adds a further dilemma for the Soviet strategists. The freeze resolution in its present form calls for a freeze of nuclear weapons for both the United States and the U.S.S.R., *only after an agreement for arms reduction has been reached at Geneva*, and it thus has a *Doppelbeschluss* character identical to the 1979 NATO resolution regulating the deployment of the Pershing II (*Doppelbeschluss* refers to the "two-track" decision to prepare to install the Pershings while pursuing arms control—ed.). These missiles are to be deployed only in case the Geneva talks fail. As matters stand now, the Andropov leadership could achieve a freeze of nuclear weapons and could prevent the deployment of the Pershing IIs if they reach an arms reduction agreement at Geneva, a result which they are now committed to avoiding.

Thus, the following irony defines the relation between the Andropov leadership on the one side and the Kissinger Republicans and Harriman Democrats on the other. Both sides are committed to cooperation in order to kill President Reagan's doctrine of anti-missile defense and to ensure the continuation of MAD. Beyond this point, the Soviets are absolutely committed to preventing the deployment of Pershing IIs. The Soviets' Kissingerian and Harrimanite partners are not clear in this matter; they are increasingly bending toward favoring the Pershing II deployment within the logic of MAD. This is where Andropov and Andropov's Western dupes will ultimately part ways. It will happen in the following way.

Kissinger's mentor, Lord Carrington has in mind to go along with the deployment of a limited number of Pershings. He is aware, of course, that this would trigger a Cuban missiles crisis. He is willing to have such a crisis in order to employ the "Kissinger back channel" for crisis-management negotiations with Moscow which will kill for good President Reagan's doctrine and thus make the Soviets happy by preserving MAD.

Carrington is wrong, because in their current frame of mind, the Soviets will absolutely not allow any Pershing deployment. Andropov's policy is to proceed with a Cuban missiles crisis now, long before the approach of Pershing deployments—which brings up to the point that Vice-President Bush was making. Neither Carrington nor Kissinger is qualified to negotiate the kind of crisis Professor Andropov is cooking up right now. That crisis will either be resolved by both superpowers agreeing to adopt Reagan's doctrine of Mutually Assured Survival or it will not be resolved, in which case we shall have an eventual World War Three or the devastating humiliation of one of the two superpowers. In any of those cases, Kissinger's, Carrington's, and Harriman's talents will prove irrelevant.

'Shame, shame, shame on those bishops'

by Lyndon H. LaRouche, Jr.

The following statement was issued on May 5.

It is not ordinarily permissible that a political figure intervene into the internal proceedings of a religious body, except when religious bodies intervene in a major way into policy-decisions affecting the matters of life and death of not only our republic, but civilization itself.

The overwhelming majority of American bishops of the Roman Catholic Confession have intervened forcefully into the attempted shaping of the strategic policy of the United States, without any visible sign of attention or response to the strategic doctrine which President Ronald Reagan promulgated on March 23, 1983. Worse, they have intervened into an emerging nuclear showdown between the United States and Soviet Union, to the effect of lending their support to a lying set of arguments promulgated by the Soviet leadership and its supporters.

On this matter, one must point a finger of condemnation towards those erring bishops, and cry "Shame, shame, shame" against their reckless political opportunism.

The leadership of the Nuclear Freeze movement, which those bishops have opportunistically rallied to support, is committed to a neo-Malthusian policy, whose objectives include measures of genocide against the alleged "over-population" of darker-skinned Asiatic, African and "Mediterranean" races of the world. These are the evil policies of the Club of Rome, the Anglo-Soviet International Institute for Applied Systems Analysis (IIASA), the World Wildlife Fund, the Aspen Institute, the Ford Foundation's and Rockefeller Foundation's funding efforts, and the evil proposals, called "Global 2000" and "Global Futures," to the same effect promulgated by the outgoing Carter administration.

These "Nuclear Freezers" propose a three-point military policy for the United States: 1) a sharp reduction in total military spending, 2) a cessation of all development of means by which the menacing thermonuclear arsenals of the world might be made technologically obsolete, and 3) a build-up of the kind of "conventional" military forces appropriate for fighting colonial-style wars against the populations of nations of darker-skinned peoples.

The threat

There exists, as the best-informed among those bishops should have known, a curious and influential doctrine within the Slavic population of Eastern Europe, the doctrine of "The Third and Final Rome," according to which Moscow, Kiev, Sofia, and Belgrade will become the center of a new, worldwide Byzantine Empire, to rule the world forever.

According to authoritative circles meeting recently at a conference in Rome, Italy, this "Third Rome" or "Mother Russia" dogma was introduced to the Russian portion of the Eastern Rite in 1520, by a missionary from that notorious cult-center of sodomy and Gnosticism known as the Mount Athos monastery in Greece. This doctrine was a pseudo-Christian, Gnostic dogma modeled on the heathen cult of the "mother-earth-goddess" otherwise known by such names as Cybele, Astarte, and Isis, and has been the root of strange "Old Believer" pan-Slavic, and Lucifer-worshipping theosophical cults in the East over the intervening centuries. This cult-doctrine, in various secular and religious-cult guises, has been on the rise in that part of the world again, threatening to place madmen of the general characteristics of the Ayatollah Khomeini in positions of power over the terrible strategic resources of the Soviet state.

This force is a powerful factor in a present design for world-hegemony. Since approximately the time Nuclear Deterrence was conduited into U.S.A. and NATO policy from the Anglo-Soviet policy-shaping process known as the Pugwash Conference, the industrialized nations of Western Europe and the United States have been in a long process of internal self-destruction in both material and moral qualities, a process which has been predominant since approximately 1967-1968. This devolution of the principal OECD nations into the moral and material ruin of "post-industrial societies," has been the condition causing a worsening of the conditions of life throughout most of Africa, Ibero-America, and much of Asia as well. This process of self-destruction of Western civilization's moral and material qualities has had profound strategic significance for circles in Moscow. This process of our self-destruction has aroused, to the point of obsession, a

view from Moscow which sees the "Third Rome" becoming a reality before the close of this century.

The risk, according to such views from Moscow, is that at the last moment before its strategic power blinks out, the United States might rise on its hind legs to resist surrender to the "Third Rome" forces, using the power of its nuclear arsenal to effect that last-ditch resistance. The problem facing those Eastern forces is how to sow despair and confusion into the leading circles of the United States, to ensure that the United States drifts peacefully into helplessness.

This political strategy from Moscow has been complemented by Soviet military strategy, which, since no later than 1962, has been based on the development of directed-beam anti-ballistic-missile systems, by means of which the nuclear arsenal of the Soviet Union might be made unchallengable by the United States. The recent developments in directed-beam technologies in the Soviet Union, combined with Soviet development of the kinds of space-laboratory capabilities essential to putting a directed-beam system suddenly into space, have brought matters to the point that by as early as the period 1988-1990 such a Soviet strategic ABM capability could be deployed.

The question in Moscow now, is whether the U.S. development of an equivalent defense-system might be delayed by at least approximately two years, thus ensuring the probable victory of the "Third Rome."

True, there are many voices saying, falsely, that such directed-beam strategic ABM defense-systems are "music of the future," and so forth. Such people are either simply ignorant of the facts, or, in some cases among scientists and informed strategic specialists, are outright liars. Whether they intended this result or not, the majority of the bishops have aligned themselves with forces dedicated to genocide and with the Soviet leadership and its accomplices in attempting to destroy the United States.

Worse. Since Henry A. Kissinger intervened in 1979, to force the so-called double-track policy through NATO, the world has been headed toward a new U.S.-Soviet missiles-crisis, far more deadly than that of 1962. Unless the United States capitulates to a decisive margin of strategic inferiority, as implicitly demanded by Soviet General Secretary's published *Der Spiegel* (April 25) interview with that confessed drug-smuggler Rudolf Augstein, the Soviet Union is prepared to place a number of Soviet thermonuclear missiles approximately equivalent to the projected Pershing-IIs deployment within less than 10 minutes' striking-time from the continental United States. This could begin to occur as early as May, as late as August-September, or as late as October-December 1983.

Under the conditions demanded by the Nuclear Freeze movement and the majority of the bishops, there is no peaceful solution to the negotiations that missiles-crisis must trigger. Under the continuance of a Nuclear Deterrence posture by both superpowers, there is no solution unless one of the two superpowers concedes what is in effect a decisive margin

of strategic superiority to the other.

Worse, that kind of confrontation will occur under a condition known as "launch on warning." When both superpowers have deployed highly-accurate thermonuclear missiles within 5 to 10 minutes striking-time of the other, the defending power must adopt as stated policy the intent to launch a full strategic thermonuclear strike against the homeland of the other, the moment any launch by the other is detected. By the time the new missiles-crisis occurs, both superpowers will be operating in a "launch on warning" mode.

The kinds of problems we must now include among the Soviet threats directed against the United States sometime during 1983 include the following:

1) The placement of as many as three to five Soviet missile-carrying submarines off both the Atlantic and Pacific coasts of the United States, and possibly also augmented by forces in the Caribbean. We might estimate that each submarine would have available 16 missiles, each with three thermonuclear warheads, totalling to as much as 250 thermonuclear warheads aimed within less than 5 to 10 minutes striking-time of targets within the United States.

2) The placing of Soviet missile-carrying submarines in the North Pole region, possibly augmented by mobile SS-20s.

The U.S. Roman Catholic bishops should be familiar with the curious and influential doctrine of "The Third and Final Rome," according to which Moscow, Kiev, Sofia, and Belgrade will become the center of a new, worldwide Byzantine Empire. This force is a powerful factor in a present design for world hegemony.

3) If the Soviet Union's navy has deployed stealth technology for a more advanced variety of mini-submarine than those provocatively deployed increasingly against Sweden's coastal waters, we have the prospect of nuclear and thermonuclear underwater mines or thermonuclear-armed robotic submarines within our coastal waters near major population-centers.

If General Secretary Yuri Andropov follows an improved version of the tactic which Nikita Khrushchev employed over the Spring and Summer of 1962 to trigger the previous U.S.-Soviet missiles-crisis, what he will do is to deploy the indi-

cated or kindred quality of threat against the United States, while proposing all sorts of peaceful arms-limitation arrangements in press releases from the Kremlin. His game, like Khrushchev's scheme for forcing a backdown by President John F. Kennedy in 1962, will be to force the United States to make the first open reaction triggering the open missiles-crisis, and to present himself, Andropov, as the great peace-lover, hoping to win sufficient support from dupes such as the American bishops, to place President Reagan in the disadvantageous political position, and therefore, presumably forcing the President to give Andropov the vital margin of strategic concessions Moscow desires.

Whether witting or not, it is into this game that the majority of American bishops have played.

The cause of the crisis

This threatened missiles-crisis has been the inevitable result of the Kissinger-McNamara Nuclear Deterrence and "detente" formulas cooked-up in the Anglo-Soviet Pugwash Conference.

The argument for Mutual and Assured Destruction (MAD), or Nuclear Deterrence has been, that if we outlawed development of means by which thermonuclear ballistic missiles could be destroyed in flight, the thermonuclear arsenals would rule the world. It was argued that this arrangement made general warfare between the superpowers unthinkable. On those grounds, strategic delivery-systems were developed up to a certain level, and colonial-style war-fighting capabilities were maintained, but the ability of nations to continue warfare beyond the point of the initial thermonuclear barrages was allowed to rot away in the West. This military policy was used also as an excuse to argue that we no longer required the civilian strength of technologically progressive industrial and agricultural growth. Beginning the middle of the 1960s, the United States and Western Europe began the process of being transformed into the wreckage and spreading social misery of "post-industrial society."

So, not long had the 1972 ABM treaty been ratified, than we reacted to our growing economic and military weakness in general by increasing the aggressivity with which we deployed thermonuclear arsenals. NATO's MC 14/3 and proposed MC 14/4 were reflections of this. This was the same thing as the policy variously named "Forward Nuclear Defense," "Flexible Response" and "Theater-Limited Nuclear War in Europe." As we became weaker and weaker, we relied more and more on placing large arsenals of thermonuclear weapons as close as possible to within the "no-warning-time" five-minutes striking-distance of the Soviet Union itself.

It is that forward-march of "Forward Nuclear Defense," caused by the Nuclear Deterrence policy itself, which has brought the world to the brink of a 1983 U.S.-Soviet missiles-crisis. With between 400 and 500 Soviet SS-20 warheads potentially targetting Western Europe, there is no French Force de Frappe, and virtually no Europe from the instant war begins.

There is only one possible solution to this menace: eliminate the cause, eliminate both Nuclear Deterrence and the neo-Malthusian policies, which are the combined cause for the threatened new missiles-crisis.

President Reagan has offered the Soviet leadership "Mutually Assured Survival": that both powers enter into new negotiations based on coordinate development and deployment of strategic ABM defense-systems, to ensure that neither nation can be destroyed by thermonuclear barrage. Are the bishops opposed to such a policy of Mutually Assured Survival, or did they simply ignore altogether the operational strategic doctrine of the United States?

Andropov's game, like Khrushchev's scheme for forcing a backdown by President Kennedy in 1962, will be to force the United States to make the first open reaction triggering the open missiles crisis, and to present himself, Andropov, as the great peace-lover, hoping to win support from dupes such as the American bishops.

If the United States and Western civilization are destroyed over the coming decade, let it be recorded for the information of future generations of humanity, that it was the lack of reason and morality among the those nations, not Soviet power, which caused their destruction, and that actions such as this shameful action by the majority of American bishops faithfully reflected that immorality.

Is this exaggerated, too harsh? Not at all. A civilization which tolerates the policies leading to genocide, such as those of Notre Dame's Father Theodore Hesburgh for Ibero-America, is a nation which has abandoned the most elementary regard for the sacredness of human life on principle. Such a nation, like the Nazi Third Reich, has lost the moral fitness to survive. Those bishops, who profess to support such Papal encyclicals as *Populorum Progressio*, and *Laborem Exercens*, as well as *On Human Life*, to raise no objection against such evil, and can yet recklessly issue this cited declaration in the name of concern for peace and human life, have committed a political and moral abomination.

Let us hope this shameful resolution of the bishop's conference will be at least ignored, if not repudiated.

Weinberger: defense means choosing life

Below are excerpts from remarks by Defense Secretary Caspar W. Weinberger on April 27 at Fordham University, a Roman Catholic institution in New York City. In his speech, titled "The Moral Aspects of Deterrence," Mr. Weinberger suggests that President Reagan's new beam-weapons policy was based on concern with the deficiencies of "deterrence" which does not include an in-depth strategic defense. Ellipses in quotations within the speech are in the original.

We learn from the Book of Deuteronomy that Moses, at the twilight of his life, summoned the children of Israel together. He reminded them of God's commandments to his people. And he ended with these words: "I set before you life or death, blessing or curse. Choose life, then, so that you and your descendants may live." . . .

So too religious leaders today call us, not just as men and women responsible for our individual souls, but as a nation responsible for our common fate, to choose life. Let me then firmly state my disagreement with those who say that the Catholic bishops and other religious authorities should not be addressing the weighty questions posed by modern arms. You will not hear me talk today about rendering unto Caesar—for life is a gift not of Caesar but of God.

The charge to choose life is also a political responsibility, echoed in our Declaration of Independence and in our constitution. And in the age of nuclear weapons this charge has taken on new meaning for all people. . . .

Therefore, in speaking today about these moral and religious dimensions to nuclear deterrence, I intend to speak from two perspectives: that of an individual Christian, and that of the Secretary of Defense.

Do not mistake me. I do not believe those two roles are incompatible. But they present several inherent challenges, and it is these challenges that I wish to share with you. For, as I have been forced to confront them, so also will each one of you as future leaders of our nation.

Consider, for example, the biblical injunction to love your enemy. The individual Christian is called to turn the other cheek, to give those who would take his coat not just the coat, but the cloak as well. Yet a Christian acting on behalf of his nation, or, in the case of the United States, on

behalf of an alliance of free nations, cannot simply turn the cheek of innocent people toward their aggressors, or hand over the fruits of other people's labor. Pope John XXIII recognized the protective duty of the Christian statesman in his encyclical *Pacem in Terris*: "The safety of the commonwealth is not only the first law, but it is a government's whole reason for existence." . . .

Since the days when Christians served in the Roman army the church has been helping its people decide when to fight and when to lay down arms, when the state is acting justly and when it is imposing injustice. . . .

Today, the leaders of the Church continue that important role. His Holiness, Pope John Paul II, in his message for the 15th World Day of Peace, summed up the Church's teaching in this way: ". . . Christians, even as they strive to resist and prevent every form of warfare. . . . have a right and even a duty to protect their existence and freedom by proportionate means against an unjust aggressor."

Yet he also gave a special caution for this, the nuclear age, reminding us that: "War is the most barbarous and least effective way of resolving conflicts."

In seeking peace, we pursued a strategy of deterrence that has been the basis of our defense policy ever since George Washington, in the very first State of the Union address, told Congress that "to be prepared for war is one of the most effectual means of preserving peace." . . .

Not only has deterrence worked; it is consistent with many principles of Catholic teaching on war and the use of nuclear weapons, as discussed in the third draft of the pastoral letter on war and peace. . . .

The pastoral letter also reflects a concern which President Reagan raised in his recent [March 23] speech to the American people. "Would it not," he asked, "be better to save lives than to avenge them?" His answer was to propose that we seek to develop a new defense against nuclear missiles. Pope John Paul II has called upon us to seek "a better way." In a world where we cannot simply banish the knowledge of nuclear weapons, defense against missiles may be such a way. . . .

We will never deter war if we do not look those truths in the face. Winston Churchill once said of Neville Chamberlain that he "lacked imagination in evil." But, as Pope John Paul II reminded us in his message for the day of peace, "Christians are aware that plans based on aggression, domination, and the manipulation of others lurk in human hearts."

We also need imagination in peace—that beautiful word which is so freely used and so readily abused. There is great danger that we will ask too little of peace, that we will seek no positive vision for our world.

The pastoral letter shared this concern, quoting from the Pastoral Constitution of Vatican II that: "Peace is not merely the absence of war. Nor can it be reduced solely to the maintenance of a balance of power between enemies. Nor is it brought about by dictatorship. Instead, it is rightly and appropriately called "an enterprise of justice." (Isaiah 32:7). . .

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Dr. Teller tells Senate about beam weapons

Famed physicist Edward Teller gave some essential guidance to the Senate Armed Services Committee on May 2, in one of the first public discussions to occur on Capitol Hill about carrying out President Reagan's March 23 strategic directive.

Testifying at hearings before the committee, Dr. Teller described in detail for the first time a research and development approach to build a "varied, comprehensive defensive system" based on several layers of directed-energy weapons driven by nuclear-power pulses. Teller, considered to be a major influence in the President's anti-ballistic missile defense decision, called for a "pop-up defense," which is launched into action on warning, rather than expensive and vulnerable space-based battle stations.

Dr. Teller distinguished his approach from those of Sen. Malcolm Wallop (R-Wym.), and Gen. Daniel Graham, both of whom testified at the same hearings, and directed particularly sharp criticism of the "High Frontier" proposal promoted by Graham, a rehash of the 23-year old "Project Defender" system. *EIR's* report is a close paraphrase of the scientist's testimony, which was delivered extemporaneously.

Teller said that, to his mind, the President's March 23 speech, with its challenge to the technical and scientific community to develop a varied, comprehensive defensive system, is an act of great historic importance. The President made his decision based on information he had received about a number of novel, "hopeful ways in which defense can prevail over offense."

Dr. Teller identified a "political problem." Incomplete or unfeasible proposals are published and then much time is taken to disprove them. But those ideas which have real hope are kept secret and not even published, he said. The discussions concerning these most critical areas are governed by ill-defined rules of secrecy. The physicist, who is associated with Lawrence Livermore Laboratory in California, told the Senate committee he thinks that the American people should be informed. "Instead, we see a campaign of disinformation."

Dr. Teller said that the two most important, or among the most important systems are:

1. Third generational nuclear systems. Currently a nuclear explosion is indiscriminate. But we can make them smaller, very small. We can have a concentration of energy comparable to that which goes on in the sun and the hottest stars.

This can be exploited to give rise to novel effects. We know the Soviets are working in these areas, and they are probably ahead of us in some. We are talking about energy concentration, not an indiscriminate release of energy which affects masses of people or missile silos but which can be used against "weapons in action." This is truly defensive. There are a great variety of these weapons. The work started at Livermore has spread to Los Alamos and Sandia (National Laboratories), Dr. Teller said. Such high energy concentration gives rise to new types of effects.

2. We would prefer not to deploy weapons systems in space. Putting them in space is expensive and the destruction of space-based systems is easy, although we need some such systems for observation. Whether we can keep a few eyes in the sky is a great challenge. Dr. Teller stressed as "one very important point I want to make" that instead of battle stations in space, we can pop up a defensive object when the need exists. We can have a layered defense—terminal systems, systems which destroy ICBMs in their early boost phase. In this way we can not achieve a perfect defense. But short of perfection, we can induce doubt in the minds of the Kremlin. If we can create serious doubts in Moscow about their prospect of winning, then they won't start the fight, he said.

In speaking of lasers, Dr. Teller specified that he meant x-ray lasers, electromagnetic pulse (EMP) generation, particle beams, all of which are being considered in various forms. There is a second class of lasers—the common lasers that we have today—including the longer wave-length lasers, infrared and chemical, which do not fulfill the basic requirement of a good defense because they are much more expensive than the offsetting countermeasures, he said.

Dr. Teller noted that the United States has a unique relationship with Great Britain, and that we share everything in scientific and technical areas. There should be no limit to cooperation with other countries in these areas. We must work with all nations.

In answer to a question from a senator, Teller called for a specific upgrading of funding for "below long-wave lasers" (high-frequency lasers such as the x-ray laser) to \$150 million in FY84, and for third generation nuclear weapons to between \$170 and \$270 million in FY84. He also called for an immediate and series program of study of the effects of EMP, the plasma effects in the atmosphere which effect communications and all weapons through strong electrical discharges, x-ray radiation fluxes, etc.

Dr. Teller has previously indicated that the United States lags badly in this crucial area of scientific understanding—most recently in his January, 1983 presentation at the Georgetown Center for Strategic and International Studies. It is widely believed that the Soviet Union completed a comprehensive study of EMP-related effects (a study which requires atmospheric nuclear-explosives testing) just prior to the British management of the 1963 Partial Nuclear Test Ban Treaty. This treaty then interrupted U.S. study of the same phenomena before crucial insights had been correlated and tested.

Democratic senator endorses ABM plan

The following excerpts are taken from a statement by Sen. Howell Heflin, Democrat of Alabama, on April 27, which appeared in the Congressional Record under the title, "Evolutionary Development of Strategic Defense Systems: A Concept Whose Time Has Come."

Mr. President, I sincerely believe that an objective examination of President Reagan's recent call for the development of strategic defense systems will disclose that this is a concept whose time has come.

Once past the emotional reactions of those who are tied to the strategic doctrines of the past, this new approach may, indeed, lead to an ultimate reduction in offensive missiles on both sides.

For too long we have relied on strategic policy based on the threat of retaliation rather than a commitment to self-defense. I have wondered ever since the signing of the ABM treaty in 1972. . . . what could be more stabilizing than the ability to defend one's homeland against nuclear attack?

Yet, many of those who are most vocal through the media continue to insist that defense would touch off a new arms race by raising fears that one side was preparing to attack and then defend itself against retaliatory attack. Defense, in fact, is not provocative—it is the opposite. If each side neutralizes the other's offensive capability, the threat of aggression must be reduced. The U.S. history discloses proudly that ours is not an aggressor nation. But several times, we have been caught, with almost tragic results, with our guard down.

Still, there are numerous critics who suggest that ballistic missile defense (BMD) is destabilizing. Their arguments should be challenged not only on first principles, but on the grounds that major reductions in offensive weapons are made more feasible if such weapons are protected by BMD.

As I noted in my remarks in December, when the ABM treaty was negotiated it was assumed major reductions in offensive ballistic missile forces would be shortly forthcoming. Instead, the Soviets stepped up their strategic programs on all fronts and, today, our land-based ICBM force stands vulnerable to a first strike. Vulnerability, I submit, is the most provocative and destabilizing condition of all, encouraging, at the minimum, international adventures backed by the threat of a first strike.

The ABM Treaty permits limited deployment by both

sides, and the Soviets have a system deployed around Moscow. However, Congress decided in 1976 to phase out our deployed site at Grand Forks, South Dakota. Meanwhile, the Soviets have continued with a system-level program, at expenditures three times greater than ours, which we assume could be rapidly deployed in the future. The United States has pursued a modest R&D ballistic missile defense (BMD) program since the early 1970s, progressively developing means to defend our ground-based ICBM force and developing technologies which have provided remarkable advances for future defensive options.

I agree with President Reagan that we need to step up the pace of R&D on advanced long-range BMD concepts which fully challenge our Nation's creative scientific capabilities for success and breakthroughs as well as our political willingness to seek visionary solutions. In this connection, I was one of the first Members of this body to speak out on the potential use of directed energy technologies, such as high-energy lasers, for future defensive weapons.

In the future, we should be able to use ground-based or space-based, high-energy lasers to destroy ballistic missile targets, as well as other offensive targets. I have felt for some time that we need to accelerate our efforts in the development of this technology. However, one of my primary concerns has been the fragmentation and lack of coordination among the various Government agencies of the current research and development in the area of directed energy.

This concern was amplified as a result of hearings that I chaired in late 1979. The purpose of these hearings was to provide a broader review of the highly diverse, important, and rapidly developing laser technology. From these hearings, I determined that we did not have the proper environment to focus this technology. Therefore, in the last Congress, I introduced legislation calling for a Laser/Particle Beam Institute to provide a long-range program in this area and serve as a coordinating and managing body for those Government agencies involved in laser/particle beam research and development. . . .

The Science, Technology, and Space Sub-committee plans to conduct further hearings on this issue later this year. . . .

I am convinced that we should carefully and objectively evaluate the President's call for the development of strategic defensive systems as a means of making nuclear weapons impotent and obsolete. If we raise ourselves above partisanship, as indeed we must, and look with open minds at what could represent a more stabilizing strategic policy, I believe we will come to agree that this initiative can signal a change in America's strategic policy that is likely to live in history as a dramatic turning point toward world peace. It puts us on a course that is fundamentally more secure and humane.

I believe America's scientists and engineers, who have brought this Nation to preeminence in world technology and to the Moon and back, can succeed in developing the defensive systems to make this peaceful vision a reality.

The High Frontier ABM defense would not get off the ground

by Robert Gallagher

General Daniel Graham's High Frontier proposal for a space-based anti-ballistic missile (ABM) system is based on obsolete technology and a 25-year-old design.

High Frontier is a revival of the Defense Advanced Research Projects Agency's (DARPA) 1958-64 Project Defender program for a space-based ABM system composed of satellites armed with small rockets that would achieve kills of intercontinental ballistic missiles (ICBMs) with sprays of small pellets. In general, High Frontier's space rockets cannot travel fast enough to intercept ballistic missiles in their boost phase.

What is the significance of the promotion of an ABM system based on obsolete technology? Such a system can only bolster the doctrine of Mutually Assured Destruction (MAD) or deterrence, what General Graham intended to overthrow. The High Frontier proposal states that its purpose is to make a planned Soviet first strike on U.S. Minuteman and other ballistic missile silos "uncertain of success." Direct defense of U.S. industry and population is not its purpose. The regime of MAD and deterrence remains. Only a technology at least an order of magnitude in advance of ballistic missiles themselves can protect cities and overthrow the era of mutual thermonuclear terror.

Almost simultaneously with the release of Graham's proposal, Lyndon H. LaRouche Jr., chairman of the advisory board of the National Democratic Policy Committee and a director of the Fusion Energy Foundation (FEF), and Dr. Edward Teller separately proposed development of ABM systems based on directed-energy beam technologies. Dr. Teller made the recent breakthroughs in development of nuclear-explosive-pumped lasers, such as the x-ray laser, the technological basis for such a system. Mr. LaRouche stated as a matter of principle that effective nuclear defense must be based on directed-energy technologies in order to confer the advantage in war-fighting upon the defense over offensive ballistic missiles. Directed-energy beams have this advantage from the fact that they deliver their destructive power at the speed of light. If a beam weapon system can "see" its missile target, the target is dead.

But General Graham proposed a system based on the same technology level as that used to build the ICBMs of the 1960s. The convergence of the Teller and LaRouche proposals provided the basis for President Reagan's historic March 23 call for "the scientists of this country, those who gave us nuclear weapons . . . to give us the means of rendering these nuclear weapons impotent and obsolete." This has absolutely nothing to do with High Frontier.

General Graham admits in the foreword to *High Frontier: A New National Strategy* that his proposal "may not be the best technical option available to us [emphasis in original]." He states that he originally preferred to base his system on directed-energy technologies, but was talked out of this conception by others:

Early in 1981, I wrote an article titled "Toward a New U.S. Strategy: Bold Strokes Rather than Increments," which was published in the Spring issue of *Strategic Review*. This article laid out the basic concept of a spaceborne defense which would nullify the MAD [Mutually Assured Destruction] doctrine.

Although I was convinced that spaceborne defenses, perhaps using beam weapon technology (lasers, etc.) are feasible, I was unable to conceptualize a system which could stand up to doubters.

Another High Frontier official told this writer that they chose to abandon directed-energy technologies for their near-term ABM design because "there was no consensus in the scientific community that lasers could provide the basis of a system to deploy in 6 to 7 years." This is the crux of the matter.

There was no consensus in the U.S. scientific community on the Manhattan project, the H-bomb program, the Air Force rocket program, the Apollo Project, etc. None of these projects would ever have gotten off the ground if that was the criterion. Gen. Graham knows that directed-energy technology would come with a "Manhattan Project" approach. But the general took his cue from a bunch of spineless

and timid academics.

At this time, Gen. Graham made the fatal error of working with the Heritage Foundation, rather than the Fusion Energy Foundation (FEF), in drawing up a plan for the ABM system he sought. The Heritage Foundation reduced Graham's commitment to directed-energy to a proposal within High Frontier for a meagre funding increase by \$100 million a year for a limited research and development program. Within less than a year of the February 1981 issuance of the High Frontier proposal, President Reagan had already increased the defense directed energy technologies budget by more than that amount.

High Frontier space rockets would lumber so slowly that only 50 percent of their intercepts could occur during the critical boost phase of the trajectory of their ballistic missile targets. Following the boost phase, which lasts only 200 seconds, the missile's rocket engines turn off making detection and tracking with High Frontier technology more difficult. Soon into the post-boost phase, the missile bus begins to disperse its multiple warheads, multiplying the number of targets.

Graham also notes that his system would be completely vulnerable to Soviet ground-based or space-based directed-energy weapons. His solution to this vulnerability problem is to launch a U.S. missile attack in the event of a Soviet attack on U.S. satellites:

In these circumstances, launch on warning or launch under attack become both credible and feasible options for the U.S.

The first-phase of the original High Frontier Global Ballistic Missile Defense (GBMD) system would consist of 432 satellites, or "trucks," armed with 40 to 45 small rocket "carrier vehicles" each, in circular orbit 300 nautical miles above the earth., for deployment in five years. The second phase—in ten years—is an additional, but upgraded layer of the first system.

Because of the long flight time to target, the trucks must guide the armed carrier vehicles to their intercept points. In a hypothetical engagement, a carrier vehicle would approach an ICBM in its boost or post-boost phase and release its "kill vehicle," which, High Frontier personnel report, would home on the target and release a spray of pellets at the ICBM skin, a mechanism of proven destructiveness. The HF document states:

Kill is by non-nuclear impact at very high relative velocities similar to the intercepts, planned with the Air Force's antisatellite miniature vehicle (MV) program and the Army's homing interceptor (HIT) vehicle.

These programs originated with Project Defender.

A memo written by a former official of the Project Defender staff and made available to *EIR* includes this discussion of tests of the proposed kill mechanism for the Project's Space Patrol Active Defense (SPAD):

Between August, 1959 and July, 1960, DARPA and DDR&E (Director of Defense Research and Engineering) planners completely reoriented their thinking away from previously preferred in-space nuclear intercept concepts and cast their reference system in terms of a non-nuclear impact-kill interceptor. . . .

Pellet configurations and densities for use with both the spider-web warhead and with a second class of "shotgun cloud" warheads associated with a different class of on-orbit interceptors were tested against simulated Titan I second stages and Atlas sustainer stages and resulted in firm conclusions about pellet materials, densities, and packaging techniques.

Sensor and fire-control problems were viewed as considerable but solvable. . . . Infrared detectors, signal to noise and signal processing requirements for the infrared sensors looking at hot-burning ICBM targets were all viewed as solvable or off the shelf. . . .

High Frontier is Project Defender. Its proposal for point defense of silos by firings of swarms of 10,000 ten to fifteen inch-long projectiles is also drawn from the latter system, which may have been inspiring in its heyday 20 years ago, but is simply not the technology required for the 1980s.

A section of the High Frontier report titled "Intercept Geometry" documents this in describing a hypothetical "intercept of an SS-18 missile at the end of its boost from Tyuratam (a Soviet missile site) by a truck located over Saudi Arabia. Interception is indicated at about 350 seconds from truck deployment, corresponding to carrier vehicle deployment about 53 seconds prior to actual missile launch, when the truck is about 950 nautical miles ground range from the missile launch point. If the truck were to move along its trajectory for 50 seconds it could deploy carrier vehicles for final [ICBM] stage intercept in response to direct viewing of the missile launch."

According to a former member of the High Frontier staff, this elliptical paragraph means that a truck over Saudi Arabia could not intercept a missile fired from Tyuratam in the boost phase.

In public appearances, General Graham has been a vocal and somewhat effective opponent of Robert McNamara's doctrine of Mutually Assured Destruction. Literally one-half of the High Frontier film is devoted to an attack on MAD. He has been instrumental in inspiring Americans to overthrow that genocidal doctrine. He has pointed out the need for America to expand its space program and that the civilian economy can benefit from space industrialization. But his ABM proposal is absurd and he knows it. Now that the President has endorsed the strategy and technology that General Graham *originally* endorsed in 1981, Gen. Graham should dump the Heritage Foundation baggage and get on board.

Mavroules revives Global 2000

Representative Nicholas Mavroules (D-Mass.) introduced H.J.R.248 on April 21, a "sense of the Congress" resolution praising the *Global 2000 Report*. The resolution is one tack in the attempt to revive legislative initiative for the Global 2000 program. The second tack is a bill, to be sponsored by Reps. Albert Gore (D-Tenn.) and Newt Gingrich (R-Ga.), to establish an "autonomous and independent" office within the executive branch of government that would project U.S. needs in areas of population, resources, and environmental planning, and coordinate the Global 2000 program.

Mavroules submitted his resolution after having mustered only 22 other co-sponsors, a far cry from the roughly 140 who originally signed the letter to President Reagan demanding that the Global 2000 policy be given due consideration. A Mavroules staffer noted that the Gore and Gingrich bill intends "to avoid the red flag of Global 2000. It was a very controversial report, you know."

Mavroules, however, is not yet afraid to praise Global 2000 by name.

"Whereas the Global 2000 study concluded that the ability of the Earth to sustain life will have severely deteriorated by the end of the century, and that prompt and vigorous changes in public policy are necessary now to avert disaster. . . .

"Resolved . . . that it is the sense of the Congress that the executive branch take immediate action to systematically coordinate and improve its projections of world population, resource and environmental trends, and their analysis, as outlined in Global 2000."

Democrats seek bipartisan policy

House Democrats led by Majority Leader Rep. Jim Wright (D-Tex.) are attempting to win the Democratic Party to a bipartisan approach to U.S. foreign policy in Central America. In an extraordinary House session following the President's April 27 address to a joint session of Congress, Democratic Whip Rep. Bill Alexander (D-Ark.), a Wright ally who requested and organized the session, opened the remarks by stating that "it has been in the tradition of the Congress since the beginning of this nation that the security of our country as well as the protection of freedom throughout the world should be shared with bipartisan support."

Wright, who castigated the Democratic Party for its "response" to the President, stated that "fundamentally, I agree with the basic precepts set forth in [the President's] speech." Wright cautioned that "we have a responsibility, if we embark upon this course, to persevere and not to grow weary in well doing."

The Democrats who spoke next had heretofore been highly critical of the administration's policy. Rep. Dante Fascell (D-Fla.), a senior member of the Foreign Affairs Committee, said that "an effort has been made to start as of several days ago . . . in the committee on foreign affairs . . . to see if we can truly come together to form a consensus and a policy that the administration can go along with."

Even Rep. Michael Barnes (D-Md.), chairman of the Foreign Affairs Subcommittee on Inter-American Affairs and one of the strongest Reagan critics, said that he "was very pleased by the general thrust and tone of President Reagan's address. . . ."

Ruckelshaus exposed

The responsibility of Environmental Protection Agency nominee William Ruckelshaus for the deaths of tens of millions of people by disease in the developing sector was laid bare May 3 before the Senate Environment and Public Works Committee in the first day of hearings on Ruckelshaus's nomination.

Despite heavy-handed efforts by committee chairman Robert Stafford (R-Vt.) to restrict testimony to "established" environmental groups, a National Democratic Policy Committee representative detailed the genocidal motivation of the Ruckelshaus decision to ban DDT, which was responsible for the resurgence of malaria and other water-borne diseases in the developing sector. The witness warned the committee that "Ruckelshaus will function within the administration as an emissary of those Eastern Establishment or Kissinger Republicans who are out to undercut the President."

Representatives of the Sierra Club, Environmental Action, the National Wildlife Federation, the Natural Resources Defense Fund, and the Audubon Society—with whom Ruckelshaus conspired in his DDT ban—found points of "concern" over Ruckelshaus positions on various technical and environmental issues, but had privately made Ruckelshaus the first choice of the environmentalist lobby.

Actual opponents of the Ruckelshaus nomination, however, had to fight their way into the hearing schedule—in some instances only after the intervention of other congressmen. The Club of Life was denied an opportunity to testify, despite the direct request of one senator.

The concluding panel, composed

of Dr. Irwin Tucker of the National Council for Environmental Balance, Dr. Marilyn Stanton of the Spokane County Air Pollution Authority, the NDPC, and Michael Bennet, presented scientific opposition to Ruckelshaus's policies. Dr. Tucker reviewed the totally capricious decision made by Ruckelshaus in the 1972 DDT case, which ignored the conclusions of 10 months of scientific testimony and his own hearing examiner. Tucker quoted from Ruckelshaus's own justification for the decisions, "decisions by the government involving the use of toxic substances are political with a small 'p' The ultimate judgment remains political."

When Ruckelshaus testified before the committee May 4, he declared that he had been told by the White House that he was free to carry out policy as he saw fit and intended to do so. "I couldn't get any more assurances than I did," he told the committee, which is expected to approve his nomination and set up a confirmation by the full Senate.

"I think that the EPA is crippled, . . ." he stated. "If I didn't believe that I would not be back here. There will be no hit lists, there will be no big "P" political decisions, there will be no sweetheart deals," he claimed. Ruckelshaus further announced that he would recruit his own staff and would have veto power over all environmentally related appointments by the administration.

Senators discuss space defense

The Senate Armed Services Subcommittee on Strategic and Theater Nuclear Forces held its first hearing on the policy of space-based ballistic

missile defense systems May 2. While proponents of some kind of space-based system dominated the hearing, the discussion was marred by lack of clarity as to the direction the country must take in the wake of President Reagan's historic March 23 speech.

Senators Malcolm Wallop (R-Wyo.) and Bill Armstrong (R-Col.) spoke in terms of broad support for the President's efforts to abandon the policy of MAD in favor of strategic defense. However, Wallop questioned the efficacy of the proposals. Most significantly, he parted company with the President and the Secretary of Defense on the issue of joint development and/or deployment of such systems with the Soviets, stating, "I wish the President had not said that [we might give these technologies to the Soviets]."

Senator Armstrong was less specific in his proposals, but gave an impassioned defense of the President's decision to drop MAD. Citing various historical examples of technological breakthroughs affecting military strategy, Armstrong noted that in Tudor England the national bank played an important role in the creation of the Elizabethan navy.

Subcommittee Chairman John Warner (R-Va.), who has expressed support for the President's initiative and who has fought for additional funding for directed-energy weapons systems, asked a series of questions reflecting concern over a "European disengagement" from the United States.

Capsule updates on major legislation

• The quota increase for the International Monetary Fund (IMF) advanced in both the House and Senate the week of April 2. The Senate Bank-

ing Committee reported its IMF bill, S.695, to the full Senate "without objection." Senators Armstrong (R-Colo.), Mattingly (R-Ga.), and Hawkins (R-Fla.), simply voted "present."

The House Banking Subcommittee on International Trade, Investment and Monetary Policy passed the IMF bill, H.R.2756, and sent it to the full Banking Committee by voice vote May 5. The full House Banking Committee is expected to mark up the IMF bill on May 9.

• The Labor Management Corrupt Practices and Labor Racketeering Act of 1983, S.366, the so-called Nunn bill, which would remove any convicted union official from office before he could appeal his case, passed out of the Senate Labor and Human Resources Committee unanimously on May 3. The reputed friend of labor Sen. Ted Kennedy (D-Mass.) voted for the bill. The bill is expected to come before the full Senate no later than late May.

• Former Associate Attorney General Rudolph Giuliani was confirmed as the new U.S. Attorney for the Southern District of New York in Senate floor action on May 4. Despite efforts by the National Democratic Policy Committee and trade unionists from around the country to force an in-depth examination of Giuliani's role in the Abscam and Brilab witchhunts against political and labor officials, the Senate Judiciary Committee had reported the Giuliani nomination out without dissent. The full Senate routinely accepted the nomination with little discussion. Giuliani, who came out of the notorious Southern District prior to his Justice Department appointment, presided over the railroading of New Jersey Democrat Harrison Williams out of the Senate in 1982.

National News

Justice ties Cubans to drug traffic

Attorney General William French Smith announced that the Justice Department has "significant evidence" that Cuban officials were involved in funneling drugs into the United States, in an interview in the May 4 *Washington Times*. He said he did not know if Castro were personally involved, but "we certainly have some significant evidence to show that somebody in Cuba is."

The Attorney General pointed to the recent U.S. indictments of four former Cuban officials in that connection, implying that from those investigations and indictments more evidence had become available. "If [the effort to stop drugs] can be aided by contacts with a foreign government, including Cuba, we certainly would resort to that as well," he commented, when he was asked if the United States had formally protested to Cuba.

Mondale, Kirkland unveil U.S. technological freeze

The AFL-CIO's Industrial Union Division (IUD) conference, held in Washington, D.C. on May 4, was a forum for an organizing drive to deflect the Reagan administration's commitment to the development of directed-energy defense systems, a project that would require massive investment in high-technology industry, by promoting exactly the kind of corporatist economic policies espoused by Benito Mussolini in the fascist regime in Italy.

The conference, deceptively titled "Rebuilding American Industry," was keynoted by William Winpisinger, a self-described socialist revolutionary and president of the International Association of Machinists (IAM). Winpisinger announced that "we could in fact launch a political and social revolution that could put Ronald Reagan and his right-wing political and corporate state out of business forever. . . ." Winpisinger demanded that European-style "democratic socialism" be imported to the United States in order to make it more competitive against

both Europe and Japan in industrial exports.

Winpisinger, claiming to oppose the idea of "post-industrial society," stated that "there is no smokestack industry in America we're willing to throw away. We want them all because we need them all."

The policy document distributed at the conference, a 100-page proposal titled "International Trade, Industrial Policies, and the Future of American Industry," described plans to create a Felix Rohatyn-style "industrial development bank" and "tripartite committees" of labor, management, and government for each industry. The report concludes with a section titled "Industrial Policy must Manage Technological Change" which demands procedures that will effectively sabotage technological upgrading of American industry.

"Management should be required to provide the community and workers its rationale for any proposed technological change. . . . New technology should be analyzed to determine if it increases mental stress, social isolation, or lowers health and safety conditions. Only new technology which improves the quality of working life as well as traditional productivity measures should be introduced," the report states.

Reagan demands new strategic defense

President Reagan wrote the following letter to the *Christian Science Monitor*, published on May 4. The same letter appeared in several other U.S. newspapers.

"I cannot help but believe that strategic defense holds out new hope for removing nuclear terror from our lives. With the prospect of defense against nuclear weapons comes also the prospect of negotiations not just to restrain and codify the balance of terror, but to eliminate these weapons from the face of the earth.

"I am not a scientist. No one can say how long it will take us to reach this goal. But we have solved many problems that sounded equally difficult before. Surely, the ingenuity of the American people, that creative spark which is one precious gift of freedom, can be harnessed to protect as well as to destroy.

"Meanwhile, we must continue along the course we have set: to deter aggression and provide an incentive for genuine, mutual arms reduction by rebuilding America's neglected defenses. I truly believe that if we can combine perseverance with vision, we can preserve freedom and ensure a lasting peace."

Hodel: We've lost energy leadership

"President Reagan remains fully committed" to the development and utilization of nuclear power, "as does his administration," Secretary of Energy Donald Hodel told the Atomic Industrial Forum annual conference in Washington, D.C. on May 4. However, the "lack of federal resolve in waste management," and the situation with the Clinch River Breeder Reactor demonstrated that the "federal government is not a reliable partner" in developing the nuclear industry. "We have lost our leadership in the international community," Hodel continued, pointing out that U.S. industry is "not competitive economically." This has led to a drop from a 100 percent to a 30 percent share in the world market that will soon force domestic users to "buy their fuel from some other country," Hodel stated.

The secretary had "bad news on reprocessing" to report. Despite the President's overturning the ban on reprocessing nuclear fuel 18 months ago, as of July 31 there will be no more federal money for this program. "We do not have the political support" on Capitol Hill, Hodel said.

The administration's "accelerated construction schedule" for the Clinch River breeder is being undercut, Hodel stated, because of the lack of "votes to continue CRBR in its present form."

Hodel made clear the argument for a nuclear energy plan. "I don't believe we have broken the lockstep in the relationship between energy growth and GNP," he said. "Unless we dismantle our smokestack industries, this relationship will remain."

Hodel said he believed that "this is the trend now" toward the information age, but said that he "does not think it's viable" if the U.S. is to remain a "major industrial power."

He insisted that nuclear was still economically competitive with coal, and noted that nuclear construction costs are two to three times higher because of delays. "We must make our decisions up front and stick to them," he said. "This will reduce our costs and lead to greater improvements in safety."

Judge reinstates L.A. euthanasia prosecution

Judge Robert A. Wenke ruled in favor of the L.A. District Attorney who is bringing charges of murder and conspiracy to commit murder against Drs. Neil Barber and Robert Nejdli, who deprived Kaiser Permanente Hospital patient Clarence Herbert of water and nourishment after removing him from life support before he was legally dead.

Judge Wenke ruled in favor of the motion for reinstatement of the case in Los Angeles Superior Court May 5.

Judge Wenke asserted that an act that shortens life is illegal, and affirmed the distinction between being in a vegetative state, and being in an irreversible coma, which is grounds for disconnecting life support. All functions of Clarence Herbert's brain had not ceased.

Defense attorneys, in one of the most explicit statements condoning the killing of "useless eaters" that was the policy of the Nazi regime, cited changes in medical practice over the last 20 years that have created new circumstances which require the use of common law concepts such as "excusable homicide." Judge Brian Crahan [the judge who refused to prosecute the physicians for murder] saw no evidence that Herbert would be more than a "vegetable . . . not a human being. He would not have been as you and I would want our relatives to be. He would have become a burden, so that his family would come to loathe him."

Judge Wenke responded that "doctors do not have all the answers. The legislature knew this when they wrote the law. . . . Although mercy killing may have no evil intent, the law does not permit it. . . . I submit that doing a specific act that you know will end in death is sufficient to warrant a trial."

S.F. convention: Night on Bald Mountain?

The following are excerpts from a commentary which appeared in the *Chicago Tribune* May 2 written by correspondent Michael Killian:

"The Democrats have chosen San Francisco for their 1984 convention despite the fears of many that the nationally televised event will prove a little weird.

"Welcome Democrats.

"Please take note of the following. . . .

"Bedrolls—the Burmese bedrolls in this hotel are made of the finest shredded Tung nut fiber. When you roll them in the morning for storage in your room's incense cabinet, please roll them in a clockwise direction or it will bring bad luck.

"If you prefer something more substantial to sleep on, the hotel has a limited number of fakir nail beds from India. Dial 13 for housekeeping service or whistle at your bellman. He'll respond.

"Boom Boom—The absolutely marvelous Sister Boom Boom (a transvestite who ran for mayor and received 10 percent) will autograph convention programs and credentials between 5 and 7 a.m.

"Snakes—Snakes are permitted in hotel bathrooms only.

"White Whale Rally—The California Nazi Party will hold a save-the-white-whale Moby Dick book-burning rally at noon Sunday in Buena Vista park. Shuttle service will be provided from the Richard-Wagner-in-Drag look-alike contest at Candlestick Park.

"Guns—the Bay Area Marxist-Leninist Gun Club has announced it will shoot on sight any Hell's Angel carrying a firearm not made with union labor.

"The Bald Lesbians for Cranston steel drum band will perform Moussorgsky's Night on Bald Mountain. . . .

"Church services—the Rev. Loon Unification Apocalypse Church will sacrifice a virgin the night of the convention ball as a symbol of Democratic unity. . . .

"Republicans—Mayor Feinstein would like to thank the Republican National Committee for its generous financial contribution to the effort to woo the Democratic convention to San Francisco."

Briefly

● **ROBERT SCHWEITZER** has been promoted by President Reagan to the rank of lieutenant general and appointed chairman of the Inter-American Defense Board, the liaison between the U.S. military and the military organizations of the Organization of American States member nations. Schweitzer had been dismissed from his post on the National Security Council by Richard Allen in October 1981 for making an "unauthorized" speech in which he warned of the growing Soviet superiority in strategic weapons (identifying land- and submarine-based missiles) and the "drift towards war."

● **SEN. DANIEL PATRICK** Moynihan, appearing at an early May meeting of the Jewish Community Relations Council in New York, launched into a diatribe against U.S. aid to Saudi Arabia, the April 28 *Jerusalem Post* reported. The Democratic senator claimed the aid threatens to provide the Saudis with a "nuclear strike force system." "The only thing that we didn't give them in this system is the [atomic] bomb, and that they're getting from Pakistan," he stated. U.S. aid to Saudi Arabia is primarily run through the U.S. Army Corps of Engineers' \$1.5 billion in construction projects in that country. Moynihan's interest, however, may well be in helping lay the groundwork for an Israeli preemptive strike against Saudi Arabia, modeled on the Israeli attack against the Baghdad nuclear reactor in June 1981.

● **AN IBEW** president participating in the AFL-CIO's Industrial Union Division conference in Washington D.C. on May 4 was asked how he could reconcile Walter Mondale's current low-interest-rate policies with Mondale's record in the administration that appointed Paul Volcker. The International Brotherhood of Electrical Workers official answered, "His record could hurt him. Let's hope nobody remembers," and then chuckled and added, "There's Glenn, he doesn't have much of a record at all."

'Mussolini for Parliament'

It is a well-documented historical fact that Benito Mussolini's 1922 March on Rome, as well as the survival of his Fascist regime in the crisis of 1925, was made possible by the diplomatic and financial support of the British monarchy, the government of France, and the major U.S. subsidiary of British banking, the House of Morgan. Among the foreign governments that helped prop up the Fascist dictatorship after Mussolini's thugs killed a parliamentarian in 1925 was the Soviet Union. Some excuses might be made for the behavior of the fledgling Soviet government in 1925. Today Russia is a superpower, and nothing could be more revealing of the evil pragmatism of Andropov's regime than its complicity with the Western "nostalgics," many of them direct veterans of the Nazi-Fascist regimes, in the unfolding scenario for the destruction of the Italian republic.

As Vivian Freyre Zoakos details in this issue, unless the U.S.A. wakes up and moves to oppose the policies of Kissinger and the Trilateral Commission for a coup d'état in Italy—policies blatantly supported by Moscow and the leadership of the Italian Communist Party—we are on the verge of a replay of the events of the 1920s. One hardly picturesque detail: the MSI, euphemistically called "neo-Fascist" (the party's leaders are not neo-anything, they were active participants in the old Mussolini regime), has seized upon this year's centennial of the birth of Il Duce to run his son Vittorio under the slogan, "Vote MSI; Vote Mussolini into Parliament."

The effects of IMF "conditionalities," the Moro assassination (threatened by Kissinger), and Anglo-American protection for the Nazi-linked Propaganda-2 Freemasonic lodge have made Italy almost ungovernable. Kissinger's cronies, including "universal fascist" Michael Ledeen and the AFL-CIO's Paris-based Irving Brown, are up to their eyeballs in a situation which could rapidly lead to civil war. But the danger goes beyond Italy.

The entire Mediterranean area teeters on the brink of fascist destruction of existing nation-states.

Morocco and Algeria are threatened with "Khomeini-style" destruction in the immediate months ahead, via the very-much-alive and kicking "Nazi International" directed by Swiss financier François Genoud, which includes among its assets Libyan dictator Qaddafi and former Algerian president Ahmed Ben Bella. If the projected coup in Italy is not stopped, there will be nothing to hold back a fascist sweep of the Mahgreb region.

Western Europe and Yugoslavia are also imminently threatened targets.

In West Germany, the continuing collapse of the economy is creating the conditions for an emergency-decree government, which would be aided by mass "greenie" violence during the coming summer and fall and the unleashing of Nazi-Islamic terrorism involving the fascist "Grey Wolves" elements among Turkish guest workers.

France is the target of massive terrorist capabilities, linked to Lausanne's Genoud in significant part. The dangers are 1) an Islamic "Khomeiniac" upsurge among North Africa guest workers, organized by forces linked to Ben Bella; 2) pseudo-Christian violence against the "foreigners" from the Swiss-controlled, ex-Abwehr-linked New Right; 3) an attempt to conduct a coup against President François Mitterrand, organized chiefly by Swiss-linked financier forces.

The prospect of a new civil war in Spain is being organized by forces connected to the above-mentioned, Abwehr-linked New Right.

This is not a collection of isolated hot spots, but a process of disintegration of civilization, which could either directly bring the U.S. and Moscow into confrontations, or intensify the general atmosphere of strategic crises between the two superpowers.

The Reagan administration must adopt an institutional policy of demanding and enforcing the security of threatened states against the dangers we have listed here, including cleaning up the rotteness in Switzerland. The sovereignty of existing nation-states is in the vital interest of the United States.

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- ✓ that the U.S. economy, after a false-start recovery during the first half of 1981, would enter an unprecedented 18-month downslide?

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