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Executive Intelligence Review

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EIR

From the Managing Editor

Egypt's future is the subject of this week's Special Report; it is worth a look at its past.

The locus of many of the greatest scientific and technological achievements of the ancient world—as Edgar Allan Poe pointed out—Egypt once more, after the American Revolution, began to modernize and industrialize, aided by Europe's Ecole Polytechnique faction, which revived the development program for Egypt drafted by the great Wilhelm Gottfried Leibniz in the 17th century. Then came the British, who turned the Suez Canal into their geopolitical instrument, enforced primitive production modes on their subjects, and looted the country of national-investment potential through imposing and collecting a vast debt. The Alexandrian cultists and criminals were accorded full liberties decade after decade until the advent of Colonel Nasser; the current efforts of President Mubarak to rebuild his nation pose a policy question to the OECD nations.

France has begun to respond affirmatively to Mubarak's efforts, as we report in this week's International section. Will the Reagan administration defend the "Open Door" policy created by Henry Kissinger, whose free markets are narcotics and flight-capital markets, or will Washington repudiate the State Department's depopulation effort and contribute to making a vital ally a strong one?

As for the condition of the United States itself, the second part of *EIR* founder Lyndon H. LaRouche, Jr.'s document on economic shock waves, which appears in the Economics section, outlines how a NASA-modeled effort to develop anti-ballistic-missile beam-weapons technologies over the next 20 years will transform civilian productivity. That "shock-wave effect" in turn will provide the advanced industrial capacity, skilled manpower, and moral commitment required for reconstructing the post-colonial world, as LaRouche and Dr. Edward Teller have counseled. The alternative is not the status quo, awful as that is: the alternative is to leave both North and South prey to the collapse of civilization itself.

Susan Johnson

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UPI/Tom Hartwell

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New tremors in the underground economy

by David Goldman, Economics Editor

How useful are discussions of the international markets which do not take into account a flowthrough of perhaps \$400 billion in illegal or quasi-legal funds? The "slow-motion collapse" of the Eurodollar market in progress since the second quarter of 1982, when the interbank market contracted for the first time since 1974, appears sufficient to account for the current problems of the "offshore" banking centers. The Cayman Islands, Panama, the Bahamas, the Netherlands Antilles, Liechtenstein, Luxembourg, Hong Kong, and Singapore handle over \$200 billion of the \$1.8 trillion Eurodollar market. But the May failure of the Banco Ambrosiano's Luxembourg branch, followed shortly by the failure of its Bahamian subsidiary, and the failure of the parent bank to meet about \$500 million in obligations to other banks, brought up a problem that has since become the staple diet of central-bank discussions: no central bank is responsible for the offshore centers.

In the case of Hong Kong, whose banking problems came to light in November, no central bank exists, only the Hongkong and Shanghai Bank, the century-old mistress of the Far Eastern narcotics traffic, which issues most of the colony's currency. The "HongShang" is now in the uncomfortable position of lender of last resort for the more than 200 "Deposit-Taking Corporations," at least 30 of which are at the point of failure due to the bursting of Hong Kong's real estate investment bubble. Anticipating trouble, HongShang began moving as much of its portfolio as possible into highly-liquid instruments as early as last spring; the extent to which it is experiencing funding difficulties now is not known. Some Bank of England specialists are already predicting that it will

fail—an event which would not only terminate the Hong Kong banking center, but dynamite the Dubai off-shore market, where HongShang's subsidiary, the British Bank of the Middle East, is the dominant banking presence.

Indeed, some specialists see a connection between the perilous status of Hong Kong, and the collapse of the \$92 billion Kuwait stock market during the final week of November. The Kuwaiti exchange, on which equities were traded on the presentation of checks postdated in some cases for years, was long due for big trouble; but it is ventured by some observers that HongShang was compelled to draw on the resources of its Mideast subsidiary, and triggered a result that was long in the making in any event.

For that matter, the 40 percent devaluation of the Uruguayan peso Nov. 28, and the collapse of Venezuela's largest bank, the Banco de Trabajadores Nov. 25, suggest a basic change in the nature of the *flight-capital flows* that have dominated Ibero-American finance for the past two years. During 1979, Uruguay built up over \$7 billion in foreign bank accounts, largely due to flight capital from Argentina; during the same period, Venezuelan banks became recipients (both in Caracas and Miami) of funds derived from the Colombian and other narcotics traffic, as the principal waystation for illicit funds leaving the continent. American intelligence specialists attribute both the Uruguayan and Venezuelan problems to a change in the pattern of flight capital; as everywhere, they believe, funds are departing the offshore centers, unprotected as they are with respect to central-bank safety nets, for safer havens, principally the U.S. itself.

This is not merely true in the Mideast, East Asia, and

Latin America. Last week the Stuttgarter Landesbank closed its Luxembourg office, the first substantial West German bank to do so, although the Germans had done very little business through Luxembourg since the failure of the Ambrosiano branch there last May.

Narcotics and offshore banking

On Oct. 31, 1978, *EIR* described what was then a \$200 billion annual retail business in narcotics of all types; *EIR*'s story ultimately became part of the 1978 bestseller, *Dope, Inc.* Conservatively estimated, total narcotics revenues today flowing back into the offshore markets exceed \$150 billion; to this figure must be added about \$100 billion of annual flight capital (evasion of tax and currency laws), as well as perhaps \$30 billion in illicit arms traffic, and various other categories of contraband-related funds. The cash flow of the subterranean economy via the offshore markets is in the order of \$400 billion per year; how much of this remains in the market's deposit base, and how much pauses briefly before finding its way back to "laundered" investments inside various national economies, is difficult to estimate.

Nonetheless, a very large portion of this multi-hundred-billion dollar flow must remain in the market's deposit base, because the simplest means of disguising illegal funds is also the most commonly used: offshore banks will accept secret deposits from individuals who wish to evade tax or other laws, and "lend" the same funds back to the depositors. Most of the hotels on the Mediterranean were built in this fashion, for example. This procedure requires that funds earned or sequestered illegally be kept on deposit in the offshore centers. The late Banco Ambrosiano specialized in such "loans," on behalf of the Italian Mafia.

Major shifts in the flow of illicit funds will, therefore, have a major impact on the liquidity of the off-shore centers. It appears impossible to understand the present events in Hong Kong without taking into account the *glut of opium and heroin* that began with the Spring opium harvest in the "Golden Triangle" of Burma, Thailand, and Laos. According to the Feb. 26, 1982, *Neue Zürcher Zeitung*, the 600 to 700 ton harvest of raw opium brought prices for a kilogram of raw opium down from \$400 in 1980 (when the Golden Triangle harvest was only 200 tons) to only \$80. As the authoritative Swiss newspaper pointed out, the February price for refined heroin in New York did not yet reflect the price drop at the base; however, it appears that a substantial price drop occurred in Western Europe over the summer, which has since affected the entire advanced sector.

To attribute the liquidity problems of the Hong Kong property market, however, to the global reduction in heroin revenues, would be too simple, even though Hong Kong is (as Hong Kong authorities admitted brazenly last month to visiting Attorney General William French Smith) the principal laundromat for narcotics funds. Said the London *Economist* Nov. 13, "Singapore and Hongkong are . . . not merely convenient staging posts in a 24-hour market. They also

launder money from the opium growers and the pirates who have prospered in the region for centuries."

The China connection

The property market bust began formally when Mrs. Thatcher, the British prime minister, failed during her late-September visit to China to win any assurance that China would renew Britain's lease on Hong Kong when it expires in 1997. A symbolic, but important indication of China's tough attitude towards Britain was the fact that HongShang's deputy chairman, shipowner Sir Y. K. Pao, appeared in Peking, not as a member of the British delegation, as expected, but as a member of the Chinese welcoming party. In effect, the Chinese decided to shake out the property market; British sources grumble that they are prepared to buy out whatever property comes onto the market at a reduced price.

Since the volume of opium production each year is well-planned in anticipation of the succeeding year's demand, it may be assumed that the Chao Chou Chinese expatriates who control the Triangle opium fields arranged the glut in the first place. They must have done so in full knowledge that the relatively newer source of Western opium, the "Golden Crescent" of Pakistan, Afghanistan and Iran, was already producing sufficient dope to meet the entire industrial world demand. As *Dope, Inc.* showed, the Chinese turn over to the Hongkong and Shanghai Bank and other British entities perhaps 60 percent of the profit potential of opium production—at least as of about 1980—in return for access to Western markets. But the new generation of expatriate Chinese businesses, the 50 leading families with assets of \$500 million to \$1 billion each, no longer need the British tie, and are pressing hard for the senior partnership. Under conditions of world financial crisis, they are better situated to withstand a price war than their erstwhile British partners.

In summary, this is the Chinese bid for power, as it has been reconstructed—in part—by their British competition. But the deeper significance of these developments is shown better in the ongoing Italian mass arrests (see International), which effectively ended the ring which controlled heroin from the Golden Crescent coming to the West. Both the financial crisis, and the new "war on drugs" of the Reagan administration and several European governments, have shattered the old structure of what *EIR* called "Dope, Inc." in 1978.

There is a "crisis within the crisis": internecine warfare among the networks which, over the postwar period, collaborated to turn the offshore financial markets into the center for an illegal money traffic that challenges the banking systems of all major countries. Hard times mean less honor among thieves: witness the reported 700 murders on the European masonic circuit in the past year, including the grisly death of Banco Ambrosiano Chairman Robert Calvi under Blackfriars Bridge. The old snake must change its skin, along with its changing habitats. And the most propitious moment to kill it is while it is moulting.

Part II: What are economic shock waves?

by Lyndon H. LaRouche, Jr.

In part I of this article, Lyndon LaRouche explained how his scientific predecessors—including Philo of Alexandria, Nicholas of Cusa, Georg Cantor, and Leonardo da Vinci, established a rigorous basis for political economy in their investigations of the laws of the physical universe. Given special emphasis in this “demystification” of the workings of the LaRouche-Riemann econometric model—whose performance for the past two years has put other forecasting services, including Chase Econometrics, Wharton, and Data Resources to shame—was the application of 19th-century mathematical physicist Bernhard Riemann’s theory of shock-wave generation to economic processes. Now, we resume our summary presentation of the potential function employed in the LaRouche-Riemann method.

Thermodynamic potential

The first estimation of potential relative population-density is simply geometrical: the potential number of persons sustained per unit of habitable area by means of the nature-altering activity of the inhabitants.

Our first analysis of the function $F(P)$ correlates: increases in potential per-capita with ordered changes in both the division of labor within society, and in shifts in demographic characteristics of the whole population from which the labor-force is drawn.

These changes correlate with what is observed in first-approximation as an increase of the energy-flux-density of society’s activity. In first approximation, we observe that increases in potential correlate with long-wave increases in the number of useful kilowatt-hours of annual energy-throughput, both per square-kilometer of habitable land and per individual inhabiting that land.

The correlation of these changes in energy-flux-density with changes in proportionalities in demographics and division within the labor-force, subsumed under the requirement of increasing per-capita potential, implicitly requires a thermohydrodynamic function.

In this form of the function, we are determining economic value in terms of a generalized statement about the physical space in which successful reproduction of society is occurring. Economic value, per-capita potential, is defined as in-

creasing society’s growth-potential within such a generalized physical space.

In other words, rather than viewing an economy mistakenly, in terms of money producing money, or goods producing goods, we determine the potential to produce useful goods as a subsumed, secondary calculation, derived as a by-product from primary knowledge of transformations in generalized per-capita potential.

This was already the implicit standpoint of U.S. Treasury Secretary Alexander Hamilton in his December 1791 *Report to the U.S. Congress On The Subject of Manufactures*. Hamilton showed that the unique source of human wealth was technologically driven advances in the productive powers of labor. Per-capita potential is but the implied, more rigorous way of defining increases in the productive powers of labor.

In respect to demographics, advances in the mental power for labor by members of society requires advances in education of the young and cultural generally. This requires, in turn, a reduction of the death and crippling-illness rate, an increase in longevity. For example, a modern economy can not be sustained without a significant rate of growth in the number of members of the labor-force, and also a modal longevity extended into the upper range of between 80 and 90 years of age.

Parenthetically, apart from rentier-financier looting of pension funds and related monetary and cost-inflation, the source of the problem of meeting of the costs of the 65-85 age-range sector of populations of industrialized (and post-industrialized) nations is principally twofold. First, the rate of growth of the labor-force age-interval’s population-segment is too small, thus increasing the ratio of per-capita retirement-costs to per-capita producing labor-force. Second, insufficient support for clinical treatment and research into the general problem of degenerative disease fosters impairment of functional capacity within the 55-85 age-range groups of the population, preventing society from enjoying the voluntary contributions of members of that age-interval.

Emerging policies, which are economically incompetent, as well as immoral, promote reduction of medical care for victims of costly diseases in the above-55 age-brackets. The trusty night-nurse with the euthanasiac pillow is emerging as

the heroine of the insurance-company accountants and actuaries: "passive help in dying" is rapidly being superseded by a policy of "active help to die," a poor sort of euphemistic disguises for the plainer term, "murder" of the sick.

Heretofore, proper measurement of statistics on degenerative disease, such as cancer, shows that improved standards of living under industrial society's conditions have, up until recently, reduced the incidence of cancer and related kinds of degenerative disease. Since degenerative disease is principally a disease of aging, by its nature, we must measure the incidence of degenerative disease by age-group intervals. If the number of cancer-cases has appeared to increase, this is chiefly because more people are living long enough to incur an increased risk of such disease.

It is morally intolerable that society should content itself with an arrangement, by which increasing portions of its aging population are classed implicitly as useless. It is also economic imbecility. Our objective should be to remove juridical, customary, and medical barriers to extending the capacity to function fully into the last years of life. This means mastering the problem of the aging of tissue, a matter of inquiry which centers around the energy-transport functions of tissue within interacting functions of the human body as a whole, areas in which medical and related science are presently proximate to major advances. If we can ensure Uncle Max expectancy of a high quality of biological substrate for full-capacity mental function and physical mobility during the interval from 80 to 90 years, we have accomplished what is necessary both morally and to the benefit of the economy.

This is not a proposal to take away Uncle Max's pension. He has earned the pension, and deserves not to be cheated. However, as a proud human being, both Uncle Max and his wife deserve to have the opportunities and capacities to choose to make some sort of meaningful contribution to society for the duration of their lives. We shall all be enriched if that arrangement is better established.

Are we to be accused of injecting a moral issue into scientific inquiry? The more we advance in scientific knowledge, the case of the nuclear weapon illustrates, the more clearly we are confronted with evidence demonstrating the ultimate indivisibility of proper moral from proper scientific concerns as such.

In respect to demographic profiles of the population taken as a whole, the task of scientific inquiry is to adduce the characteristic change in such profiles correlating with increased per-capita potential.

Within the population as a whole, we focus on the labor-force as a whole. We note, first, the correlation between changes in profile of the labor-force and changes in overall demographic profiles, correlating such connections, again, with increase of per-capita potential.

First, we focus on the percentile of the total labor-force required to produce all raw materials, as typified by agriculture and mining. Although mining is often conducted in rural

regions, we classify mining *functionally* as urban, rather than rural. So, we are observing the shifts in total percentile of the labor force engaged in raw-materials production, and within that, and correlated with that, shifts in emphasis from agriculture to mining and related activities.

The smaller the percentile of total labor required to meet the raw-materials requirements of the population as whole, the greater the relative per-capita potential of the society as a whole. Two leading conceptual issues must be stressed in this connection.

"We have proposed a comprehensive crash-program approach to early development and deployment of space-based anti-missile beam weapons. Our primary purpose in developing and circulating this proposal has been to solve the increasingly dangerous continuation of thermonuclear 'mutually assured destruction' (MAD). However, our approach to this undertaking has also been shaped by attention to the need for a shock-effect revival of economic growth in the U.S. economy."

First, the number of persons which can be sustained by aid of per-capita raw-materials development, is the first-approximation determination of per-capita potential relative population-density for the society as a whole. Agriculture, most emphatically, is measured both in terms of yields per hectare, and number of hectares for agricultural operative. This correlates with the percentile of habitable land developed for high-yield agricultural (and mining) potential.

Accordingly, as the raw-materials producing percentile of the labor-force required decreases, the general tendency is for increase of per-capita potential of the society as a whole.

For example, the shift through the agricultural revolution (circa 10,000-12,000 years ago or more), up to the Industrial Revolution in powered machinery, increased the potential human population of the earth from the order of approximately 10 millions individuals to between 500 millions and 1 billions individuals. The Industrial Revolution, including the relatively recent development of nuclear-energy technologies, has increased the potential population of the earth toward tens of billions of individuals. Prior to the beginning of the Industrial Revolution, approximately 90-95 percent of the labor-force was required for rural occupations. Through

the Industrial Revolution, with modern agronomy, the use of modern technology reduces the required rural labor-force to less than 5 percent of the total.

The process of increased per-capita potential is complicated by the fact that required "objective" per-capita consumption of society rises with advances in per-capita potential.

We employ a symbology which appears Marxian, but which, strictly examined, is not—as the relevant distinctions are provided in such sources as the recent book-length policy-study, *Operation Juarez*. Overall, we analyze the labor-force as a whole among the following components: C = costs of maintaining the equi-potential of capital preconditions for productions of goods; V = consumption-costs, measured as a percentile of the production of goods by the labor-force, of goods sustaining the households which supply the goods-producing sector of the labor-force as a whole; S = the Gross Operating Profit of society, after deducting $(C + V)$ from total goods-output-activity of the goods-producing labor-force; d = the combined household-consumption and capital-equipment goods-costs of the non-goods production sector of the total labor-force. Subtracting d from S , yields $S' =$ Net Operating Profit.

"The trusty night-nurse with the euthanasiac pillow is emerging as the heroine of the insurance-company accountants and actuaries: 'passive help in dying' is rapidly being superseded by a policy of 'active help to die,' a poor sort of euphemistic disguise for the plainer term, 'murder' of the sick."

This yields the most characteristic boundary-conditions for economic growth:

$S/C + V =$ Productivity
rising $C/V =$ Capital-Intensity
 $S/(C + V) =$ Rate of Profit

and associated constraints.

Generally, the rate of profit (of society as a consolidated agro-industrial "firm") must rise, despite the requirement that absolute consumption per-capita must rise in correlation with rising productivity.

In first approximation, we translate these constraints into per-capita values measured in kilowatt-hours of energy-throughput. We correlate per-capita goods-production with kilowatt-hours equivalent, and measure production in terms of "energy-payback" functions.

To recapitulate so far: We correlate rising per-capita potential with increases in kilowatt-hours throughput both per-square-kilometer and per-capita. Then, we treat the function as, in first approximation, an energy-payback per-capita function, and correlate this with shifts in demographic and division of labor profiles and constraints.

A rising value for $S/(C + V)$, on condition that C/V increases and $d/(C + V)$ increase less rapidly than $S/(C + V)$ and S per-capita, implies a rising per-capita and total value for $S'/(C + V)$. A rise in the latter ratio, of value 0 or higher, correlates with a minimal precondition for rising per-capita potential.

What productive labor (production of goods) must accomplish is both an increase in the ratio $S'/(C + V)$, and an increase in per-capita S' for the society as a whole. Otherwise, the society is entropic—i.e., dying of lowering of per-capita potential. So, per-capita S' , combined with rises in $S'/(C + V)$, correlates with per-capita potential. What productive labor of society is producing is not simply goods, but rather increased potential for increasing per-capita potential.

On condition that we understand the limitations of making measurements in the approximation-terms of per-capita kilowatt-hours, what we have described thus far represents, approximately, the thermohydrodynamic model we require.

Refining the notion of energy

Such a "model" would fail to parallel reality under definable ranges of conditions, if we accepted fully the kind of notion of "energy" associated with Helmholtz and his followers. The reduction of energy to a scalar fluid, and a simple equation of energy-flux-density with equivalent of temperature, ceases at critical points to serve as a crude but useful approximation.

The best way to cope with such risks of error is to return to the initial notions of *work* and *power* as developed by Leibniz, and to forget entirely the Aristotelean notion of "energy" introduced by Helmholtz et al.

Leibniz's notion of work was developed in connection with studies of the effectiveness of heat-powered machines, as measured by comparative work accomplished. Per-capita work is our proper starting point. Work must be measured in first approximation, per-capita and per-square-kilometer of habitable area. The Leibnizian notion to be preferred to Helmholtz's "energy" is relative power to accomplish work. What we must measure, in first approximation, is the relative power to accomplish work both per-capita and per unit of habitable and work-place areas. We would therefore prefer "work-flux-density" to the Helmholtzian overtones of "energy-flux-density."

In our case, work is measured as increase of per-capita potential relative population-density. This requires some clarifying remarks.

In schoolboy thermodynamics, we resort to the following useful approximations to prepare the student for a fruitful mastery of the subject.

We divide the total energy-throughput of a thermodynamical process into two principal sub-sectors. The first is the portion of energy-throughput which the process itself must consume to prevent itself from "running down." This sub-sector of the throughput is often termed "energy of the system." The residue of the energy-throughput of the process, after deducting costs for "energy of the system," we usually term the "free energy" of the process. This "free energy" (less wasted portions of it) is the amount of energy available either to do work on the system itself, or on some external process.

The significant thermodynamical function of a process which is not running down is the conversion of part of the total energy-throughput into usefully applied free energy. Crudely, the distinction is between starting a coal-fire on one's livingroom floor, and thus burning down the house, and consuming the same amount of coal in a steam-boiler to accomplish useful work. In first approximation, we measure work as the process of reorganizing the energy-throughput of the universe to the effect of realizing beneficial changes in the universethrough focusing free-energy to accomplish such changes. Or, to employ another of the writer's conceits, one expends more effort entering a house by breaking through a wall than by entering through a door. The fact that one expends more energy in the first option does not make it more productive.

Therefore, thermodynamics does not simply measure watts of throughput. The critical measurement begins with defining the ratio of free energy to energy of the system. Rising values of $S'/(C + V)$ are implicitly an increase of the free-energy ratio. Those systems (processes) in which the value of this ratio declines and becomes increasing negative, are either absolutely or relatively *entropic*. Those processes in which the ratio is maintained, or increases are termed as exhibiting "negative entropy," or, as abbreviation, "negentropy."

It is of crucial importance that we define very carefully the frame of reference we select to define a process. Every competent statement in mathematical science depends upon the principle of closure. Competent statements must be closed in mathematical form, a form which reduces to the appropriate geometric construction. Those statements must be closed not only in respect to mathematical form, but this condition of closure must also be the experimental characteristic of the phase-space selected for analytical treatment.

For example, in burning coal or petroleum products, the effect upon the fuel, the mines, oil-wells and so forth is decidedly entropic. The question is properly whether or not this combustion generates free energy usefully applied: in first approximation. How useful? *Is the per-capita potential of the society after combustion and use of free energy applied greater than before?*

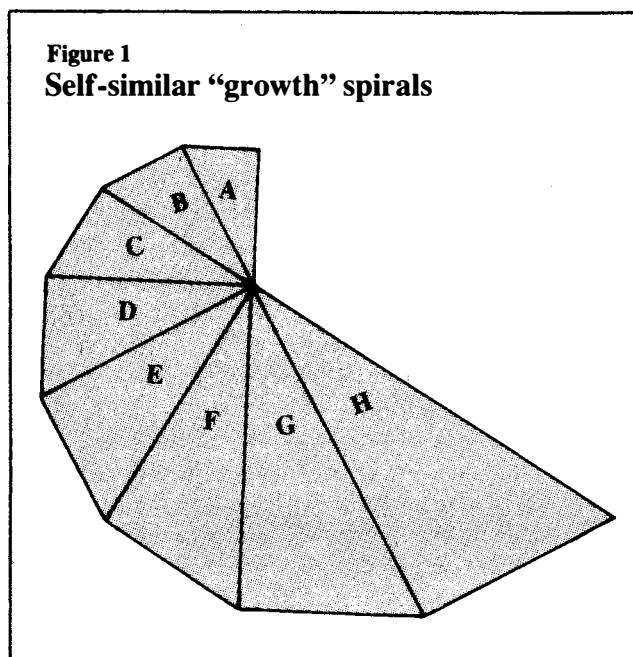
We must always take the entire society as a process, an entire society occupying habitable area. That society and its area represent, in good approximation, a closed thermodyn-

amical system. In accounting for all the things we relatively or absolutely destroy by the activities of that society, is the per-capita potential of the society as a whole increased or decreased? In a more general way, *the universe itself develops with aid of destroying some parts of itself (entropically) in the course of increasing the negentropy of the universe as a whole.*

We have just said, in respect to the universe, a very shocking thing, and quite deliberately so. It is now the point to begin progressing back toward the subject of shock-waves, by way of explanation of our argument that the universe as a whole is negentropic.

Our negentropic universe

It was emphasized by da Vinci and Kepler, among others, that all living processes are distinguished by the harmonic characteristic of the Golden Section, corresponding to the musical-harmonic interval of the fifth. This, as we indicated earlier, correlates with self-similar growth of the general kind typified by our illustrative use of the self-similar triangles in **Figure 1**.



More generally, all negentropic processes have an adducible Golden-Section characteristic. So, as Kepler was first to demonstrate empirically, does the universe in general. Is this then proof that the universe as a whole is negentropic? Is the universe as a whole, in some special sense, a living being? Does God exist as a consubstantial Being, in other words?

Let us imagine inscribing our self-similar triangles-sequence in **Figure 1** into the interior of a cone. Let the bent inscription be inscribed within the spiral on the surface of the cone, and the resulting image be projected onto the base of the cone.

What is such a cone? It is a growing circle, readily described by the obvious mathematical function generating the cone. The axis from the apex to the center of the base of the cone is the time-axis of reference for this process. *Such a cone is the simplest adequate approximation of what we signify by any negentropic function otherwise defined as a self-reflective potential-function.*

This implies the argument, that the discrete-manifold universe may be imagined, for pedagogical purposes, as analogous to the base of such a cone. A real space, a continuous manifold's hyper-space, is projected as image into the smaller number of dimensionalities of the discrete manifold, into which reality is, so to speak, squeezed for perception. We wish to go no further with that analogy, we do not wish to appear to reason from analogy beyond this pedagogical device as used thus far.

Our purpose here is, first of all, to illustrate that the notion of self-reflective potential functions is geometrically comprehensible. We have used the cone to illustrate the simplest kind of geometrical construction which demonstrates that point.

At this point, we turn to resort for a space to a good deal of descriptive summary, to avoid dwelling on specialized questions in detail.

The rigorous definition of a negentropic universe is first summarized, to our best available knowledge, in Riemann's 1854 dissertation, "On the Hypotheses Which Underlie Geometry." The characteristic action of the universe is the increase of the number of relative degrees of freedom of the continuous manifold from any given number N , to $N + 1$. Riemann elaborated this from the vantage-point of a topological principle which he named "Dirichlet's Principle," after his teacher, Lejeune Dirichlet. The principle of Riemann Surfaces' generation is directly the outcome of this.

It is these qualitative (geometrical) leaps in the self-elaborating processes of continuous manifolds, which define those kinds of phase-changes in observed discrete manifolds suited to be the subjects of unique experiments. These changes—phase-changes—occur through the mediation of generation of what are called singularities in the process. These singularities require a continuous manifold of a relatively higher order for their comprehension. It is the successive ordering of the universe in terms of such phase-changes, which properly defines man's accessible knowledge of the lawful ordering of the universe.

Such a universe, one whose most characteristic geometrical action is N into $N + 1$, is intrinsically a negentropic universe, as Kepler's work implies.

The negentropic process of economic development, to higher levels of per-capita potential, is of this same form. That is the essential "secret" underlying the unique success of the LaRouche-Riemann method.

The only net work accomplished by all of the activities within a society is the work measurable as an increase in per-capita potential. That work is the only fundamental measure

of economic value. All other approximations of measurement of economic value are competent only to the extent they are coherent with the fundamental measurement.

Let us now glance at the relationship between shock-waves and generation of singularities. Let us reference Gauss's mathematical approach to treatment of the orbit of a planet (for example). Let us imagine that all of the mass of the planet was originally distributed throughout the orbit, and that the planet still looks much that way from the standpoint of reference of a continuous manifold. How does the planet come into existence as an approximately solid body? Our educated guess given here is not settled astrophysics, but merely informed speculation. Even so, this pedagogical trick aids us in pinning down a point.

Let us imagine that the mass initially distributed throughout the orbit "is hydrodynamic." In this medium introduce a wave, and let the wave propagate a shock-wave, thus creating the concentration of matter into the form of the point-planet within the orbit.

"The shift through the Agricultural Revolution up to the Industrial Revolution in powered machinery increased the potential human population of the earth from the order of approximately 10 million individuals to between 500 million and 1 billion individuals. The Industrial Revolution, including the relatively recent development of nuclear-energy technologies, has increased the potential population of the earth toward tens of billions of individuals."

This leaves us some difficulty in accounting for the periodic table of elements distributed among the planets of our solar system. Existing physics argues that the gaseous envelope generated (spun off) by a star of our Sun's class would not fuse such a periodic table unless something like polarized magnetic fusion within the envelope had generated such a range of fusion-products. For the moment, let us treat such heart-warming speculations as healthy intellectual fun, as exercising our speculative faculties.

This view of planetary orbits intersects the approach E. Schrödinger adopted for treating the determination of that singularity known as the electron, Schrödinger referencing explicitly Riemann's 1859 shock-wave paper.

Such illustrative speculations having done their work, we now put them to one side. The fact is, that we have proven otherwise that phase-changes in economic processes do conform mathematically to the principle of shock-wave generation. This is consistent with the fact that if our universe is Riemannian, all productions of singularities by a continuous process must be geometrically analogous to shock-wave generation.

The economic shock-wave

The interesting feature of the wave generating a shock is the relationship between the frequency and amplitude of the plane-wave, a relationship better examined by treating the plane-wave formation as a projection of a cylindrical spiral in hyper-space. As the relative amplitude of the wave increases, by virtue of increase of frequency, for example, the potential of the wave to generate lateral movement of matter is increased. This means generation of shock as this relative balance rises above critical values, and a correlative effect of concentration of highly increased shock-energy.

Among the more significant aids to the development of the LaRouche-Riemann method, particularly in work conducted toward the close of the 1950s, was the keen pleasure of working-through Max Planck's own account of his development of notions of the quantum of action. In Planck's report of his own work on this matter, the significance of this quantum-notion has a far more universal significance than the modern school-books seem to comprehend. Arthur Sommerfeld, for example, recognized that the spectra could be made comprehensible in this matter was viewed from a Keplerian view of harmonic relationships within a discrete manifold. Sommerfeld's, Schrödinger's, and other important work of the pre-Solvay Conference period into the 1920s all points in the same direction. It was this writer's good fortune to have looked at such matters from the vantage-point of economic science, rather than the usual standpoint of issues within physics narrowly defined. The point of the inquiry was to broaden and deepen knowledge respecting the way in which our universe must be organized to yield the kind of behavior economic processes exhibit relative to changes in technology of productive practice.

It is an elementary exercise, to employ super-imposed projections of spirals on cones, to show a student the elementary topological principle, that the number of singularities generated by continuous processes is rigorously, indeed stubbornly determined. If Planck's account is situated in such a general, Riemannian setting, all of the usual mystification attached to the notion of the quantum drops away, and we view Planck's work in that matter not as some mere attention to a particular matter of microphysics, but as touching importantly upon a pervasive feature of the geometric composition of the universe as a whole, as an enrichment of Keplerian relativism of a sort made possible by the work of Riemann.

The usual mystification of Planck's work is demonstrably

the result of attempting to situate the quantum of action within a Cartesian manifold, and attempting to explain the implications of that quantum-conception within the bounds of ontological assumptions acceptable to such a Cartesian standpoint. From such a pathological, Cartesian standpoint, and only such a standpoint, could one commit the wild blunder of confusing relative indeterminacy with statistical "uncertainty."

For example, one might ask oneself why the solar system generated only one planet in each planetary orbit, and why moons of planets, including suspected "wanderers," lie only in Keplerian harmonically determined orbits? Let our astrophysics treat the details of the matter; here, we are inspecting only the broadest, general points of the business. The problem here is the same which confronts in the intrinsic fallacies of the work of James Maxwell, or the Isis-cult-like wild intrusions of Ernst Mach.

When we, as the human race, act upon our universe, what is the geometrical ordering of that universe relevant to the determination of the outcome of our activity?

As I have summarized the matter here, and elaborated it more fully in other published locations earlier, it is a fairly straightforward matter to define the constraints of a process satisfying the requirement of increasing per-capita potential relative population-density. These constraints show us the direction our policy-making must adopt to accomplish service to the cause of human existence, to fulfill the cited injunction of the Book of Genesis.

Our remaining problem, once that set of constraints has been adduced, is to discover what lies in between a directed, purposeful action and the result accomplished for mankind as the consequence of that action. What is the geometry of that cause-effect connection? How may we know the workings of such an underlying geometry of real processes (continuous manifold), from the standpoint of observations directed to the reflected evidence of the discrete manifold?

In our inquiry into that crucial, subsumed matter of economic science, we are obliged to adopt the standpoint of method of Cusa, da Vinci, Kepler, Leibniz, Riemann et al., the geometrical method of classical "continental science." This method leads us, in the manner we have summarily indicated here thus far, to the judgment that the kind of action within the universe symptomized by the shock-wave phenomenon is the characteristic kind of phenomenon we must adduce in each field of inquiry, including the most general expression of science, as an economic science premised upon increases in per-capita potential.

The kinds of singularities we are obliged to examine, working from that vantage-point, present themselves to us as of several apparently distinct varieties.

The first class of such singularities is associated with, most immediately, increasing complexity of the division of social labor within society as a whole. This division of labor informs us of the direct significance of necessary shifts in the demographic characteristics of populations as a whole.

Next, chiefly aided by developments associated with Leibniz's mobilization of the principles of industrial society's self-development, we look in a more profound way at da Vinci's initial work of defining the general principles of design of machinery. Heat-powered machines, as conceived initially by Leibniz, settle matters left unresolved by da Vinci's work. The extension of the principle of the heat-powered machine to the use of manufactured fertilizers and other products of modern chemistry broadens our comprehension of the implications of Leibniz's treatment of the heat-powered machine as such.

So, in addition to the kaleidoscopic changes of social division of human labor, and associated requirement of an increased number of operatives for the economy as a whole (e.g., enlarged population), we now turn to the increasing number of degrees of freedom in superior machines, and other features of "artificial labor."

This leads us to think of the combined increase of total degrees of freedom of man plus machine, as correlative of increasing per-capita potential. This implies a general notion of each level of per-capita potential as associated with a height N , implicitly the required number of total degrees of freedom corresponding to an existing actual (or hypothetical) level of technology in use, a technology in use corresponding to a more or less well-defined level of per-capita potential. Technological progress, and increase in per-capita potential, develops in the form N into $N + 1$.

This development subsumes transformations of the form of shock-wave propagation.

Therefore, as we have already stipulated, we must observe and experiment, to determine how such a shock-wave-like transformation actually manifests itself in the economic process of generating increased per-capita potential. In undertaking this, we must consider not only what appears to be true of observed economic processes as such. We must always bear in mind the general nature of the universe within which man's efforts to increase his mastery of nature are elaborated.

Therefore, *we must define per-capita potential of entire societies in terms of a self-reflective potential-function, and must interpret the leaps in potential as elaborated in a manner analogous to shock-wave propagation.* In other words, taking division of labor and "kilowatt-hours" as an integrated conception of the constraints of the process of rising per-capita potential for whole societies, we must treat the actions linking one level to the next as occurring in a shock-wave-like manner.

That is the essence of the LaRouche-Riemann method.

Science-technology and per-capita potential

To conclude this report, we address a concrete issue of utmost importance at the present moment: the potential significance of U.S. development of space-based anti-missile beam-weapons. We examine this now essentially from the standpoint of the effects of such development upon the U.S. and world's economy.

Over the recent two decades, there has been an accelerating devolution in not only rates of technological progress, but a recent, virtually catastrophic collapse of basic industrial and related capacity. We have already passed the point of industrial devolution, at which, *from one standpoint in analysis*, economic recovery is theoretically an impossibility.

From the standpoint of the computer-assisted quarterly forecasts for the U.S. economy, in particular, the LaRouche-Riemann method has warned of this worsening trend since early 1980, and those warnings have been corroborated by subsequent developments to date. Unless an appropriate new factor is injected into the U.S. economy, the U.S.A. is now hopelessly doomed by the consequences of 25 years' erosive influence of combined "post-industrial society" efforts and monetarist destruction of the economic basis.

What is the nature of the "new factor" which could change this?

"The only net work accomplished by all of the activities within a society is the work measurable as an increase in per-capita potential. That work is the only fundamental measure of economic value."

The forecast of irreversible doom embedded in the regular forecasts of the LaRouche-Riemann reporting procedures depends upon the assumption that existing levels of technology in economic use provide the basis for economic recovery. The forecasts in publication have assumed that new technologies would be introduced chiefly as a by-product of a process of recovery based on revival of previously-existing technologies. As long as the forecasting is limited to that sort of assumption, the U.S.A.'s doom is to be viewed now as irreversibly sealed.

Without a "new factor," the condition of the U.S. economy—and most of the world's economy—will become progressively worse. Attempts to resist this decay, unless they include the required new factor, will perhaps slow down the rate of collapse, but will not reverse the direction of the general, devolutionary development.

The situation is such that the direction could be reversed only by a large-scale, top-down introduction of a technological revolution. This signifies something like the work of France's Ecole Polytechnique during the 1790s, or, more recently, the NASA research-and-development drive of the early 1960s.

We have proposed a comprehensive, crash-program approach to early development and deployment of space-based anti-missile beam-weapons. Our primary purpose in devel-

oping and circulating this proposal has been to solve the increasingly dangerous continuation of thermonuclear "mutually assured destruction" (MAD). However, our approach to this undertaking has also been shaped by attention to the need for a shock-effect revival of economic growth in the U.S. economy.

Let us restate this in terms most appropriate to this present discussion. Even if beam-weapons were not the strategic priority of the moment, we would have proposed, and did propose earlier crash-program quality of emphasis upon several areas of scientific and technological development also essential to space-based beam-weapons development. This we did for the kinds of economic reasons being stressed at this moment. It developed that space-based beam-weapons, a very large-scale undertaking, greater in scope than earlier work of NASA, is a foremost strategic priority. Since we lack the resources to conduct several crash-programs of such a scale, and since we are obliged to choose beam-weapons development from among all the alternatives which might be considered, it is the beam-weapons development effort which must be used to save the U.S. economy.

We have elaborated the strategic reasons for beam-weapons development elsewhere. Here, we focus on the principal economic implications of such a crash-program effort.

Although we are already at the verge of completing all of the competent technologies needed for incorporation in space-based beam-weapons development, the completion of the entire package requires massive efforts applied to two categories of problems. There are, in the less costly side of the matter, certain problems of scientific research whose lack of early solution would represent disruptive bottlenecks preventing the development as a whole. In the larger area of investments, the deployment of beam-weapons on a scale sufficient to destroy 99 percent or more of all incoming nuclear warheads involves the manufacturing of a very considerable quantity of advanced hardware. This means, above all, that we must develop the industrial streams to a capacity adequate for the amount of hardware to be produced during the indicated period.

To develop the space-technology required, we have proposed that the U.S.A. emulate the tactic of adopting the NASA manned moon-landing objective. We must develop quickly, earth-orbiting manned laboratories. We must complete work on the discontinued project for placement of manned stations on the Moon. We should also adopt a manned Mars-landing objective, analogous to the manned Moon-landing objective. The scientific, production, production-capacities, and operations problems mastered by crash-efforts on such civilian projects will foster successful development of everything we require for developing the large number of fixed- and mobile-orbiting space-platforms needed to the military side of the beam-weapons program.

The Mars-landing program strongly implies development of thermonuclear-fusion impulsion for spacecraft. This is "top of the spectrum" for all of the technologies required for

powering the movement and other powered functions of the beam-weapons space-stations.

The beam-weapons themselves require developments centered, independently, upon relativistic (shock-producing) beams as such and generation of energy for civilian use through controlled thermonuclear fusion. Therefore, every research-and-development program usefully focused upon relativistic phenomena and thermonuclear fusion must be accelerated, and coordinated in a way which reflects the lessons we ought to have learned from the successes and errors in coordination of the NASA program and earlier Manhattan Project.

What, then, are the pre-calculable effects of such a program, on the scale broadly implied?

Let us proceed by successive approximations. Let us begin by looking at the matter of increased productivity, and then examine this matter of increased productivity more closely, so to adduce the deeper implications.

The first, general effect of any leap in technology is a leap in productivity. In the proposed crash-program, the U.S.A. is concentrating economic resources from relatively lower levels of technology (e.g., lower levels of productivity), to concentrate this portion of total national resources in a relatively very high area of technology (e.g., implicitly very high productivity). In other words, the total "pie" of the U.S. economy is being shifted in composition, so that a relatively larger slice of the pie is being devoted to higher levels of implied productivity than have previously existed in the economy as a whole.

On condition this specialized area's activities spill over significantly into the civilian economy in general, a rapid rise in levels of productivity throughout the economy will result.

"Over the recent two decades, there has been an accelerating devolution in not only rates of technological progress, but a recent, virtually catastrophic collapse of basic industrial and related capacity. We have already passed the point of industrial devolution, at which, from one standpoint, economic recovery is theoretically impossible."

This was our experience with research-and-development under NASA. Through the spillover of NASA technologies into the civilian sector, the economy as a whole gained back over ten dollars for each NASA dollar spent. This "pay-back" came in the form of increased per-capita outputs of production in non-NASA areas.

This is to be compared with purely military expenditures. Strictly speaking, NASA was not a purely military-type ven-

ture, but the similarities are noteworthy within the discussion.

The production of purely-military goods appears to the economy as production of waste. This is the only significant effect on the economy under the condition that military goods produced embody technologies which are on the average no higher than otherwise employed in the civilian economy. If military production shifts the average level of technology of overall production upwards to a significant degree, the wasteful implications of military-goods production are indirectly offset to that degree.

So, in assessing military spending, or quasi-military cases such as NASA spending, we must take two ostensibly contradictory economic effects into account. The production of military goods as such, is a wasteful deduction from the economy. The military production may be necessary for national survival, but it is nonetheless to that degree a pure tax upon the economy as a whole. To the extent that otherwise wasteful military production indirectly raises the average level of technology in the economy as a whole, a contrary effect is generated. We must weigh the wasteful costs of military production as such against the margin of increased wealth produced through spilling-over of advanced technologies into the civilian economy.

Hypothetically, we could increase the total military-goods production of the U.S.A. to 50 percent of total goods-production without incurring a penny's worth of net increased cost, but only on condition that the level of technological spillover into the civilian sector were sufficient to compensate for the increased military expenditures.

From an economist's standpoint, therefore, the proper military-procurement policy of a nation ought to be based on the very highest possible level of technologies. This coheres with military requirements as such. The mobility and firepower of a military force is not only the relative capital-intensity of the individual soldier's deployment, but represents the potential power to win wars per soldier.

From this standpoint, the Pershing and cruise missiles are a mistake. These are essentially improvements of the basic Nazi V-2 and V-1 designs respectively, developed in the United States during the earlier 1950s chiefly through importing the skills of the Peenemunde scientists and technicians. The improvements incorporated into present designs are auxiliary. The basic conception is technologically obsolete. Had we maintained a vigorous development program during the 1960s and 1970s, had we not permitted the take-down of NASA R&D by President Johnson's "Great Society" blundering, we today would laugh at weapons of that sort. What we are presently pushing to complete—weapons which make nuclear missiles technologically obsolete—is research and development we might have completed during the late 1960s or early 1970s. Our military policy overall has fallen 16 or more years behind the times, even by that simple standard of reference.

The production of such weapons-systems barely maintains a fraction of previously established, now-shrinking aerospace and associated features of our overall national in-

dustrial-technological base. Thus, predominately, the reliance on such obsolete systems, cosmetically presented as "new technologies" has the effect of waste on the economy as a whole.

Before examining the matter of equation of technology and productivity more closely, let us collect and review briefly the kinds of effects modern technologies developed in military, NASA, and other undertakings have either had or could have on the economy as a whole.

In principle, nuclear-energy development deployment without the hindrances imposed over the 1970s would mean approximately a 40 percent reduction or better in the cost of electricity and process-heat wherever employed to supersede existing modes of fossil-fuel and more primitive energy-sources. This reduction in cost reduces directly the portion of C and V required for energy-production in the economy as a whole, increasing S' directly as well as per-capita S. This means a direct increase in $S/(C+V)$ and $S'/(C+V)$.

Additionally, the best way to improve the impact of electricity production upon the general environment is to replace each conventional generating-station in use with either Magneto-hydrodynamic-technology fossil-fuel-consuming installations or nuclear generation. When one reviews how much

LaRouche beam-weapon plan debated in Europe

When Lyndon H. LaRouche, Jr. initiated his campaign for U.S. crash development of anti-ballistic missile beam-weapons defense systems at an *EIR* seminar in Washington, D.C. early this year, he urged that the U.S.S.R. and the United States pool their manpower and scientific resources in a joint effort to produce these defense systems at the earliest possible date. Success of such a joint U.S.-Soviet effort, said LaRouche, would insure both superpowers against the use of nuclear weapons by "runaway" third states, and stabilize the bipolar international superpower structure.

Just before the death of Leonid Brezhnev last month, *EIR*'s Wiesbaden bureau learned of Soviet inquiries to determine the possibilities for such superpower collaboration on beam-weapons development, possibly to be joined by cooperative development of fusion-propelled vehicles which could be used for manned explorations of Mars and Venus.

Eir solicited responses to this rumored Soviet proposal from sources in both NATO and neutral European countries. We report here a cross-section of views from

capital has been expended on scrubbing dirty effluent from fossil-fuel consuming energy-generation, we must properly curse ourselves for collective stupidity as a nation.

In assessing both energy-production and industrial processes generally, it is conventional rule-of-thumb to assess both the costs per kilowatt-hour of energy produced, and the power and efficiency of that generation. By increasing the energy-flux-density of the heat-sources, we increase the efficiency of energy-production, and we also generate an increased concentration of power through which it becomes possible to do what was not feasible earlier.

In the case of thermonuclear fusion, we have two principal considerations to be taken into account. The intrinsic advantages of nuclear energy-production over less-advanced modes is both the positive environmental impact of such generation, and the fact that fission-plants operate implicitly at about four times the energy-flux-density possible with fossil-fuel plants. For that latter reason, such nuclear modes are intrinsically far cheaper sources of electrical power, and offer us sources of process-heat potentially to be used at great economic advantage. The high-temperature thorium-cycle gas-cooled reactor is a device most foolishly undervalued in current practice. Although projected designs indicate that

thermonuclear fusion plants will operate at about the energy-flux-density of fission-plants, in the first generation of such commercial installations, the future levels of energy-flux-density are in principle almost limitless.

That is the simplest view of the matter, an inadequate view. As we enter into the range of reactions associated with thermonuclear fusion, and technologies adjunct to thermonuclear fusion, we are in the realm of the potential for commercial forms of relativistic physics, entering a realm of human practice in which mankind wields forces of nature beyond anything "naturally existing" in our solar system. We must think of processes associated with the perfection of thermonuclear fusion in such terms of reference: this represents a breakthrough in technology far greater than was represented by the belated, 18th-century realization of Leibniz's design for the Industrial Revolution."

This should be referenced immediately to our earlier discussion, in this report, of the meaning of negentropy. The issue of energy is not the total amount of energy produced and used. The issue of energy is the issue of increasing the ratio of free energy to energy of the system, and thus increasing the power of mankind to accomplish the work of increasing per-capita potential. Any invention which substantially

European sources which monitor East-West developments.

The most bitter opposition to such superpower collaboration came from a British think tank whose director is also part of an organization called the Anglo-Soviet Roundtable. This thinktanker explained that the above developments "must be controlled in their infancy. . . . This is how the Soviet Union and America can create mutual trust." An aging West German right-wing Social Democrat who is very close to the British also warned that such scientific and technical expansion "was getting completely out of hand." It is not surprising that neither would lend the names of their institutions to *EIR*.

Other responses included:

West German disarmament specialist: "The Soviet military definitely wants beam weapons. This cannot be stopped by Andropov."

One of the British Isles' most renowned Soviet military specialists: "The key issue is now what satisfies the Soviet military. The military is demanding that it have the capabilities to produce sophisticated plans . . . they are determined to match technology with technology, and are declaring, 'we will enter the arms race'.

"The Soviet McNamaras' arguments are no longer relevant. . . ."

"The situation in the U.S.S.R. now is comparable to that in czarist Russia in the 1880s. At that time, you

had an elite of military people and technological managers bringing about technological innovation."

Retired Austrian general: "Right now the Soviets are more advanced in beam-weapons research than the West ever was. Both sides must have this technology. If only one side has it, it is a destabilization."

Top level Soviet defector, now based in Bavaria: "This type of collaboration is not possible and will never happen."

"I fully agree with the necessity to develop beam-weapons. A defense against nuclear missiles is only efficient on that basis."

Sussex University (home of Britain's Tavistock Institute or special psychological warfare division): "This might be a Soviet trick to keep the U.S. imagination busy."

"I indeed see an advantage in controlling beam-weapons development jointly from the beginning. The problem with nuclear arms was that they were piled up before anybody began to control them."

An editor of the West German Conservative Daily Die Welt: "E-beams should not be developed because this will strengthen the superpowers."

Count Volpi di Misurata, son of the oligarch who was both Mussolini's foreign minister and Italian King Victor Emmanuel III's governor of Libya. Recently, the French daily *Le Monde* described the current Count as the "last doge of Venice.": "Beam-weapons? Don't you know that war will never be obsolete?"

increases that power, if adequately deployed, effects a phase-shift upward within the entire economy within which it is deployed.

Proper economic policy of nations would be, therefore, to concentrate as much of S' as possible upon launching such breakthroughs in technology, while using the remainder of S' primarily to deploy such new technologies as they are developed.

What we must also do, is to use up the C of obsolete methods of production as rapidly as possible, by accelerating production from those facilities and reinvesting the "depreciation funds" from those sectors in the new technologies.

In the instance of relativistic-physics applications, we are presently at the verge of breaking through fundamentally all known limits of natural resources. Sand, rock, and rubbish provide mankind all the mineral raw materials it requires, if the technology available is sufficiently advanced. Applied relativistic physics is that technology.

To reach that breakthrough, we must begin to effect the breakthrough in some concentrated area of enterprise. We must reorient increasing portions of industry (and investment) as an integrated production-base for producing and using the kinds of things that breakthrough-technology implies. We must, in that way, shift the composition of the pre-existing economy, away from old technologies to technologies on the frontiers of applied relativistic physics.

This represents a qualitative shift in man's relationship to nature, a leap in per-capita potential. That, and that alone, could rescue the U.S. economy from otherwise inevitable disaster.

From this vantage-point, we reexamine afresh the matter of "economic shock-waves." What are the parameters of an economic shock-wave?

The relative height (amplitude) of the "technology-wave" passing through an economy is defined in respect to the existing per-capita potential of the economy. Relative to that potential, a function in terms of $S'/C + V$ defines the relative amplitude of the wave. This increase of amplitude is immediately defined (realized) by advances in technology. It is necessary policy, that the relative amplitude of this wave must be sufficient to represent the critical value for generating shock.

Since the LaRouche-Riemann quarterly forecasts for the U.S. economy were first issued, the last quarter of 1979, the phenomenon on which we have been obliged to concentrate has been negative shock-waves. Especially since Volcker's policies of October 1979 took hold of the U.S. economy, during February 1980, the characteristic feature of the economic process has been increasing negative values for the function of $S'/C + V$. As we have been able to forecast with high accuracy thus far, this devolution of the U.S. economy's goods-producing sectors and transportation-sector combined, has not been merely a process of gradual devolution, but is most clearly marked by periodic "jumps" downward, these abrupt declines separated from one another by periods

of more gradual decline or even, for one period, a slowing-down of the rate of decline. As we stressed in published reports during spring 1980, these periodic "jumps" downward are analogous to phase-changes in physical processes. These phase-changes occur in the manner of shock-waves, and their periodicity is so determined. It is by treating the process of devolution from that vantage-point that the LaRouche-Riemann forecasts have been uniquely accurate to date.

This regular, ongoing study of the U.S. economy has been complemented by similar special studies of several other national economies, and has also been complemented by special research-studies on the history of development of specific industries. It is such varied empirical studies, together with long-range studies conducted over a decade to date, combined with the general validity of the LaRouche long-range forecast of 1959 today, which assures us of such behavior in economic processes generally.

Although the writer and his collaborators are beyond competent argument the world's leaders in economic science today, we would be the first to insist we are by no means leaders in relativistic physics.

In the latter field, the problem is that leading circles have assimilated aspects of "continental science" while rejecting the geometrical vantage-point from which that "continental science" was actually developed; most generally, the flaw is the specialist's political opportunism, his wont to show respect for Descartes, Newton, Cauchy, Maxwell, et al., and to explain the fruits of continental science on terms agreeable to the British-Viennese empiricist-positivist school of cabalism. So, the otherwise gifted and accomplished specialist usually greatly dilutes his intellect, by ignoring those specific, profound issues of scientific method which would lead him to break in methodology and argument with the British school.

Our advantage, respecting the few contributions we have made on behalf of thermonuclear fusion and relativistic physics, is that we have adopted the elementary standpoint of continental science, and are encumbered by few of the kinds of confusion introduced to scientific thinking by the present-day hegemony of the cabalistic standpoint. Our advantage over those far better qualified than we, in certain matters, has been entirely the fruit of the methodological standpoint from which we view numerous of the presently compartmentalized aspects of scientific work, taking them together as what they are in fact, different facets of the same object.

Our occupation, our specialized facet of scientific work, has been economic science viewed as the applied science of technology. We know, from experience in that work, that something important was more or less lost to Western civilization approximately a century ago, something typified by the Riemannian physics we employ as the methodological basis for our work in economic science. So, we attempt to "sell" that Riemannian physics and what it implies back to the profession which has too long underrated it.

'Blended credit': the wrong way to boost U.S. agricultural exports

by Cynthia Parsons

The failure of the United States to win any concessions from the European Community on agriculture subsidies at the ministerial meeting of the General Agreement on Trade and Tariffs (GATT) which ended in an impasse in Geneva Nov. 30, could be the pretext for launching a trade war that Agriculture Secretary John Block has been threatening since September.

Block's Oct. 20 announcement of a three-year, \$1.5 billion "blended credit" program to boost agriculture exports can give only minor help to U.S. farmers, given the current crisis in agriculture; with interest rates and the dollar still high, this program will be able to move only a small portion of the hundreds of millions of tons of U.S. commodity stocks. Since the farm sector, the largest exporting industry in the United States, is "tremendously impatient," Block may well resort to a policy of dumping wheat and dairy products "to show the EC that we can play the game, too," as he stated in a late-September press conference.

The prospect of launching a trade war is the logical extension of the administration's foolishness: obsessive adherence to the dogma of "free trade," as the direct result of the early 1950s decision to abandon the parity policy implemented by President Roosevelt and enforced by Truman during the 1940s. The policy of 100 percent parity for American agricultural products—i.e., government enforcement of price levels, via the crop loan program, adequate to assure producers cost of production and a profit to allow for reinvestment—was responsible for pulling the American farm sector out of the 1930s Great Depression. The policy also laid the basis for the tremendous leaps in output and productivity that began in the 1940s as producers invested in the new chemical as well as mechanical technologies, and began to realize the economies of scale and increase farming intensity with increased fertilizer and other chemical use.

The Eisenhower administration's decision to abandon the parity policy in favor of the "free market," initiated the process of undermining the foundations of American agriculture to the point of creating the explosive financial crisis that exists today.

The EC's Common Agriculture Policy price supports have been the target of the USDA over the past decade, particularly since 1979. Agriculture prices in real terms have decreased steadily since 1950; the U.S. domestic market has

stagnated, and developing sector debt has built up to massive levels, making it nearly impossible for those nations to maintain imports. Failure to initiate any kind of long-term, low-interest credit to expand exports to the Third World has reduced U.S. policy to "Europe-bashing." Yet European exports are minimal compared with potential U.S. exports, and in certain key commodities, such as corn, Europe offers the U.S. virtually no competition whatsoever.

The rate of increase of U.S. exports has stagnated since the 1960s. Although an all-time high of 165 million metric tons of grain exports was reached this year, actual earnings fell some 8 percent due to collapsing prices. The administration initially froze the existing Commodity Credit Corporation's direct credit export program GSM-5, and increased the GSM-102 export guarantee program by \$500 million, under pressure of fiscal austerity. The "guarantee" program merely commits the CCC, an "off-budget" agency, to back up loans for purchase of U.S. products, but the importing nation must generate the actual loan from private sources. The overall effect was that some \$2.8 billion sat in the program untouched, and exports slowed.

As a result, the administration has been forced to return to a partial direct-credit program, despite its violation of "free-market" doctrine. Word has it that, in deference to "free-market" rhetoric, it is forbidden to refer to the direct-credit loans as "price supports" at the USDA, although they will function in much the same way as the EC program; an approved term is "export boosters."

The original proposal was for a three-year, \$1.5 billion program. The CCC will offer one part direct loan to the purchasing nation, "blended" with guaranteeing four parts of a commercial loan at current interest rates. Seven nations have received credits totaling \$440 million: Morocco, Egypt, Yugoslavia, Pakistan, the Philippines, Portugal and Brazil.

Secretary Block stated Nov. 23, announcing the credits to Brazil and Portugal, "These credit packages will open the way for the sale by private U.S. exporters of nearly \$65 million of U.S. agricultural commodities that would not have been sold without the new credit program." Yet because purchases must be made in the first year of the three-year program, the boost in exports will be temporary. These sales are all to long-standing U.S. customers, and the near 2 mil-

lion tons of wheat sold will make scarcely a dent in the 78 million tons the U.S. now has available for sale.

An increase of the monetary value of the program is under consideration. In August, another \$500 million was allocated to the loan guarantee program for the 1983 fiscal year, but as this fund remains untouched, it may be incorporated into the "blended credit" program.

Once the immediate surge in exports levels out in the second and third years of the blended credit program, the program will do little for U.S. agriculture exports. Most of the developing sector is excluded from the program by one entry requirement: that the importing nation is paying its debts. A USDA spokesman for International Trade Policy responded to the question of whether Poland and Egypt would benefit from the new program, by saying that Poland would not be one of the countries since "the East bloc countries were a bad credit risk, but Egypt had been paying". Under such "conditionality" large potential markets in Africa, and most Ibero-American nations, are inaccessible to American farmers. As a Cargill Corporation spokesman commented, while the program will be "helpful" to those nations that can already afford to buy U.S. products, "if the nation could not afford to buy anyway, it would not help them."

With the exclusion of the Third World, few markets remain, outside the Soviet Union and China, that could make any significant dent in U.S. supplies. A second requirement of the blended credit program, that the importing nation already have Most Favored Nation status, will exclude the Soviet Union. And although President Reagan stated that any sales to the U.S.S.R. would be guaranteed, the Soviets have not responded. While Secretary Block offered the Soviets 23 million tons of grain since the United States extended the grain agreement, it appears that the Soviets will not buy even as much as the 14 million tons they took last year. The agreement only requires that the Soviets buy 6 to 8 million tons in the period between Oct. 1, 1982 through Sept. 30, 1983. The reworded agreement, issued Sept. 30, assured the Soviets contract sanctity for 180 days on any purchases over the 8 million ton limit made before Nov. 30, but guarantees nothing after that. At a Nov. 29 press conference Block refused to extend the deadline date.

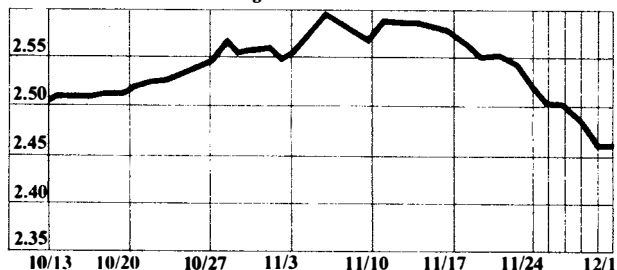
Soviet imports of U.S. grain have fallen from a 1979 high of 78 percent of their total imports, to 30 percent in 1982. Since December 1981, they have made new purchases only from Canada and Argentina, with whom they have long-term agreements.

Should rumors of a trade deal between France and the Soviets prove true, the United States will be left with little recourse under current credit policies than to begin dumping. France has reportedly been pressuring the EC to arrange a major cut-rate grain deal with the Soviets. If the United States decides to dump grain and dairy products, it could well undercut the EC, but only to the end of launching a trade war that will further collapse world trade levels.

Currency Rates

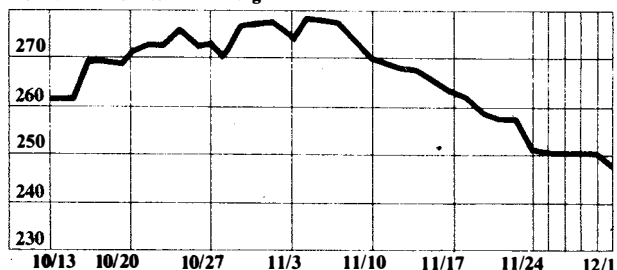
The dollar in deutschemarks

New York late afternoon fixing



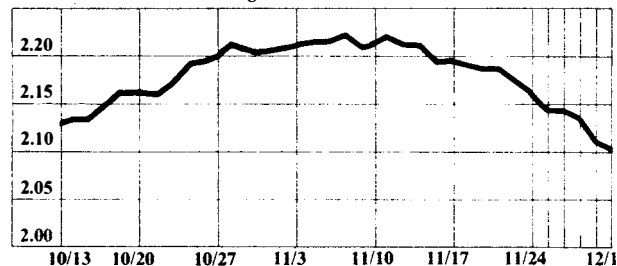
The dollar in yen

New York late afternoon fixing



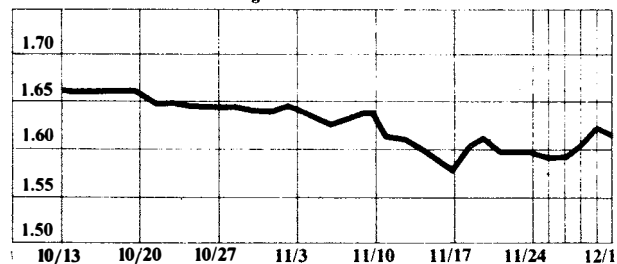
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Bolivian President calls for war on usury, drugs

by Valerie Rush

In a Nov. 30 presentation before the General Assembly of the United Nations, Bolivian President Harnán Siles Zuazo outlined the magnitude of the crisis facing his nation. Coming just as the President of the United States departed for a five-day tour of Ibero-America, the Siles speech defined the issues that Reagan will have to tackle during his trip in order to restore U.S. relations with the rest of the continent, so badly damaged by the Malvinas conflict and its aftermath.

Ibero-America is burdened with an unpayable foreign debt, and lacks the credits and technology required for real industrial development, Siles Zuazo warned. Failure to resolve these issues dooms the rest of continent to the same fate suffered by Bolivia for so many years: the imposition of drug dictatorships, sustained by speculation, usury, and the repression of the population. Or, as Siles Zuazo indicated when he first assumed power in early October, it will lead governments to consider actions such as the joint renegotiation of their debts and creation of new financial and political institutions that are designed to defend their interests in the face of advanced sector hostility to industrial growth.

The following are excerpts from the Siles Zuazo speech of Nov. 30:

"My country has just lived through the Calvary of 18 years of dictatorship, with very brief periods of nationalist governments. . . .

The country now lives under the rule of law . . . Bolivia, I am proud to say, has a democracy of the highest quality. . . . It has recovered its dignity and its international image and has begun to identify itself with democracy and not with drug trafficking and illegality.

My country was trapped in a chaos of horrifying dimensions. To the political and moral crisis was added a desperate economic situation whose most salient outlines are known and shared by many other Third World nations: an enormous foreign debt, uncontrolled inflation, . . . and a vertical collapse in the level of activity, and its sequel of bankruptcies, unemployment and misery. . . .

My country participated in the surge of prices for raw

materials for export that took place as a result of the expansion of the world economy and the hike in oil prices. It also resorted to many foreign loans, which were readily granted due to the international financial liquidity that existed during the past decade. . . .

Nonetheless, the expansion of financial resources . . . were not used to benefit the majority of the nation. The dominant minorities of the private and public sectors used the resources from the export of our raw materials and the foreign debt to deepen and consolidate social inequality. . . . They squandered our resources, leaving the great problems of development unresolved. These minorities used imported and national goods and services which allowed them to imitate the patterns of consumption of the high-income countries, while they abandoned productive investment. . . .

This economic policy, based on financial and commercial opportunism, received the warm support of the great academic centers of the advanced sector, where it is still believed that the principles of the comparative advantage of the conventional doctrine of the international division of labor, is the best route to development. . . .

But this anti-national economic policy could only be carried out behind the back of the population, and for that reason it was necessary to establish ferocious and regressive dictatorships. . . .

Bolivia is not the only country suffering from the overwhelming burden of foreign debt. We share this problem with other nations of the Third World.

In my country's particular case, it is repugnant to the national conscience that we should have to pay with such immense sacrifice a mortgage contracted behind our back by illegitimate governments that used these resources to maintain themselves in power. . . .

Among the countries of the North, there are those that refuse to review the decision-making mechanisms and operating rules of institutions such as the International Monetary Fund, the World Bank, or the General Agreement on Tariffs and Trade [GATT], as if these institutions, created in 1946, were endowed with infallibility, as if nothing had happened since then. . . .

But the world today is different, and it is necessary to adapt the institutions of yesterday to today's needs. . . .

My government has made a commitment to its population: to respond to its offer of sacrifice with a gigantic effort to defeat, in the shortest time possible, the tragic inheritance of dictatorship. . . .

Repression of the illegal drug trade is a duty to be assumed by all—the governments of the producing countries and the governments of the consuming countries. I need not insist on the nefarious consequences that this filthy and detestable business carries with it. Its corrosive action affects us all. It encourages corruption, conspires against the political order, attempts against the morality of country of origin, and constitutes a serious social threat to the countries where demand is greatest.

Brazil bites IMF bullet

A trickle of credit from the Fund and the United States was won at the cost of sovereignty and industrial investment.

Brazilian Finance Minister Ernane Galveas confirmed to reporters on Nov. 26 that Brazil—the world's second largest debtor (after Mexico)—had finally decided to go to the International Monetary Fund. Formal negotiations began in Brasilia Nov. 29 on the conditionalities to be imposed on the Brazilian economy by the notoriously anti-growth IMF in return for an estimated \$6 billion loan package.

Although Brazil's monetarist Planning Minister Delfim Netto hailed the IMF package as the key to the country's salvation, it will be a drop in the bucket compared to Brazil's real credit needs. At best, the IMF will provide Brazil with \$2 billion in standby credits and its seal of approval early next year. Delfim hopes this will serve as a green light for commercial-banks lending.

But the Brazilian National Monetary Council reports Brazil will require \$16.3 billion for debt service next year. The banks will also be asked to renew an estimated \$14-\$16 billion in short-term borrowings, on which Finance Ministry sources estimate \$4 billion is due in January, the same in February, and more in each ensuing month.

Delfim Netto has pledged to pay part of the debt service with a \$6 billion trade surplus next year. But, with September exports 19 percent below last year's level, and October's down 24 percent, such an achievement would be his first genuine "miracle."

Even with a \$6 billion trade sur-

plus, Brazil would still have to tap the rapidly dwindling Eurodollar pool for \$17-\$18 billion in new lending. Thus, bankruptcy can at best be papered over for no more than a few months.

Although Brazil had already administered IMF-style "medicine without the doctor," the move is a setback for those forces in Ibero-America fighting to solve their asphyxiating debt crisis, not by applying the IMF's austerity, but by jointly renegotiating their debt.

There were many signs of foreplay between Brazilian officials and the IMF, but the government kept the negotiations under wraps until after the Nov. 15 elections. Brazilians, imbued with optimism by a decade of 10 percent annual growth, agree with opposition Senator Saturnino Braga's dictum: "Brazil is a country which cannot stop, and the International Monetary Fund recipe is to stop the country."

What is the IMF asking Brazil to do in return for saving its credit rating? "Just what we were going to do anyway," answers Delfim Netto, author of the "Brazil Foreign Sector Programme in 1983" in close collaboration with the IMF and Federal Reserve chief Paul Volcker, whose high interest rates were one of the main causes of Brazil's bankruptcy. Delfim's 1983 plan calls for sharply increasing exports while slashing vital imports—a policy Brazilian economists calculate will produce a drop in GNP of 4 to 6 percent next year.

Although *Folha de Sao Paulo* re-

ports average real wages of industrial workers fell by 22 percent during the first seven months of this year, the IMF is known to believe that far sharper reductions are required.

The government has long allocated loans at less than the inflation rate to priority areas such as agriculture, industry, and export financing. The IMF says "no more cheap credit."

According to economic columnist Joelmir Beting, the IMF discovered that the government planned to spend \$90 billion over the next three years on major projects. These projects, such as the huge Carajas iron-ore complex in the Amazon, have been initiated to industrialize the country's vast natural wealth. But the IMF demands that all Brazil's savings and borrowings go only for debt service, rather than for productive investments.

Finance Minister Galveas was perturbed that the first announcement of IMF negotiations was made, prematurely, by the country's second largest creditor. In Rio on Nov. 19, David Rockefeller proclaimed, "Brazil is engaged in active conversations with the International Monetary Fund. . . . There are certain unpopular measures which must be taken and which end up being better accepted when they are dictated by the Fund and not by the government. Since that is precisely what the IMF is there for, it's a good opportunity for Brazil to solve its economic difficulties."

At the GATT meeting in Geneva, Treasury Undersecretary MacNamar had negotiated a \$1.2 billion 90-day "bridge loan" tied to Brazil's accepting IMF conditionalities. Reagan, who was not quite sure whether he was in Bolivia or Brazil, announced the "bridge loan" during his visit to the latter, Dec. 1, perhaps thinking it was for an infrastructure project. It took Secretary of State Shultz to define the details of the Treasury "bailout."

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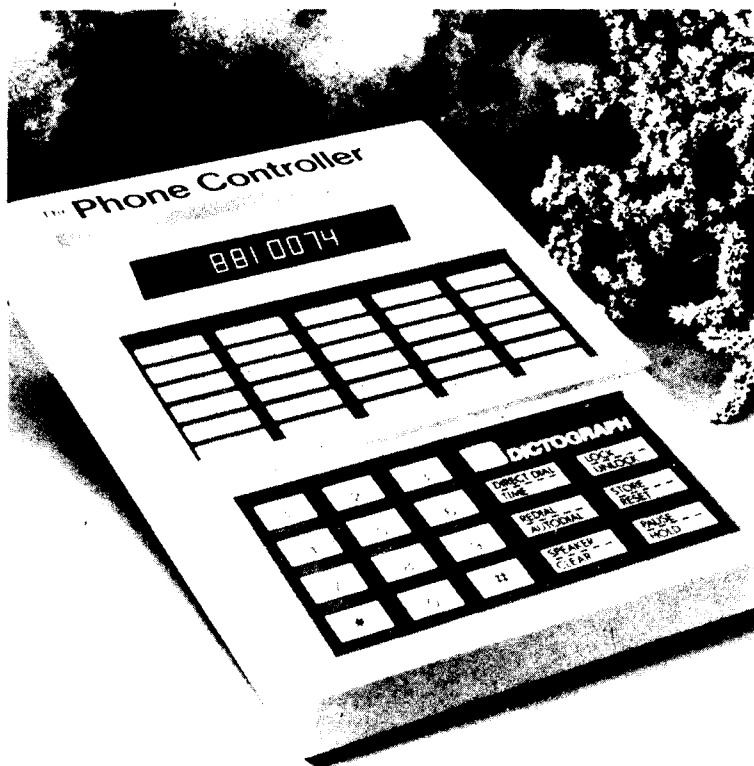
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Business Briefs

Foreign Exchange

Germany's Poehl calls for dollar collapse

West German Bundesbank governor Karl-Otto Poehl told a bankers' meeting in Paris Nov. 29 that "a major shakeup in the values of key currencies seems imminent," and indicated that the "expected changes to center on a drop in the dollar caused by the widening U.S. current account deficit."

Poehl, added that he "looked forward to a correction of the long period of overvaluation of the dollar, which he claimed had "accentuated economic difficulties in the rest of the world. . . ."

Poehl said that he would welcome "a new appraisal of the markets," a statement that the London *Financial Times* correctly characterized in its coverage as "a barely disguised central bankers' desire for a change in the international exchange-rate balance."

Should a dollar collapse be engineered, it would put enormous pressure on President Reagan on the issue of the budget deficit, and would also lend badly needed credibility to a central bankers' bid to force selective bailout packages on nations that are now critical for organizing a general detonation of the "debt bomb" against the central private banking system.

World Trade

Collapse accelerates in fourth quarter

Respected economist T. Nakamae of Japan's Daiwa Securities reports that based on fourth-quarter figures, world trade is now collapsing at an annual rate of 25 to 30 percent. If the current monthly rate of decline continues, at the end of 1982 world trade will be down one-third from the corresponding period of 1981. The economist specified that Mexico is currently importing 20 percent of what it imported one year ago, Brazil 50 percent, and intra-OECD trade is dropping at a rate of 10 percent or more.

The chief economist of the General Agreement on Trade and Tariffs (GATT) in Geneva is now saying that world trade vol-

ume has dropped by 4 to 6 percent in 1982, taking into account the steady volume in the first six months of the year. However, GATT is now estimating a final figure of an 8 to 12 percent drop, when the rapid decline of the last part of the year is included. "1983 will be even worse. . . . With this tremendous financial crisis, domestic and international, with the uncertainty of trade after the GATT ministerial conference fiasco, we have six to eight months ahead of us to contain the financial crisis, and if we cannot, then we go into the downward cumulative spiral."

An economist at London's Schroeder's Bank summed up the situation: "We cannot see a recovery. In fact, we tell people 1983 will be zero, but it is really getting worse and worse. To talk of recovery is just an act of faith. I don't believe any more."

Developing Sector Credit

Brazil's problems with banks unsolved

New York and London banking sources shrugged off President Reagan's announcement Dec. 1 of a \$1.2 billion Federal Reserve loan package for Brazil, noting that large commercial banks are still hesitant to extend large commercial credits to the world's biggest developing-sector debtor. The biggest stumbling block, bankers say, is the more than \$10 billion of Brazilian borrowings from New York banks through the New York agencies of Brazilian banks.

This extra short-term debt is a gray area, and it is not clear whether it is part of, or additional to, the \$90 billion total Brazilian debt otherwise reported. Since September, banks have sought frantically to consolidate these lines, some of which are overnight Federal funds.

Even if the Federal Reserve and possible International Monetary Fund official credits bring Brazil through this year, and the \$4 billion still due in various payments obligations, bankers see no hope whatever for 1983. The present rapid decline of Brazilian imports will rapidly cut into the country's ability to export, bankers worry, destroying the government's projected \$6 billion trade surplus for next year.

IMF officials, meanwhile, warn that the

\$5.8 billion figure for an IMF loan circulated by both Brazilian and U.S. officials represents "wishful thinking," since it presumes an increase in Brazil's IMF quota.

U.S. Economy

Hyperinflation for the United States?

Washington circles report heavy lobbying by White House advisor James Baker III as well as (unrelated) Sen. Howard Baker, the Senate Majority Leader, for a major decrease in interest rates. The two Republican leaders argue that it is impossible to contain the federal budget deficit, now estimated at \$150 to \$200 billion for the current fiscal year—which means total net federal borrowing of over \$250 billion when off-budget items are included. Only a major expansion of internal credit can finance the deficit, they say, which means a major drop in interest rates is required.

In a Nov. 29 commentary, the Swiss financial daily *Neue Zuercher Zeitung* warned of "economic landmines," in the U.S. budget situation. If the United States attempts to finance the \$200 billion budget deficit through credit expansion, the Swiss paper said, "the twin evils of unemployment and inflation will raise their heads more powerfully than ever before."

Banking

Cash-laundering scandal could get bigger

The recent arrest of a branch-level Citibank account officer for failure to file federal reporting forms on cash deposits over \$10,000 is only the initial step in what may become a much broader investigation of drug-money laundering through New York banks, *EIR* has learned.

According to sources, bank-management officials must have known of the cash deposits. All standard bank-accounting computer systems automatically distinguish between cash deposits and those made by

Briefly

check or other paper transfer, and it is a standard feature of such systems that they produce a report of all cash deposits over \$10,000 in the course of a normal processing of a day's transactions.

If large cash deposits were recorded as check deposits, the branch concerned would have an accounting imbalance, i.e., more cash and fewer checks than it could account for, a situation which would have to come to the attention of senior officials.

The source added that commodity traders' accounts were most likely to be used for this type of cash-laundering activity, since these accounts use computerized money-transfer systems frequently. After a large cash deposit is made, the branch officer can notify money-transfer operations at the bank of the increase in the available balance, and the funds could be transferred out of the country within minutes.

Far East

Chinese shifting economic priorities

Following the strong showing by the armed forces and proponents of heavy industry at September's Congress of the Chinese Communist Party, Peking is now showing signs of retreating from its austerity course and shifting economic priorities back toward heavy industry and infrastructural development. The changes were embodied in the new Five Year Plan, the product of a long and intense debate within the factionalized Chinese leadership, delivered by Premier Zhao Ziyang at the early December National People's Congress (NPC) in Peking.

While paying lip service to the "correctness" of the recent policies, Zhao declared that emphasis would be placed on energy and transportation infrastructure. "Large projects" which had been abandoned would be started up again. Zhao said that over the next five years, 400 large- and medium-sized projects would be completed and 490 more started. Among the projects expected to be started soon are two nuclear reactors for the provinces of Guangdong and Zhejiang, construction of new petrochemical factories, revival of the Baoshan steel works near Shanghai, and railway and port expansion

and modernization. Peking also plans to invest more in the exploitation of abundant petroleum and coal reserves.

China is counting on increased foreign investment, especially from Japan, to finance such development, but also may draw on substantial foreign exchange reserves.

Debt Picture

Ibero-America discusses joint renegotiation

The feasibility of joint renegotiation of Ibero-America's debt was a principal topic of discussion at the week-long meeting of the Latin American Federation of Banks which ended Dec. 1 in Buenos Aires. The federation is a grouping of private banking associations from around the continent.

In his speech the head of the federation, Fernando Londoño, called upon the governments of Ibero-America to jointly confront the problem of their \$300 billion debt. What is at stake is not "one more indebted country, but that all of us are receiving the same unjust treatment and the same pressures," he said. Londoño, a Colombian, had invited the Secretary General of the Latin American Trade System (SELA), Carlos Alzamora, to attend the bankers meeting, during the latter's visit to Colombia in mid-November, for talks with President Belisario Betancur.

Alzamora, who has been traveling throughout the continent organizing for joint debt renegotiations, said yesterday in Mexico, where he was attending the inauguration of President de la Madrid, that individual action has not "produced any results for any of the countries of the region, whether large, medium or small. Only joint action can give Latin America the sort of negotiating clout that it has never before enjoyed" Alzamora said.

In sharp contrast to the stances adopted by Alzamora and Londoño, Argentina's Finance Minister, Jorge Wehbe, who gave the opening speech at the bankers' meeting in Buenos Aires, emphatically rejected the notion of nations unifying to "declare a unilateral debt moratorium upon our creditors." Wehbe insisted that the international banks will agree to postpone deadlines instead.

● **THE GROUP OF 10** meeting in Paris will add another \$7 billion to the existing General Arrangement to Borrow among major nations—a far cry from the \$25 billion emergency fund bandied about by the United States at the September International Monetary Fund meeting in Toronto.

● **THE IMF'S** Interim Committee meeting will likely be in January, not April, accelerated in an effort to speed the collection of funds for a big IMF quota increase; funds, however, will not be useable at earliest until 1984.

● **U.S. AUTO PRODUCTION** fell in November 6 percent from the year-earlier level, and 5 percent below industry plans, at 395,000 units.

● **WEST GERMAN** interest rates fell Dec. 2 when the Bundesbank lowered the discount rate and lombard rate 1 percent, to 5 percent and 6 percent.

● **OPEC** oil production will fall to only 10 million barrels a day from the present 18 after the winter production peak, British oil analysts are predicting, with a major price decline to follow.

● **ARGENTINA'S** \$750 million credit from the Bank for International Settlements has been delayed, as bankers protest the country's de facto debt moratorium on \$5.5 billion of external debt.

● **CAPITOL HILL** is seriously considering a payment-in-kind scheme, which is designed to get U.S. farmers to reduce crop production by paying them with government owned grain stocks. Using warehouse receipts, farmers could then sell the grain in storage at market prices. The failure of a similar scheme 15 years ago is not fazing the Agriculture Secretary.

Egypt's fight to become the Japan of the Middle East

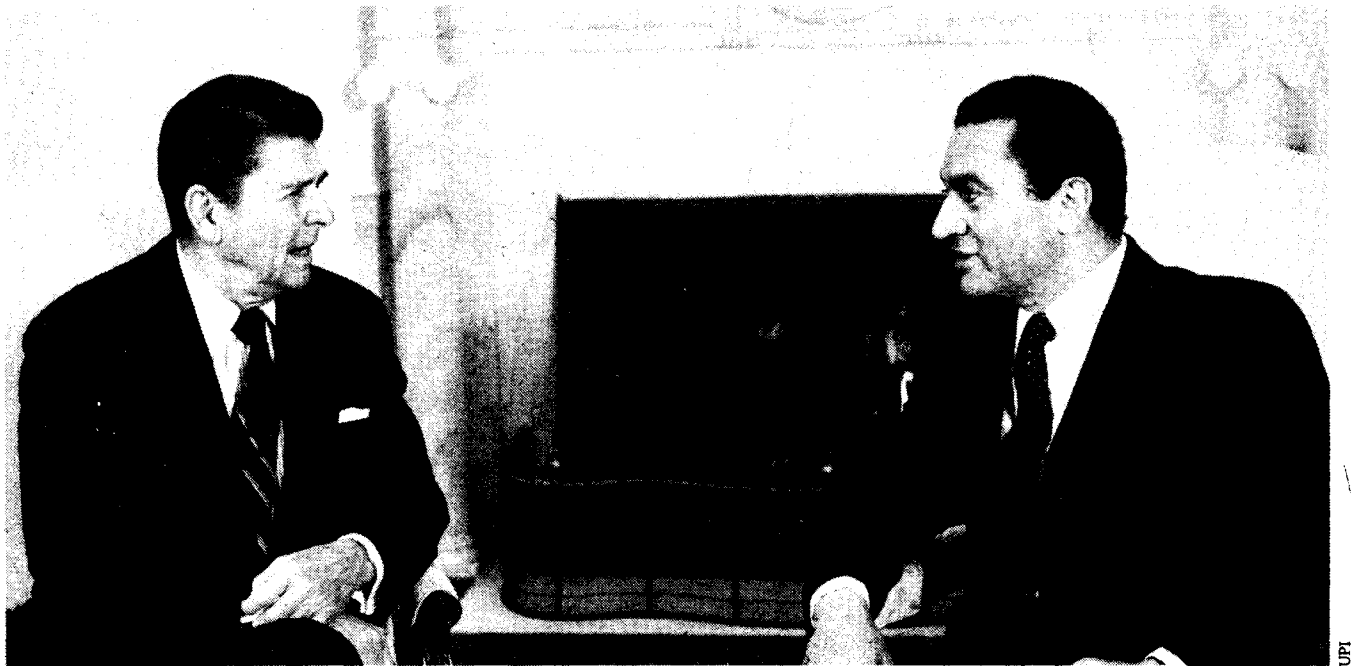
by Thierry Lalevée, Middle East Editor

The publication of the following Special Report has one primary objective: to create a debate as wide-ranging as possible on the issue of the economic development of and the future of the nation of Egypt. Countries such as the United States, France, and Japan have a very special role to play in ensuring that Egypt becomes a "new Japan" in the Middle East by the year 2000, adopting policies which equip it to serve as a political and economic stabilizer in the region as it works toward achieving its nation-building goals.

There can be no peace in the Middle East without real economic development, which lifts the population above its present concerns, above the blood and soil mentality which has ruled for the past 30 years. Hence, an accelerated Egyptian development based on the most modern technologies, the Qattara Depression plan to green the desert, the building of new industries, and the founding of new cities, will be the real catalyst for peace throughout the region.

Egypt is in a crucial period of its history. The 1952 revolution did away with British military occupation and the degenerate Farouk monarchy which it had supported. For a short period, Nasser's leadership accomplished total economic and political sovereignty, exemplified by the 1954 creation of the Non-Aligned Movement, of which Egypt was a founding member. But, systematically cut off from any significant transfer of technology for years, exhausted by wars orchestrated from London, and swindled by the Open Door policy initiated in 1974, Egypt today has fallen under foreign economic control as in the times of the infamous "caisse de la dette" imposed on the khedives by the British-controlled Compagnie de Suez and its banking consortium. The Compagnie de Suez may have been nationalized, but the *caisse de la dette* still exists, albeit with new names: the International Monetary Fund, the World Bank, Wall Street, the London-based banks, and their various Malthusian agencies, such as the State Department's Agency for International Development, which are committed to keeping Egypt backward.

Along with many other developing nations Egypt is today fighting a battle for survival, a battle aimed at recovering its economic sovereignty. Egyptian officials



President Reagan meets with Egyptian President Mubarak at the White House in early February of this year. Egypt needs the support of the United States for Egypt's high-technology economic growth which is essential to Egypt's emergence as a political and economic stabilizer of the Middle East.

have characterized this battle as a fight against the mafia, those who benefitted from the huge speculative bonanza created by the Open Door policy, and who will use domestic strife, terror, and assassination, to maintain their looting privileges. As Interior Minister Hassan Abu Basha told the Egyptian People's Assembly following the Oct. 4 vote to extend for another year the emergency imposed after Sadat's assassination: "There is a foreign force which directs finances and plans for terrorism here." This foreign force is centered in London, as our following report on the Egyptian mafia documents, and ties into a vast Mediterranean-wide network which is attempting to crush Egypt through both political terrorism and the kind of economic warfare that we show is the essence of the Open Door policy.

The Leibniz project

Egypt cannot win this war alone. It can do so only if the spirit of Great Projects is re-awakened in Europe and the United States. After existing for 10,000 years, Egypt was created as a modern nation-state by an international humanist conspiracy, the same kind of consortium which established the American republic as a counterpole to British imperialism.

The father of modern Egypt was Gottfried Wilhelm Leibniz, the 17th century German philosopher who, in a 1674 memorandum to France's Louis XIV, called for a military intervention to free Egypt from the decadent rule of the Ottoman Empire. In undertaking such an expedition, said Leibniz, France would be opening the channels for direct contacts among Europe, Africa, Western Asia, and Asia, and could use such channels to effect technology transfers from Europe

to the less developed regions of the world. Egypt, stressed Leibniz, was the key to peace in the Mediterranean region.

Leibniz's project was in General Bonaparte's suitcase when he landed in Egypt in 1793, accompanied by scores of scientists from France's outstanding institution of scientific education, the Ecole Polytechnique. One of these was Gaspard Monge, who took on the task of building Egypt as an industrial nation, with a developing national economy and a strong central government, throughout the French occupation. Monge's work was partially realized during the following reign of Egyptian nation-builder Mohammed Ali.

The situation of Egypt today is different, yet the battle for its national development must be waged in the same spirit. Egypt maintains its ideal of development and a better life for its population, but the advanced sector economies are sinking into economic crisis, and a dangerous abandonment of moral responsibilities to the developing sector has accompanied the economic woes of the industrialized nations.

Steps taken now to ensure Egypt's role as regional stabilizer are a proper place to begin to reverse this situation, not only on behalf of Middle East peace, but in full appreciation of Leibniz's view of Egypt's strategic importance internationally. President Mubarak's recent trip to India underscores Egypt's importance to the Non-Aligned Movement as a whole. Similarly, the collapse of the Organization of African Unity summit in Tripoli in the last week of November underlines the need for new orientations in Africa. An organization devoted to the development of that continent must be created, and Egypt, along with countries such as the Ivory Coast, Nigeria, and others, has a key role to play.

President Mubarak's top security problem is Egypt's economy

by Judith Wyer

In the spring of 1982 the Central Bank of Egypt negotiated its first Eurodollar market loan since 1977. Though Cairo has not revealed the purpose of the \$200 million standby revolving credit, the prime reason for the loan stems from increased illegal capital flight which has aggravated a decline in badly needed foreign exchange and Egypt's balance-of-payments deficit.

Capital flight is organized internationally by the London-centered black nobility through its unregulated "offshore" banks as an economic warfare weapon against the development potentials of countries such as Egypt. Earlier this year former Mexican President José López Portillo attacked the financial mafias which facilitated the flight of \$20 million of badly needed capital from his country, for sabotaging the developing sector economies.

The capital-flight problem in Egypt is one of the chief results of the so-called Open Door economic policy which self-professed British agent Henry Kissinger and David Rockefeller sold to the late Egyptian President Anwar Sadat in 1974. The economic problems visited upon Egypt by this free-enterprise scheme today threaten to destroy the nation's development potential unless the Open Door policy is reversed immediately. In the months leading up to his Oct. 6, 1981 assassination, Egyptian President Anwar Sadat had begun to take steps toward cleaning up the pervasive corruption and rampant speculation which the Open Door policy had invited and which were then major factors in the drain of foreign exchange.

Under the Open Door policy a parallel economy based on illegal drug trafficking, smuggling, and speculative financial activities developed, as the agro-industrial based economy build in Egypt after the 1952 revolution stagnated. The Open Door policy had its greatest impact in four areas:

- The establishment of the offshore unregulated banking system. Egypt today has scores of unregulated foreign banks which function as a parallel banking system to the Egyptian state system which Gamal Abdul Nasser created with the nationalization of the banks in 1956.

- The effective de-nationalization of Egypt's land. Thousands of acres, in some cases in the heart of the vital food-producing area of the Nile Delta, have been taken over

by a mafia of land speculators.

- The establishment of free-trade zones, essentially sweat-shop districts created to break Egypt's labor laws, a product of the regime of revolutionary Egyptian leader Nasser. The free-trade zones are today centers of smuggling and their warehouses are storage facilities for illegal drugs, principally from Lebanon.

- Through the Open Door policy's so-called privatization of Egypt's state-capitalist economy, the Alexandrian mafia, which maintains ties to the degenerate Farouk monarchy which Nasser overthrew, has regained a stranglehold on the Egyptian economy.

Sadat's moves to close the door

Shortly before his death Sadat, attempted to plug some of the holes in the offshore banking system through which flight capital escaped the country, and adjust the conversion rates of the Egyptian pound through the notorious black market. A month before his death, Sadat ordered his Minister of Finance Abdul Razak Abdul al Meguid to call a meeting of the Bankers Club, the group of foreign banks operating in Egypt. Meguid delivered a shocking message to the banks: stop speculating on Egypt's economy by taking out more capital than is being invested.

These and other actions by Sadat suggest that he was coming to realize that the Open Door policy, which he had implemented in 1974 as the economic companion of the Egyptian-Israeli peace treaty, was a failure. The Open Door, patterned on the Milton Friedman school of free enterprise economics, was sold to Sadat as the means to revitalize Egypt's economy after a decade of war beginning in the Yemens and ending with the 1973 Arab-Israeli war.

Sadat, a clever peasant who was more concerned with his jet-set image than economics, believed that the transformation of Egypt's state-capitalist economy into a free-enterprise system would relieve the pressures of worsening cash-flow crises and the related mounting short-term debt servicing.

But this very policy was what killed Sadat and today poses a threat to the life of President Hosni Mubarak. From the very beginning Sadat surrounded himself with influentials of British sympathies, including his half-British wife

Jihan, who were committed to destroying the nation-building achievements of Nasser, and returning to the looting and speculative system that prevailed under King Farouk.

Mubarak has repeatedly pledged to his countrymen that his number one priority is rescuing Egypt from the economic crisis which has developed over the past decade. In order to accomplish this task, Mubarak is confronting a mafia whose power has multiplied under the Open Door policy. Unlike his predecessor Sadat, who refused to heed countless warnings of an assassination plot against him in his last days, Mubarak is proceeding cautiously against the so-called Alexandrian mafia.

Capital flight and speculation

Since 1974, Egypt's economy has been transformed from one whose wealth was generated from production of tangible goods, to a rentier-service economy (see Figure 1). Over this period, Egypt's industry and agriculture has stagnated, and its infrastructure seriously decayed.

It is conservatively estimated that as a result of the Open Door policy over four times as much capital is circulating within the Egyptian private sector as in the debt-strapped public sector. This free-floating pool of private capital is the source of today's rampant speculation, primarily on Egypt's meager habitable lands, but also on the profits of the growing illegal drug and contraband trade, run through the free-trade zones established as part of the Open Door policy.

Only 4 percent of Egypt's total land mass is naturally habitable, and since the time of Nasser the government has been fighting to reclaim land from the barren Egyptian desert to provide living space for Egypt's rapidly growing population.

And yet, under the Open Door economic policy thou-

sands of valuable acres of land were handed over to the Egyptian mafia and its Persian Gulf and Mediterranean allies for "real estate" development. These lands have changed hands quickly in a series of speculative real estate swindles. Wheeler-dealers like the Egyptian-born Roger Tamraz gained control of 10,000 acres of arable Nile Delta land under Sadat.

According to an Egyptian diplomatic source, Mubarak has quietly expropriated some of the land which fell into the hands of the mafia, and one of his first priorities was to level the estate of construction magnate Osman Ahmed Osman, a mafia kingpin.

Almost every major category of foreign exchange-earnings—tourism, foreign-workers remittances, transit fees from the Suez Canal—has dropped this year, further exacerbating the decline in Egypt's foreign-exchange reserves and the country's balance-of-payments crisis. This, in part, is a function of the onset of a world economic depression. But the Egyptian mafia which is now under attack from Mubarak is also wittingly contributing to the crisis.

Shortly after Mubarak announced the extension of martial law on Oct. 3, he escalated his corruption purges with the trial of Esmat Sadat, the half-brother of Anwar. At that time a massive amount of capital fled Egypt. So intense was the capital flight that the value of the dollar soared by 15 percent against the value of the Egyptian pound on the black market, indicating a massive dollar-buying spree. The dollars then fled the country via the numerous offshore banks to safe haven in such places as Switzerland.

As a result of the inflated value of the dollar on the black market, foreign Egyptian workers began to remit their earnings through the black market as opposed to the official state-run Egyptian banking system, causing a further decline in foreign-exchange deposits.

Figure 1
Egypt's foreign exchange earnings 1974-1980
(\$ millions)

	1974	1975	1976	1977	1978	1979	1980 (est.)
Merchandise							
Petroleum	104	164	268	600	688	1347	2650
All other	1671	1402	1341	1392	1296	1165	1350
Percent petroleum	6%	10%	17%	30%	35%	54%	66%
Services							
Suez Canal	—	85	311	428	514	589	710
Tourism	265	332	464	728	702	601	680
Worker remittances	189	365	755	896	1761	2214	2750
Other services	255	298	447	500	469	677	(700)
"Rent" (services + petroleum)/total foreign exchange	33%	53%	63%	69%	76%	82%	85%

Source: Central Bank of Egypt

*Non-petroleum merchandise exports include in order of importance: raw cotton, textiles, other agricultural products (onions, potatoes, rice fruit), processed goods, other.

Figure 2
Egypt's population and employment, 1975-1980

	1975	1976	1977	1978	1979	1980
Population*	37.2	37.9	38.7	39.8	41.0	42.3
Employment**	9,606.2	9,645.6	9,885.5	10,216.3	10,694.1	11,056.6

* millions

** hundreds of thousands

Source: U.S. Egyptian Business Review



According to a State Department source, Egypt's foreign-exchange reserves have dropped by nearly half in the past year.

The source of these problems is Law 43, approved in 1974 by the Egyptian parliament. Law 43 created the unregulated free-trade zones and offshore banking facilities. A U.S. Treasury Department source reports that the law enabled a quickly-growing array of foreign banks in Egypt to operate without any reserve requirements or restrictions on interest rates for lending. The banks, the source said, were making gigantic profits on virtual usury, by borrowing money abroad at one interest rate and then relending in Egypt at a far higher rate. This is one of many aspects of the Open Door policy which has contributed to Egypt's rising rate of inflation, now estimated to be at 30 percent.

No long-term investment

Of all the billions of dollars that have floated into Egypt through the Open Door, none have been put into long-term investment for basic industrial and agricultural development. These funds have instead been gobbled up in inflationary schemes such as real-estate boondoggles and tourism, with short-term returns the primary goal of investors.

After the 1974 oil price rise, Sadat hoped that billions of new petrodollars would underwrite Egypt's development. This was the intention of the Gulf Organization for the Development of Egypt (GODE). But official Gulf states' financial aid to Egypt was halted with Egypt's signing of the Camp David Treaty. However, private Gulf money continued to flood Egypt, all of it for useless short-term speculative investment, a development which has caused some discord between Cairo and Gulf investors.

Over the past four years, close to 100 hotels and resorts have been built in Egypt, a country which faces a housing shortage conservatively estimated at 750,000 units in 1981. So severe is the overcrowding and housing shortage in Cairo that tens of thousands of homeless vagrants live in the Cairo cemetery which has come to be known as the City of the Dead.

Before 1974 and the Open Door policy, Egypt did not even have a ministry of tourism. Today, that ministry is considered to be one of the most powerful. As an Egyptian

diplomatic source recently warned, the spread of resorts, casinos, and hotels is another front for organized crime in Egypt.

The food weapon

The greatest vulnerability of Egypt today is its growing dependency upon foreign food imports. Over the past decade Egypt's food-producing capability has stagnated, while the nation's food demand continues to climb by approximately 4 percent a year.

The availability of food, notably bread, is probably one of the most delicate issues of Egypt's internal life. The term "bread riot" was coined in Egypt, a nation which throughout its long history has been plagued by such riots in time of economic crises. The eruption of bloody street riots in January 1977 after then-Finance Minister Abdel Moneim Kaissouni announced a cut in state food subsidies attests to the volatility of the issue.

Since 1977, Egypt has been operating on a narrow margin with respect to its food reserves. Because of inadequate storage facilities and a below-standard distribution network Egypt maintains only a seven-day stockpile of staples, primarily wheat. Last year for the first time, the total amount of imported food was over half the total food consumed in the country and this year Egypt is expected to import even more. For 1982 Egypt's wheat production will drop 0.1 million tons to 1.8 million. Its imports will climb from 5.9 to 6.3 million tons.

Food subsidies, amounting to around \$2.5 billion a year, are one of the largest expenditures of the state budget. As Mubarak knows, a worsening balance-of-payments crisis could jeopardize Egypt's ability to pay out subsidies. The 1977 riots showed that this is a serious security matter, and hence Mubarak has stood by his decision not to cut food subsidies.

Nonetheless the clique of financiers and bankers advising Mubarak on economic policy is urging Mubarak to immediately cut food subsidies and begin to sell off the state sector. Kaissouni, known as the Talleyrand of Egypt, is part of this anglophilic nexus, as is Mustafa Khalil, and Mubarak's Investment Minister Wagih Shindy. This grouping is associated with the Arab International Bank.

The debt question

With a balance-of-payments deficit which could climb from \$4 billion to \$5 billion this year, Mubarak's regime is now struggling to meet necessary budgetary expenditures like subsidies without engaging in more foreign borrowing.

Beginning in July 1982, Egypt will start to come under new financial pressures, as medium-term loans from the Gulf Organization for the Development of Egypt came due. These loans were made to Egypt shortly after the 1977 bread riots, to help resolve a serious cash-flow problem which had arisen from mounting short-term debt servicing. This year's budget allocates about \$1.2 billion for debt servicing, more than 55 percent up from debt-service payments last year.

Shortly after taking office as Egypt's new Economics Minister, Mustafa Kamal Sa'ed told the press: "We have not reached the stage of economic crisis. We are paying all our debts on time." But previews of Egypt's new budget show that the economic team under Prime Minister Fuad Mohiddine is looking for ways to quickly attract the free-floating capital in Egypt into financing the mounting balance-of-payments deficit. In early November Mohiddine announced Egypt's new five-year plan. He stressed that the plan's main purpose is to limit the service sector of the economy and encourage investment in agriculture, energy, industry, and construction. The Mubarak regime is working to encourage increased savings in domestic banks, which will give these banks the reserve base upon which to finance the deficit. The Central Bank is also increasing taxes and customs duties in order to increase state revenues.

In order to make the Open Door policy look good to an Egyptian population which saw its standard of living decline while the rich got richer, Sadat's economic czar Abdul Meguid lied about the state of the economy, presenting a rosy picture of economic growth. When Mubarak assumed power, he promptly ousted the scheming Abdul Meguid and appointed a team of technocrats to assess the actual state of the economy. Mubarak has adopted the policy of telling his people the truth about the economy. One of the first initiatives

he took was to form a parliamentary commission to study the viability of the free-trade zones, giving special attention to the Port Said zone, which is said to be a major illegal drug smuggling center. It was discovered that, over and above the massive drug trade, the government was losing millions of dollars in tariffs due to the smuggling of other contraband via these free-trade zones.

The Muslim Brotherhood and the economy

The issue of Egypt's economic ills is being used by the fanatical sects of the pro-Khomeini Muslim Brotherhood which killed Sadat to fuel unrest against Mubarak. Behind these fanatics stands the British-centered neo-colonial circle which backed the Open Door policy. London and the International Monetary Fund hope to catch the Mubarak regime in between the free-enterprise mafia on the one side and the fanatical Brotherhood on the other, to destroy completely the republican form of government established in Egypt by Nasser's 1952 revolution.

The Muslim Brotherhood, which *EIR* has documented to be the creation and tool of British intelligence, has gained its strongest influence among Egypt's youth. It is for this reason that after the killing of Sadat, that Mubarak deployed troops to Egypt's universities.

The vulnerability of the Egyptian youth to Muslim extremism stems from a dangerously high rate of unemployment among youth. It is estimated that Egypt's universities turn out 400,000 to 500,000 graduates a year. But only 20 percent are absorbed into the state sector and a fraction more into the military. The remainder are left no recourse but to leave Egypt if they wish gainful employment. A "brain drain" of educated scientists, engineers, doctors, and other professionals has reached crisis proportions. One of Nasser's highest priorities was building a broad educational system to train skilled and professional workers to run the industrial state he wished to build. But with the decline of Egypt's industrial growth, some of the best brains in the Arab world are now scattered throughout Europe and North America.

Instead of supporting the Cairo government's efforts to expand the industrial base in order to expand employment opportunities, the International Monetary Fund and its allied U.S. Agency for International Development (AID) advocate a Malthusian population reduction plan for Egypt (see interview). These agencies are also pushing for lowering the wage level in Egypt, to spread the free enterprise zone system throughout the economy.

As Figure 2 shows, the rate of Egypt's population growth is increasingly outstripping the rate of growth of the workforce. Not only is the growing mass of unemployed youth potential prey for the Muslim Brotherhood, the peasant and farmer who has left his farm to come to the city are potential victims as well. At present Cairo is estimated to have up to 3 million unhoused and unemployed. The city's ancient infrastructure is stretched to the limit as a result of the overcrowding problem.

Figure 3
Egyptian trade and debt indicators

(in billions of dollars)

1. Total import bill.....	1980	\$7.29
	1981	8.58
2. Total export earnings.....	1980	3.33
	1981	4.33
3. Total external debt.....		\$15.5
4. Foreign exchange.....	June 1982	\$1.3
	Sept. 1982	\$0.7
5. Foreign aid.....	1982	\$1.3

Source: Economist Intelligence Unit, Quarterly Economic Review, Egypt

U.S. AID official: 'We are helping Egypt to end industrial growth'

In early October, the weekly Egyptian economics magazine *Al Ahram Al Iktasadi* began a series of articles which were the first ever in the official Egyptian press to attack the U.S. State Department's Agency for International Development (AID). *Al Ahram* charged the massive AID bureaucracy in Cairo, the largest AID office in the developing world, with "penetrating" every aspect of Egyptian life and using researchers and consultants to gather information on the nation's economy, trade unions, and other institutions.

These articles could not have been published without approval from the highest level of the Egyptian government, since *Al Ahram* is known to speak from the government. Their appearance is evidence of the simmering dispute between Cairo and Washington over the operations of AID in Egypt.

Egyptian President Hosni Mubarak voiced his displeasure with the AID program during his visit to Washington, D.C. in February of this year. Mubarak was reported to have urged the White House to "free up" the \$1 billion-a-year grant to Egypt through AID and to allow Egypt to use these U.S. foreign aid funds free of AID's control.

Cairo would like U.S. funds to go to such large development projects as the Qattara Depression or the nation's nuclear energy development program, for which financing is currently a problem. Funds channeled through AID cannot be used for nuclear development, according to AID's charter.

This constraint indicates how AID operates as an arm of the International Monetary Fund, the World Bank, and these institutions' population-reduction policies, in constricting funds to industrial and infrastructural development projects in the Third World. Numerous AID officials, such as former AID Deputy Administrator Joseph Wheeler (see interview below), have voiced their disdain for Egypt's stubborn determination to carry through with projects like the Qattara Depression, and large-scale land reclamation to build new cities and expand agriculture. In fact, the AID program started up on a large scale in Egypt to support the transformation of Egypt into a Hong Kong-style free-enterprise economy through Henry Kissinger's Open Door Economic policy. AID even helped facilitate the establishment of the free-trade zones which have been exposed since Mubarak came to power as havens of illegal drug and contraband smuggling.

In late October, the editor of *Al Ahram al Iktasadi* gave an interview to the *Washington Post* in which he stressed that his newspaper's AID exposés were not meant to stir up anti-Americanism in Egypt. He urged that the Reagan administration establish a direct dialogue with Egypt on the nation's development objectives, and eliminate the mediation of AID in U.S. grant disbursements.

When Mubarak visited the United States last February he stated that he would return in early 1983. But Arab diplomatic sources now question whether Mubarak will come, since his second visit was premised on an improvement in Egyptian-U.S. relations, particularly economic. Mubarak may instead make an early 1983 visit to Japan.

The following interview was granted to *EIR* in October 1981, when Joseph Wheeler was number-two man at AID.

Q: Mr. Wheeler, you headed the U.S. delegation to the January 1981 Aswan Donors Conference, in which Egypt's creditors demanded economic reform and population control. What was the response by President Sadat?

A: He was concerned about the problem of population growth and promised to do more, but explained to us that it is very difficult in Egypt to push family planning; it creates political resentment against the government.

Q: But many experts say that it is the reverse, that excess population growth causes political instability. Is that what is happening in Egyptian cities now?

A: We've been saying for some time now that overpopulation and high growth rates are a major cause of political instability in Egypt and elsewhere. We've been saying that expectations have been created which cannot be satisfied. Mrs. Sadat, who is working with us on the population question, has said it, and badgered her husband about it. She's still working on it.

Q: Is the Egyptian government more ready to listen to this argument after the instability has become reality?

A: Clearly an event like this which shows how deep the problems go, changes the consciousness of political leaders. We're in a race against time. The fact is that there are popu-

lation pressures all over Egypt. The fact is that there are three times as many people in Cairo than the city was designed for. The sewers are flooded, the infrastructure is collapsing. We have been trying to explain this for years to the Egyptian government.

We've shown them our computer economic simulation, the "Rapid" program, [exposed in the May 12, 1981, issue of *EIR*—ed.] which explains what population growth will do to their economies, how the breakdowns will occur.

So we will use the fact of the new political situation in Egypt in any way we can to get them to speed up population control policies. We're going to try to show the "Rapid" program to President Mubarak again, to impress him with the seriousness of the situation. We've got Lennie Kangas from our population office over in Cairo now discussing new population programs. There will be the same types of family planning. Of course we've got to give President Mubarak time to consolidate, but we hope to move up the timetable if we can.

Q: What is the State Department doing to encourage this?

A: We are taking a hard look in international negotiations at their economic policy. Clearly in a country such as Egypt, which is using foreign aid poorly, we have a need not to give more aid, but to ask that it be used better.

Q: I understand that AID is funding most of the work of Dr. Phyllis Piotrow, the former director of the Draper Fund, who has just completed a study on the impact of industrial development on excess fertility. In contrast to the prevailing notion that development helps reduce population growth rates, as it has in the United States and Europe, she now believes that the first phases of development greatly increase population growth by lowering death rates and improving nutrition. Do you believe in this light that Egypt should continue its heavy industry program? or does that have to be reversed to fight overpopulation?

A: We do support Dr. Piotrow. Although I haven't seen her study personally, the answer is "Yes." In fact we have been doing some specific studies on Egypt on just this question of industrialization. Dr. Gustave Papanek, the head of the Economics Department at Boston University, has just been out to Cairo on this for us and reached similar conclusions. His study says that it is true that over the past 20 years Egypt has been able to increase real GNP fast enough to have a real rate of rise in wages—that is, until now, the economy has been able to absorb all the new entrants into the labor force.

However, if you look at this now, continuing the industrial investment program only encourages people in the labor force now to have more children, and the huge number of children in Egypt now, aged 15 and under, which is most of the population, soon will no longer be able to be absorbed.

What is really needed is policies which do *not* subsidize high capital formation, high capital imports, and high-energy forms of production, the so-called "capital-intensive" types

of industry. These provide few jobs. For example, Egypt built a huge steel industry. This is very inefficient. They shouldn't build any more steel mills. But they want to, and furthermore they're doing something even worse, they're building a whole new industry, a new aluminum industry, which is based on high-energy consumption and low employment. That's the most outrageous.

What we're proposing, in every forum—we proposed this at the Aswan Donors Conference, and the International Monetary Fund proposes it, and we're proposing it in bilateral negotiations—is that they take that money and put it elsewhere, into labor-intensive industries which are much better suited to Egypt's capabilities. Egypt should take the place of the labor-intensive economies of the 1950s and 1960s, which began from the ground up, like Hong Kong, Singapore, Japan. They have no business trying to jump into heavy industry. They should move into the lower-intensity markets that Hong Kong and others are now vacating, like garment-making, electronic assembly, agricultural commodities, and other labor-intensive light manufacturing.

The problem is, Egypt is muffing it, because they subsidize heavy industry—they subsidize everything, and what we're saying to them is this has to stop. They subsidize interest rates, so the big state industries get money cheaply to build and no one saves, because rates are too low. They subsidize their textile industry at the expense of the agricultural sector in cotton, because they slap in effect a 30 percent tax on the cotton farmer, who must sell his cotton to the textile mills at 30 percent below world prices. They subsidize food prices, so food is too cheap, food is way below world market prices.

Q: What exactly does the United States want done about this?

A: We're saying they spend over 4 billion Egyptian pounds, which at official rates is over \$4 billion U.S. dollars, in their budget every year for these subsidies. We're saying we won't pay for this forever, that it has to be reduced, that they have to move to a market system.

We want the Egyptian pound devalued to a more market-consistent rate, that will lower imports. We want their interest rates, which are now below 13 percent, raised to world market levels, which will bring in foreign remittances from Egyptian workers abroad. We want the food-subsidy program phased out, we want an end to general cheap food prices. They will have to import less food. That means they will have to start paying Egyptian farmers more to grow wheat, rice, and other food they now import. To do this, they will have to get rid of general subsidies and move to a much smaller program which gives out small, limited subsidies to the very poorest, like food stamps. They'll have to force the rest of the population to pay the real world price of wheat.

We're saying, "slow down the subsidization of a heavy economy which Egypt cannot afford, and you will slow population growth."

A nation-building economic program in the spirit of the Nasser years

by Ramtanu Maitra

Within the next 25 years, the nation of Egypt could become the Japan of the Middle East—the source and supplier of modern technologies and even skilled scientific labor to its neighbors through the region. This transformation of Egypt through industrial and technological development is in fact the only alternative to continued economic stagnation, political weakening, and probable destruction of the Egyptian nation.

The economic development path charted by India in the decades following Independence provides a good model for today's Egyptian leadership. India's first and second Five Year Plans, developed by Prime Minister Jawaharlal Nehru, concentrated on the upgrading of India's huge manpower resources, and laid the foundations of the country's heavy industrial base. Under President Nasser, Egypt followed a similar course, later abandoned. It is to the tradition of Nehru and Nasser which Egypt must return today.

Egypt's industrial history goes back to the days of the dynamic ruler Muhammad Ali in the 1830s. Under Ali's leadership, Egypt's textile industry was automated with state-of-the-art technology. This industrial development, however, was cut short when Muhammad Ali was destabilized by the corrupt Ottoman Empire with the help of the British, whose textile industry was not ready to face a challenge from Egypt. After Ali, industrial development in Egypt continued only in spurts.

Gamal Abdel Nasser's rise to Egypt's leadership in the 1950s soon after the Egyptian monarchy was overthrown, marked the beginning of Egypt's 20th-century efforts to pursue its goals of industrialization. Due to Nasser's efforts, Egypt today boasts a cadre of engineers, scientists, technicians, and skilled industrial workers larger than any nation in the Middle East. Since Egypt is not bestowed with nature's mineral bounties, its major strength lies in this available educated and technologically developed manpower without the help of which no development can succeed.

The economy's major weakness

Two major weaknesses presently plague the Egyptian economy. These are lack of irrigated cultivable land and the

nation's weak infrastructure.

Most of Egypt's present-day population is concentrated in the Nile Delta region in north Egypt near the Mediterranean. The Nile flows south to north, and splits Egypt into eastern and western segments. Both sides of the river lie barren and practically uninhabited.

At the northwest corner, about 50 miles south of the Mediterranean Sea, the massive Qattara Depression lies dry and fallow. The bottom of this depression, composed of pleistocene marl, limestone, and other sedimentary rocks, is 450 feet below the Mediterranean Sea level. Construction of a canal or multiple canals by using high-powered and well-tested small nuclear explosives could connect the depression to the Mediterranean quickly and at about half the expense of conventional canal-excavation methods. Connecting this 4,250-square-mile depression area to the Mediterranean will create resources which Egypt lacks today. Instantly the rushing water will start filling up this depression, a flow which can be used for generating electricity for industrial and domestic use. With proper engineering, peak-load hydropower development of up to 10,000 MW capacity can be achieved within the next decade.

Greater benefits from filling the depression will follow soon. Over a period of about four decades, a dramatic metamorphosis will occur in the region. The dry brown sand which surrounds the great depression will become fertile and a large part of the barren Western Desert will be transformed into an agriculturally productive region. Industry will begin processing the salt and other mineral matters entering the depression with the seawater. These raw materials can serve as the basic products for petrochemical and fertilizer factories. The creation of a man-made lake will also make it possible to tap underlying formations of crude oil and natural gas. After the filling, a fishing industry will be created in the 200-mile-long and 60-mile-wide lake.

The canal, which will stretch from the Mediterranean coast to the intake structure, will serve as a construction harbor and then possibly as part of transshipment point for ocean-going ships. In another 40 years, the region surrounding Qattara Depression will bustle with life and vitality that

one associated with the densely populated region around the Nile River Delta.

A number of preliminary studies have been made and the Egyptian government has formed the Qattara Development Authority to oversee an upcoming feasibility study to be undertaken by a technical team. There are indications that the government has decided to give top priority to the project.

New power resources

Cheap and abundant electrical power will be essential for building up modern Egypt. 10,000 MW of electrical power generated by the Qattara Hydroelectric Power Station will help build up areas around the Qattara Depression with new industrial townships and reclaim land for agricultural use. However, to set up an adequate industrial base across the nation much larger amounts of electrical power are needed. This must be done by installing nuclear-based agro-industrial complexes along the coast of the Red Sea and around the Delta area. These complexes, known as nuplexes, will enable Egypt to desalinate the Red Sea water cheaply.

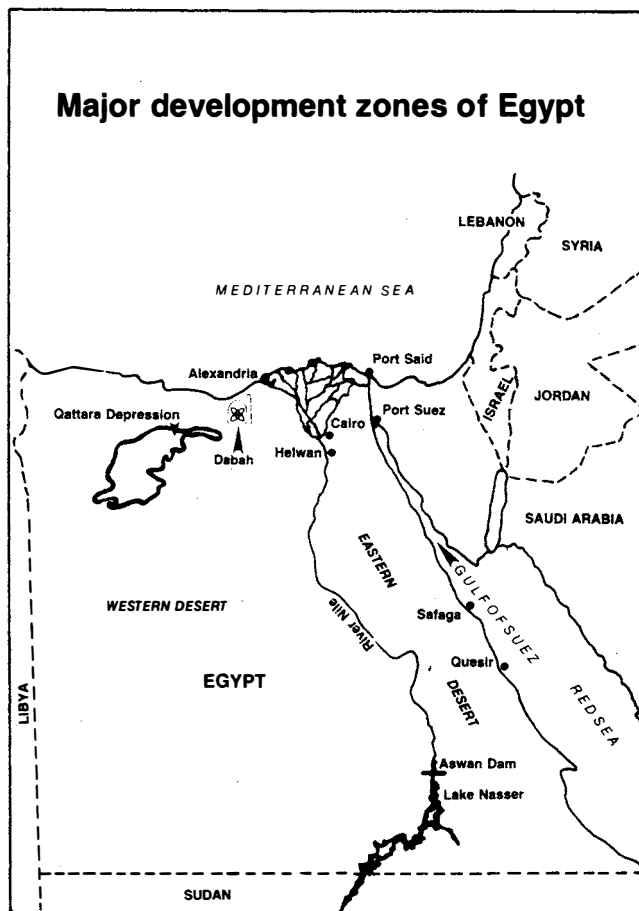
In 1964, the U.S. Oak Ridge National Laboratory worked up the details of the nuplex concept for the Middle East. The mid-1950s Strauss-Eisenhower plan, named after the first chairman of the Atomic Energy Commission and the U.S. President, called for the construction of a nuplex on the southeastern Mediterranean coast, to be jointly owned and managed by Israel and Egypt. Although this plan was not implemented, Egypt is presently planning to move ahead with the construction of its first nuclear power plant.

The first generation of nuclear-power reactors planned for Egypt are pressurized water reactors. But since Egypt is not known to have large reserves of fissionable uranium, its nuclear program must move quickly to the second-generation breeder reactor. France, which has commercial breeder reactors now in operation, can provide the necessary technology.

Also critical for Egypt's industrial progress is to introduce High Temperature Reactors which are capable of generating the much higher temperatures essential for industrial processes which require high-temperature steam. High Temperature Reactors can also be suitably used to gasify coal and superheat the resultant gas to pass through a magnetohydrodynamic (MHD) generator to produce electricity. First-generation MHD generators, which are now being considered for commercial use in the Soviet Union, could enhance Egypt's power-generating capability by about 55 percent.

Needed: more developed land

Besides opening up the Qattara region, more land must be developed and ports constructed. An economically viable and farsighted program is to develop Egypt's Eastern Desert. Clusters of nuclear power reactors should be installed along the Red Sea coastal area which will serve as the center for such development. These nuplexes, besides providing ener-



gy to the agro-industrial complexes and for domestic needs, will enable a vast amount of the Red Sea water to be desalinated daily. Wide canals cutting across the Eastern Desert will distribute the desalinated water to reclaim new land for agriculture and rehabilitation. The canals will green the desert and carry barges to transport machinery, food products, and raw materials all along the Nile.

In the Western Desert, a series of depressions punctuated by oases stretching from the Delta to Siwa must be linked by man-made canals to make about 3 million acres of land available for agriculture. At present, 15,000 acres of this land are under cultivation in this area, and the current plan calls for the reclamation of another 120,000 acres. There are estimates that this area will settle more than 3 million people.

Exploiting natural resources

Egypt has known recoverable reserves of 80 million tons of coal in Sinai and large gas reserves in the Western Desert. Petrochemicals, fertilizers, and chemicals are the basic industrial operations in which these reserves can be properly utilized. Egypt's oil wealth, which is now given away to earn foreign exchange, must be used in the future to fuel its petrochemical industry. Coal gas acquired through gasification of coal, along with natural gas, must also be used as feedstock

for the petrochemical industry.

Egypt's petrochemical industry is in a nascent stage, and the country must advance quickly in utilizing coal gas. Through hydrocracking, coal gas will produce feedstocks such as parafins, naphthenes, and aromatics. Similarly, liquefied natural gas on distillation will produce such high-value primary products as ethylene, polyethylene, polypropylene, and ammonia/urea. Further downstream, products such as glycol, polyvinylchloride, olefins, and propylene-based gasoline can also be obtained on successive distillations.

In the heavy industrial sector, Egypt must increase its steel-manufacturing capability. As Indian planners of the late 1950s realized prior to the drafting of the Second Five-Year Plan, special-alloy steel plays a pivotal role in building heavy machinery, pressure vessels, tubular products, and machine tools. Egypt must build up its indigenous capability to produce capital goods machinery over the next decade.

Egypt's trade capacity is today affected seriously by a lack of port facilities. Port traffic is increasing daily and in the near future Egypt will need new and larger ports, many of which should be constructed along the Red Sea coast. On the east coast, Port Said on the Mediterranean and Port Suez on the Red Sea will not be able to handle the increased volume of cargo. Two existing small ports, Safaga and Quesir on the Red Sea, must be expanded to specialize in bulk traffic items such as raw materials, heavy machinery, and semi-finished goods.

Egypt must aggressively pursue a program to achieve self-sufficiency in cereal and cattlefeed production. Today, out of Egypt's total land area of 250 million acres, only 8 million acres of land are farmed. Egypt's wheat crop output is substantially less than internal consumption needs. Egypt's wheat imports represent a massive drain on the nation's economy; close to a billion dollars in foreign exchange are used to buy wheat from abroad.

A larger land area should be allocated to wheat production, and output may be increased substantially by improving the factor productivity of the land. Introduction of dwarf wheat and subsequent development of high-yielding varieties (HYVs) has noticeably increased wheat yield per acre worldwide. Semi-irrigated land in the Western Desert can be tilled to grow alfalfa and other high-protein cattlefeed.

Opening up 6-8 million acres of new land, cutting down land area for cash crops such as cotton, and vigorously pursuing development of new varieties of crop seeds and a mechanized farming system will make Egypt a nation with surplus food.

Over the millennia, Egypt has survived in spite of worldwide upheavals because of its strong sense of destiny. Once again the Middle East is engulfed in turmoil and violence. It is through building of the nation that Egypt will be able to guide and influence the warring factions and bring peace to the region. It is imperative that the Egyptian leaders take up this challenge today so that future generations can live in peace and prosperity.

Mubarak's war against the Mafia

by Thierry Lalevee

The recent arrest of Esmat Sadat, brother of the late Egyptian president, provided a clue as to the nature of the war being waged by President Mubarak and his allies against the Mafia in Egypt and in the region. *EIR* investigations over the past few weeks have revealed the following:

1) In Egypt, the old Farouk Mafia which ruled the country under the monarchy, and the so-called Alexandrian *Nouveaux Riches* represented by Esmat Sadat, are one and the same organization, which maintains headquarters in Paris and London.

2) This Mafia is not Egyptian, but merely the local branch of a Mediterranean-based Mafia operating in the Lebanon/Syria region, Israel, Turkey, Egypt, and Italy.

3) As the dismantlement of the Italian Freemasonic P-2 Lodge showed, this Mediterranean Mafia is itself controlled by higher political circles, located in the British Freemasonry of the "Grand Mother Lodge of England" of the York and Scottish rites. These circles can be adequately described as the "magicians," as President Kyprianou of Cyprus declared in 1979 following an aborted coup in the islands. Indeed the same routes used nowadays by that Mafia to smuggle drugs and arms were in ancient times the routes used to spread black magic and witchcraft cults into Europe. The fact that in Egypt the center of the Mafia is the city of Alexandria only underscores the relationship between the Mafia and cults, Alexandria being the mother par excellence of all gnostic cults.

4) As shown by the recent crackdown in Italy and Turkey, it is these higher circles of the Mafia and of the Freemasonry which are actually controlling the lower species of professional assassins and terrorists, such as the Muslim Brotherhood. These are these circles which, through the Arab Masonic Movement in Amman, ran the assassination of Bashir Gemayel and the subsequent massacres in Beirut and are now plotting against both Presidents Mubarak and Amin Gemayel.

In modern times, the development of the Mafia in Egypt can be located both in relation to the British occupation of the country as well as the establishment in 1867 of British Freemasonic Lodges, especially the Kawkab al Sharq (Star of the East) whose grand master was none other than British intelligence agent Jamal ed Din al Afghani, the first international terrorist.

It was for these reasons that President Nasser decided in

1964 to ban the Egyptian Freemasonic Lodges discovering their connections to British intelligence via the Barclay family sponsored Quaker movement in Beirut.

Not by coincidence, Sadat's decision to implement the Open Door policy was coupled with the re-legalization of the Freemasonic Lodges. Hence, the work accomplished yesterday by the Kawkab al Sharq, is being continued today by the lodges Salahudin or its female counterpart the White Roses. It is against these networks that President Mubarak has waged a war, against the new "Al Capone" as he declared to the Kuwaiti daily newspaper *As Siyassah* in late November.

Headquarters: Paris, London

The old Farouk monarchical Mafia and a set of London-based bankers and Egyptian businessmen today represent the higher level of the Egyptian Mafia. On their agenda is a set of operations which includes an international reorganization of the Mafia to escape President Mubarak's war, including the use of terrorist groups to plan his assassination, and the plotting of civilian disobedience inside Egypt as a diversionary maneuver. The Mafia is working hand-in-hand with the British Anglican Church to finance and arm radical paramilitary Coptic groups such as the Soldiers of the Messiah (the Coptic equivalent of the Muslim Brotherhood). "The Anglican Church has been very disappointed with President Mubarak," said one of its spokesman after having organized a London mass in support of the Coptic Pope Shenouda.

Involved in such an operation is one Sobhie Rushdie, an Egyptian businessman who received Sedat's widow Jihan with great honor during her recent British tour. Rushdie, a London representative of Saudi Arms Merchant Adnan Kashoggi, is also a business partner of Egypt's most renowned Mafia leader, Osman Ahmad Osman, one of the few Egyptians to have been affiliated to Italy's P-2 Freemasonic Lodge.

In the center of that operation stands a shadowy bank called the Allied Arab Bank of which Rushdie is the chairman. Established in 1977, the AAB is primarily a joint venture of Arab Mafia elements with Barclay's Bank. It includes some of the most notorious mafioso of the Arab world such as Mahdi al Tajir, the wealthy ambassador of the United Arab Emirates to London known for his gold-smuggling activities as well as his financial deals with Khomeini's Iran; and Saad Jabr a former Iraqi minister who created in April 1981 a National Front for the Liberation of Iraq and is reportedly a member of the British-created Phoenician Lodge of Chicago. Also there is one Ghassan Shaker, a close associate of Rushdie and like him representing the Luxemburg-based "al-Mubarakah holding"; Shaker is the Mafia "case officer" for the operations against Mubarak.

The spiritual center of this operation is in Paris, where resides the Farouk royal family represented by Farouk's last wife, Queen Farida, and the Crown Prince Faud Ahmad. Prince Ahmad is a partner in numerous ventures with the Egyptian Mafia outside of Egypt, such as in his dealings with Osman Ahmed Osmān in the Gulf. Directly around him are

former courtisans such as the Lutfalla family represented by Michel Lutfalla, now a banker working closely with Kashoggi and his French representative Akkram Ojje. Such deals put them directly in touch with the Nazi International represented by François Genoud in Lausanne through Zuheir Mardam, a former business partner of Genoud and actual partner of Kashoggi and Ojje.

Perhaps the most fascinating aspect is the Mafia's unity at a regional level. Associated with Lutfalla are such Lebanese figures as Gabil Lahoude, former chief of intelligence and Kissinger's best friend in Lebanon, the Khoury family of the Banque de la Mediterranee in Paris, and Britain's "official" ambassador to Lebanon, Camille Chamoun. Are these individuals working for the restoration of the monarchy in Egypt under Prince Fuad Ahmad? The Crown Prince does intend to return one day and it may be that his mafioso partners are not privy to his dealings with the House of Savoy and the "International Monarchist Union" in Montreux (Switzerland) of Sardaigian Comte Puddu.

The Sadat family and the Mafia

Whatever Anwar al Sadat's real intentions, he was the one to encourage in the 1975-76 period talks about a return of the royal family to Egypt, if not to power. Hence it was no surprise that in following Jihan Sadat's recent trip in London and Paris, one should find her surrounded in London by the business partners of Prince Fuad or in Paris associated with the royal family directly during the U.S.-Embassy-sponsored event at the magazine *Politique Internationale* where she received in the presence of Queen Farida and Fuad's wife the "prize of peace."

Willingly or not, Jihan Sadat has become a rallying factor for the Egyptian Mafia in its war against President Mubarak and the rest of the Egyptian nation. As one official put it recently, the war on the Mafia is a "war of survival for Egypt; we cannot develop anymore if we don't crush them now!" It is a war in which the physical survival of the president is at stake. As the first revelations on Esmat Sadat have shown, it is clear that Esmat has been running a drug-and-arms smuggling network for at least a decade. Weapons for whom? For the infamous Brotherhood, the same one which assassinated Sadat when he timidly began to attack the Mafia then represented by Rashad Osman?

Surprising political realignments may emerge over the next weeks. An indication was given in late November with the creation in Algiers of the "National Front to Overthrow Mubarak," a new committee made up of General Saad Shazli, the associate of Muslim Brotherhood leader Salem Azzam in London of the "Islamic Council," Ahmed Ben Bella, another associate of Salem Azzam and a protégé of Nazi international leader François Genoud, and one Tawfiq Abdel al Hai, a renowned mafioso involved in frozen chicken rackets who fled Egypt for London last year when his friend Rashad Osman was arrested: in sum, a "Murder Inc." directly financed by the Mafia.

Colossal East-West arms and drug ring cracked

by Vivian Freyre Zoakos, European Editor

The following fact sheet has been circulated to law-enforcement and intelligence specialists internationally.

On Nov. 23, an international team working with Italian magistrate **Carlo Palermo** of Trento, carried out a series of arrests of individuals responsible for running the Milan side of "the biggest arms dealing network in the world," to cite Judge Palermo's words. According to statements from Palermo and other Trento magistrates at a press conference given Nov. 24, the eight arrests made on Tuesday represented the latest, dramatic climax of a three-year investigation, during which it was uncovered that the Milan-based firm of **Stipam International Transports** was the channel through which huge quantities of arms were shipped to the Middle East and to, indiscriminately, "black" and "red" terrorist units. Deliveries were paid by consignments of hard drugs into Italy, from which they were shipped into Sicily, for refinement and eventual delivery to the United States, and into Munich, for delivery to points north. Items shipped by the Stipam International Transports network included Cobra helicopters, Leopard battle tanks, sophisticated laser-based guidance systems, as well as grenades, machine guns, and other lighter weapons.

The Nov. 23 arrests were of the following individuals:

Henri Arsan: 70-year old Syrian residing in Varese, Italy. Owner of Stipam International Transports.

Giovana Morandi: Italian national; wife of Arsan.

Renato Gamba: president of the Renato Gamba weapons firm in Brescia, Italy. The Renato Gamba firm is 49.5 percent owned by a Milanese conglomerate, **Broggi Izar**,

which was recently spoken of as a probable partner of the Texas firm **National Petroleum** in a deal involving mutual exchange of corporate shares. The executive director of Broggi Izar, one **Giuseppe Alloni**, is also a member of the board of the Renato Gamba company.

Giuseppe Alberti: Arsan's associate at Stipam. Described by the newspaper *La Repubblica* Nov. 27, as the actual behind-the-scenes controller of Renato Gamba, the firm through which Arsan's Stipam purchased much of its weapons.

Mario Cappiello: Arsan associate at Stipam.

Edmondo Pagnoni: Arsan associate at Stipam.

Mohammed Nabir: Turkish national. President of the *Ital-Orient* firm with offices in Milan.

Eugenio Sacchi: described as one of the most important Milanese arms producers.

Part I: Turkey and Banco Ambrosiano

Stipam International Transports was at the center of an international operation in which consignments of hard drugs originating in the "Golden Crescent" and shipped from Turkey were exchanged for weapons of all levels of sophistication through a network which solidly interlinked the Mafia, drug producers, and distributors, illegal weapons traffickers and terrorist gangs.

Opium was purchased in Afghanistan, Iran, and Pakistan by the Turkish underworld who refined it into morphine. The morphine was shipped from Turkey into Italy through a route that included passage through Yugoslavia and Bulgaria, entering Italy through the northeastern city of Trieste on the

Yugoslav border. From Trieste, the morphine went to Milan, the distribution depot. Part of the shipments then went to Palermo, Sicily, where the Mafia refineries converted the morphine into heroin for transshipment into the United States. The rest went to Munich, West Germany, for shipment elsewhere.

Payment for the drug shipments was typically made in smuggled weapons of the cited levels of sophistication, according to the arresting magistrates. These left Italy again through the Trieste corridor. Often shipments of drugs arrived with requests for specific weapons. At other times the profit from the drug sales was used for bulk weapons orders for resale in various Middle Eastern countries and to groupings of fascist or communist denomination.

Speaking of this, Judge Carlo Palermo said at his press conference, in response to a question, that no distinctions were made between left- and right-wing terrorist units. All receive their weapons from the same source, operating through the same networks. Palermo added a polemic against the more usual forms of compartmentalized investigations: "The various phenomena of delinquency [different forms of criminal organizations—V.F.Z.] have been considered in compartmentalized fashion. Instead, it is wrong to say that the Mafia manages a specific traffic and that the underworld yet another. A global evaluation [of terrorist, Mafia, drug, and weapons smuggling organizations] is needed, rather, because at certain levels there are common points of contact. Thus it is that for those who wish to supply themselves with weapons, it is drugs which today represent the means of exchange."

At the center of this operation was Stipam International Transports, the export-import firm owned by Henri Arsan, and whose connections with the **Banco Ambrosiano** are currently under investigation.

Propaganda 2 connection

The Banco Ambrosiano, Italy's largest privately owned bank, became famous when it went into bankruptcy and its president Roberto Calvi was found hanged from London's Blackfriars Bridge on June 18. Calvi's fortunes had turned when, in the summer of the 1981, he was named in the list of extremely prominent individuals belonging to the secret Freemasonic Lodge Propaganda 2. The publication of the 900-odd list of Propaganda 2 members in May, 1981, precipitated the collapse of the Forlani government at that time.

Even more remarkably, the list's publication forced the resignation of each of the directors of every branch of the Italian secret services (SISMI, SISDE, CESIS), the heads of each branch of the Armed Forces, including the Italian equivalent of the Chief of the Joint Chiefs of Staff, and other highly prominent individuals.

They were all forced to resign because the Propaganda 2 was discovered to be a secret, conspiratorial organization with ties to every important terrorist, counter-insurgency, drugs and weapons smuggling, and related operation in every part of the globe.

Henri Arsan's Stipam International Transports was housed in a building belonging to the Banco Ambrosiano. The building was in Milan's Via Olfredi 2, where the Ambrosiano's branch #18 was also located. Stipam, earlier known by the name of **Arsexport**, had been in existence for 16 years, transferring to its present offices only five years ago when the Ambrosiano purchased the building.

Another connection to the Banco Ambrosiano has been cited and is under current investigation. The occupant of the flat on the floor below Stipam's offices was **Roberto Rosone**, deputy chairman of the Ambrosiano until his dismissal in July, following Roberto Calvi's death.

Judge Palermo is currently in possession of three suitcases filled with documents confiscated during the arrest of Henri Arsan. The documents consist mostly of telex transactions during the 16 years of Stipam activities, messages sent by Stipam to and from Milan, New York, Istanbul, Beirut, Damascus and Saigon. Through them, the definite links between Stipam and the Banco Ambrosiano—among other things—are expected to be established.

The Stipam-linked international drugs-for-weapons smuggling ring is thus only part of the Propaganda 2 conspiratorial intelligence nexus. Banco Ambrosiano chairman Calvi, prior to his London assassination, had been indicted by Italian authorities for using the Ambrosiano to conduct illegal financial transfers on behalf of the Propaganda 2.

The fact that the Stipam-centered colossal traffic of weapons and drugs between Milan and Turkey is part of a broader, powerful conspiracy, was referred to in an unusual press conference given by one of the officiating magistrates. Judge Palermo's titular superior, Chief Prosecutor of Trento **Francesco Simeoni**, made what were described as singularly harsh accusations against government institutions, including the intelligence services, at a press conference on Nov. 26.

He charged that the Milan-Turkey traffic could have been stopped much earlier if the "organs of the state" had chosen to intervene against an illegal situation that operated "almost in the light of day." Simeoni further noted that it is properly the job of the intelligence services—not the magistracy (roughly equivalent to local district attorneys)—to conduct this type of investigation. He then confirmed that even now there were powerful political forces at work to intimidate the magistrates against proceeding with the Stipam investigation, saying that he and his colleagues would "strongly oppose" all pressures and attempts to halt the investigation, and that they "would not allow" proceedings to be "shut down."

It has already been cited that the directors of the three branches of Italian intelligence, together with the heads of the armed forces and many industrial and media corporations were exposed and in many cases forced to resign because of their participation in a secret, conspiratorial Masonic lodge ruled "unconstitutional" by a parliamentary-appointed judicial body. The Propaganda 2 scandal, however, only revealed the tip of the iceberg of the behind-the-scenes international power brokers who wield authority against national

interests through control of both official as well as illegal bodies and channels.

Without elaborating the case here, it is sufficient to point to contiguous Italian findings and criminal investigations that are shedding light on the broader aspects of the conspiracy. One of these was the indictment on Oct. 18 of **Giacomo Mancini** under charges identical to those cited against now jailed leaders of the **Red Brigades** terrorist gang following the 1978 kidnapping and assassination of former Prime Minister Aldo Moro.

Mancini is one of the most powerful, prestigious figures of the **Italian Socialist Party**. Subsequent to his indictment, two other national leaders of the Italian Socialist Party have been similarly indicted under identical charges of conspiracy to aid the violent overthrow of the State.

Put briefly, the Mancini-related investigations are opening the door to establishing the precise activities of the Meyer Lansky networks in Italy and, through Italy, the rest of Europe and the Middle East. Mancini is the "political godfather" of the Calabrian **n'Drangheta** (Mafia). This organization, among its other activities, supplied manpower to the **Joe Adonis** operation centered in Milan since Adonis's arrival there in 1956 in his capacity as Meyer Lansky's leading European representative. It was this Milan-centered Adonis network which appears to have organized the current basic structure for heavy drug traffic into Italy.

The Milan-based Stipam network is thus likely an arm of the operations put in place by Joe Adonis in behalf of Lansky.

Turkish connections

The identification of Stipam and Henri Arsan as the nodal point of this drugs-for-weapons traffic was made possible, according to the arresting Italian magistrates, thanks in part to the cooperation of Turkish authorities. The Nov. 23 Italian arrests were preceded by the arrest in Turkey of the three individuals said to direct the Turkish side of the drug flow. "Not one gram" of heroin left Turkey that was not under the control of this specific mafia, said Judge Palermo at his press conference. The individuals arrested were **Kisakik Mustafa**, **Nehir Hasan**, and **Cil Huseyn**.

This Turkish mafia operated in Milan through a network maintained there by their agent, Salah Aldin Wakkes, who coordinated activities with the Italian Mafia boss **Gerlando Alberti**. According to Judge Palermo, the Alberti-Wakkes ring sorted-out the drugs entering Italy from Turkey, using money that came from kidnappings and similar criminal activities, depositing funds in current accounts in banks in New York, Zürich, Frankfurt and London. Alberti "deposited" the particular drug in the Trento-Bolzano-Venice triangle, from where it was shipped to Palermo, Sicily for refinement and transshipment.

Stipam was then in charge of procuring and shipping the weapons requested as payment for the drugs.

The drugs-for-weapons exchange deals were arranged in a series of second-rate hotels around Milan's Central Station

area, as well as in some café-bars in Sofia, Bulgaria. The **Berlin Café** and the **Japan Hotel** in Sofia have been named. Judge Palermo said that he himself went to the Berlin Café many times and witnessed some of these exchanges as they took place.

Two of the now-jailed Turkish drug mafia leaders, **Cil Huseyn** and **Kisakik Mustafa**, with whom the Syrian Henri Arsan's Stipam was in contact, are the same individuals identified as having been the drug contacts of **Karl Kofler**, one of the first individuals jailed in the earlier days of Judge Palermo's investigation. Kofler, the hotelier from Trento, had begun his career in the early post-war period as the head of a gang of kidnapers. He was later assassinated in jail.

Another person working with Kofler, as well as Henri Arsan, was the Turkish drug trafficker **Arslan Hanifi**, who was arrested in Istanbul but fled jail last May.

According to *La Repubblica* of Nov. 28, Henri Arsan was "accredited in all the countries that purchased weapons, and dealt directly with their respective governments." He "owned trains, ships, and had accounts for billions in banks throughout the world." Judge Palermo specified that a great number of weapons were sent to Skandaron, a small Syrian enclave occupied by Turkey for the past 30 years, to Kurdistan, Lebanon, and Syria proper.

One specific, large weapons sale that has been repeatedly spoken of by both Italian and Middle Eastern press was one in which the Banco Ambrosiano and its former chairman, Roberto Calvi, played a central role. This was a deal that was arranged and carried out during the height of tensions between the United States and the Khomeini regime in Iran. It involved the export of weapons from Israel to Iran in exchange for Iranian oil at favorable prices. The oil was delivered to Israel thanks to the cooperation of **British Petroleum** and **Royal Dutch Shell**.

The intermediary for this secret arrangement was the Banco Ambrosiano. "Middle East" magazine and "La Repubblica" specifically make mention of a Swiss concern, **Dreikot Driving and Financial Company** belonging to the **Hans** brothers and **Albert Kunz**, Roberto Calvi's Swiss representative. It was this Calvi company that mediated the delivery to Iran of the Israeli weapons.

Another cited intermediary in this instance was **Stefano Delle Chiaie**, the fascist Italian terrorist condemned for the 1969 Piazza Fontana massacre in Milan. Delle Chiaie fled Italy, taking refuge in Bolivia, where he operated under the protection of the Interior Minister in the former regime, training death squads and similar activities. Delle Chiaie was nearly arrested in an operation facilitated by the new Bolivian government on the first day of its taking power in October. While Delle Chiaie, however, narrowly escaped, his associate and fellow fascist **Pier Luigi Pagliai** was arrested and extradited to Italy.

Part II: Turkish drug Mafia and Agca

A second investigation, headed by **Judge Ilario Martel-**

la, and dealing with the attempted assassination of Pope John Paul II by the Turk **Mehmet Ali Agca**, has turned up evidence that ties the case to the Turkish drug mafia, the same mafia involved in the Stipam investigation.

On Nov. 25, two days after the arrest of Henri Arsan, Judge Martella arrested a Bulgarian residing in Rome named **Ivan Antonov**. Antonov is deputy director of **Balkan Tours**, travel agency of the Bulgarian airline, and shares offices with the commercial attaché of the **Bulgarian Embassy** in Rome. The arrest warrant accuses Antonov of "active participation in the attempted homicide of [Pope] Wojtyla."

Judge Martella has also issued international arrest warrants for two Turks, **Oral Celik** and **Bekir Celenk**. The warrants accuse them of inducing Mehmet Ali Agca to shoot the Pope. According to reports from Ankara, Turkey, both men are being safehoused in Bulgaria.

Celenk is the more important of the two. Turkish police describe him as a "Mafia boss" whom they have sought for the past three years for illegal exports of capital and fiscal fraud. He is the owner of a fleet of ships registered in Panama, and of a chain of hotels. Turkish authorities also consider him to be responsible for a vast traffic in weapons and drugs. One of his associates in this enterprise is **Abuzer Ugurlu**, who is now in prison.

Abuzer Ugurlu's involvement with Celenk directly links this drugs and weapons Turkish Mafia figure to the networks collaborating in the Stipam-led traffic in drugs and weapons. Ugurlu has been named in the Stipam case as being among the Turkish mafia leaders working with the **Gerlando Alberti** Mafia, the recipient of the Turkish drug shipments paid for by Stipam-organized weapons deliveries. It was Ugurlu's arrest that aided in the development of the investigative track that eventually led to Stipam. Among other things, Ugurlu was accused of turning over large sums of money as bribes to the former Turkish customs minister in order to have him place functionaries on the Turkish-Bulgarian border who would accommodate illegal drugs and weapons traffic.

Now Ugurlu's close associate, the above-cited Celenk, has been identified as the go-between in Agca's contact to assassinate the Pope.

Turkish authorities have said officially that, on the basis of evidence at hand, they consider Celenk to have been the intermediary between Agca and the actual individuals who ordered the Pope's murder. It was Celenk who, at a meeting with Agca in the **Hotel Vistosa** in Sofia, Bulgaria, offered Agca the three million deutschmarks to kill the Pope.

The second Turk being sought under an international arrest warrant, Oral Celik, is a 27-year old member of an extreme right-wing Turkish terrorist group, who was fingered by the police initially for his role in helping Agca escape from jail in Turkey, following Agca's successful assassination of the editor of the newspaper *Milliyet*. Judge Martella has now said that he has proof in hand that it was Oral Celik who purchased the Browning pistol used by Agca in the attempt against Pope John Paul II.

The evidence at hand from the current investigations leaves no doubt that well-established networks in Bulgaria are central to the panoply of illegal Mafia and other criminal operations originating in Turkey.

The Bulgarian connection

Ugur Mumcu, a former Turkish professor at the University of Ankara and currently an investigator of terrorist phenomena for the liberal newspaper *Cumhuriyet*, has been recently quoted in the Turkish and Italian press on the findings of his two-year investigations, following the arrest of Bulgarian official Antonov. In agreement with the Italian authorities Mumcu states that his research has established that very close connections exist among the Mafia, terrorism, and drugs and weapons traffic; that terrorism "nourishes itself" via the drug traffic, which in turn passes through the various mafias. Mumcu has also provided the documentation to show that **Balkan Tours** (employer of the Bulgarian Antonov) is one and the same operation as the Bulgarian state organization **Kintex**, an export-import concern headquartered in Sofia that provides cover for the drug Mafia-terrorist ambience, mediating consultations between both "red" and "black" terrorists and the drug sources.

The Nov. 25 arrest of Antonov, deputy director of **Balkan Tours**, is further shedding light on these networks by helping to establish new avenues of investigation into the case of **Luigi Scricciolo**. Scricciolo was arrested earlier this year, setting off potentially devastating international repercussions which were however hushed up at the time. He is the first trade-union leader with international credentials to have been identified as a member and collaborator of the **Red Brigades** terrorist gang.

Until his arrest, **Scricciolo** was the director of the foreign affairs bureau of the Socialist Party controlled UIL, one of the three national Italian trade union confederations. In his role as foreign affairs chief, Scricciolo maintained the confederations' contacts with the American trade union movement, including close contact with the AFL-CIO's **Irving Brown**, **Lane Kirkland** and others. He also maintained the contacts between the UIL and the now-banned Polish trade union Solidarity.

Scricciolo was arrested for his activities as an above-ground, "public relations" field man for Italian terrorism. More specifically, he was also indicted for selling or attempting to sell secret NATO intelligence to the Bulgarians. He had documented meetings with two members of the Bulgarian Embassy in Rome who were ostensibly cultural attachés. Both these men were, subsequent to Scricciolo's arrest, forcibly recalled to Bulgaria on the official demand of **Judge Ferdinando Imposimato**, who is in charge of the Scricciolo case.

Italian magistrates are now investigating whether Antonov, who himself worked out of the Bulgarian Embassy, had any contact with these two cultural attachés whom Imposimato has charged with being intelligence agents.

Mitterrand shifts course, urges a Third World development effort

by Dana Sloan

In back-to-back trips to Egypt and India during the last week of November, French President François Mitterrand called for the creation of a new world economic order and international monetary system asserting that only economic development is capable of ensuring the true independence of the developing-sector countries.

What transpired during the course of Mitterrand's visits to these two leading nations of the Non-Aligned Movement provided testimony of a shift in course that the French President has undertaken since late summer. After more than a year in office, pressures have converged to the effect of compelling François Mitterrand in a direction that could prove to be crucial for civilization as a whole.

The late Charles de Gaulle once commented that "what I have done will, sooner or later, be a source of new ardor after I have disappeared." De Gaulle's conviction is being born out today, though many a socialist might be loath to admit to any continuity of purpose with the General. Much to the outrage of many of the ideologues in his party, Mitterrand is dropping his profile as the Socialist Party leader who got elected President, and is beginning to act as a President of the Fifth Republic, the institution wielded by de Gaulle as the embodiment of French national and republican interests.

How will the United States respond?

Contrary to what William F. Buckley, the Heritage Foundation and the *New York Times* might want Americans to believe, the turn of events in France is decidedly good news for the United States. Mitterrand's shift provides the Reagan White House with a new chance to forge productive ties and a non-British working partnership with Western Europe. Already in the past month, France has started to become a crucial part of the war on terrorism and organized crime that the White House has committed itself to, and it was France's dramatic shift on terrorism-related issues that first signaled the overall change taking place (see *EIR*, Nov. 30).

The first signs that a shift was taking place in France came this summer. It was at that time that hard intelligence reached the Elysée Palace and the Interior Ministry that François Mitterrand's name figured prominently on an international terrorist hit list held by the controllers of "left" terrorism in the neo-Nazi Malmö International of the Swiss financier François Genoud. When the notorious terrorist figure "Car-

los" surfaced in Europe to personally threaten Mitterrand's life and Interior Minister Gaston Defferre, the French President started to take action.

During the month of August a new anti-terrorism security apparatus was put into place, headed by Joseph Franceschi, who was appointed State Secretary for Public Security. Mitterrand simultaneously brought in Commander Prouteau, head of the elite anti-terrorist strike force known as the GIGN, to be his technical advisor for security affairs; in short, his job is to keep Mitterrand alive. Commander Prouteau has since been sent on international missions, including one to West Germany to help track down members of the Baader-Meinhof gang. During the month of November, the heads of France's equivalent of the CIA and FBI were replaced by officials more capable of carrying out their new assignments.

The American embassy in Paris, operating under orders from Anglophile Ambassador Evan Galbraith, (an associate of the U.S. Buckley family), has worked against this development of a cooperative Franco-American anti-terror effort, using the pretext of the presence of four members of the French Communist Party in the government—none of whom have portfolios that could enable them to influence fundamental questions such as defense or foreign policy. Galbraith's embassy staff has been caught in interference in French affairs on two counts: first, by leaking information to the British concerning France's plans to honor military hardware deals it had contracted with Argentina before the Malvinas Islands war; and second, by becoming the mediators for some of the heavy-handed interference recently carried out by Trilateral Commission member and AFL-CIO President Lane Kirkland.

Economic policy

In an interview published in the Paris daily *Le Monde* Nov. 26, just before his departure for Cairo and New Delhi, President Mitterrand indicated that reversing the world economic crisis would be the subject at the center of his talks. Commenting on the need to create a new international monetary system, Mitterrand declared that "when I speak of this necessity to my American visitors, they tell me 'it's not our fault, it's the law of the market.' Well, our predecessors, who also adhered to a liberal society, thought it necessary to create the Bretton Woods system. We cannot be without it [a

new system] for long without damaging the cohesion of the Western world. What is also at stake is the development of the world economy, as well as the future of the Third World countries, who have been forced into a tragic indebtedness for lack of international monetary liquidities. This subject will be at the center of my conversation with Mrs. Gandhi in India.”

In the same interview, Mitterrand sought to clarify his views on the Soviet Union, with whom relations have been practically frozen since he took office. Mitterrand, who supports the stationing of Pershing missiles in Western Europe, warned that the Soviet Union has gained the military edge in Europe. “The Soviet Union has a great and legitimate concern for its security,” Mitterrand stated, adding: “So do we.” For this reason, he reiterated, France refuses to allow French nuclear forces to be counted as an integral part of Western forces in the ongoing disarmament negotiations. “No argument will make me change my mind on that question. But I am hostile, on the other hand, to any form of economic blockade against Russia. . . . I will be faithful to the commitments made with our allies on so-called strategic products. But I do not desire that, in some insidious fashion, the sale of butter or chickpeas to Russia comes to be known as strategic.” Later, to emphasize the point made with respect to the Soviet natural-gas pipeline deal, Mitterrand added: “French sovereignty is not for sale.”

The French have also made clear that they consider the nuclear freeze and conventional arms build-up policy being pushed by McGeorge Bundy and Robert McNamara a threat to peace. This return to Gaullist orthodoxy on defense matters is also good news for the White House, and could provide an important flank against the so-called peace movement.

Speaking at the conference of the Western European Union on Dec. 1, Defense Minister Charles Hernu warned that the Soviets want to decouple Western Europe from the United States, and that recent statements made by NATO Commander General Rogers fit precisely into this gameplan. Hernu denounced the McNamara-Bundy grouping which, he noted, “are the very same ones who presided over the impressive rearmament effort of the United States in the 1960s, the very same ones who dumped on Vietnam an amount of explosives bigger than that which was used during the last world conflict,” and who “now explain to us that the European countries will have to do without the American security guarantee.”

Visit to Egypt

That Mitterrand’s turn is not anti-American, but the contrary, was confirmed during his trip to Egypt. There, despite the fact that since this summer, Mitterrand and President Hosni Mubarak have tabled a Franco-Egyptian proposal for the Middle East, the two heads of state affirmed that they would give their backing to President Reagan’s peace plan, in the hope that American power could achieve certain results where others cannot.

Although not the center of Mitterrand’s talks, bilateral economic development issues were prominent. In Egypt, agreements were reached on construction of two nuclear power plants, and several other major infrastructural deals (port and subway projects) that are equally crucial.

Hours before his arrival in New Delhi, and after months of negotiations, France and India signed an agreement on the supply of French enriched uranium for the U.S.-built Tarapur nuclear reactor, a prerequisite for the two leaders’ talks to proceed productively.

Domestically, some dramatic changes could be imminent. Mitterrand abruptly cancelled his regular Thursday morning meetings with the top leadership of the Socialist Party. The institution of these weekly working sessions had brought back into France the vice condemned by de Gaulle as “the regime of the political parties,” the Fourth Republic form of government which made government decisions dependent on the whims of the parties. Mitterrand’s annoyance with his party’s leadership could lead him to make further moves that could shatter the career of at least one member of his cabinet.

Minister of Justice Robert Badinter, who first as defense attorney and now from his government position, has been responsible for the protection of dozens of terrorists, has his head on the chopping block. This fact, and his defense of the publication of a book on suicide methods modeled on the British EXIT group, have prompted increasing calls for his resignation or ouster from the cabinet. Badinter has acted to impede the efforts of his own government to set up adequate measures against the international terrorist networks which have Mitterrand on their list of targets.

Mitterrand in India: ‘New monetary system is essential’

President François Mitterrand of France, currently visiting India for discussions with Prime Minister Indira Gandhi, called Saturday Nov. 27 for the “reconstruction” of the international monetary system, and stressed that long-stalled discussions between developed and developing countries on economic cooperation must immediately be revived.

Speaking at a banquet in his honor hosted by Indian President Zail Singh, Mitterrand said that the debt crisis now strangling most developing countries, and the creation of a new international monetary system, must be part of the agenda for revived “North-South” talks. Mitterrand later stated that the bilateral discussions between India and France would

be important to catalyzing resumption of those talks.

The Mitterrand initiative is a public challenge to the International Monetary Fund and its private "sister" organization, the Bank for International Settlements, which are coordinating desperate efforts to shore up the bankrupt international monetary system by de-industrializing the advanced sector countries and imposing genocidal levels of austerity in the developing countries. His decision to state these views in India was particularly significant, since India has assumed the chairmanship of the movement of Non-Aligned Nations under the leadership of Mrs. Gandhi. A Non-Aligned heads of state summit is scheduled for New Delhi in March, 1983, at which time the need for a new world monetary system and other aspects of North-South economic relations are expected to be deliberated. The French position breaks the near-unity of the developed countries in resisting improved "North-South" relations.

'Eloquent example'

Throughout Mitterrand's visit, the related themes of high-technology cooperation between France and India, the need for a new monetary system, and the need to revive North-South talks kept emerging. Mitterrand was accompanied by a delegation that included three cabinet ministers, several defense and economic advisers, and other experts, who carried on wide-ranging discussions with their Indian counterparts.

In all of the discussions on bilateral economic cooperation, the French expressed their conviction that there exists a considerable potential for collaboration between the two countries, in particular because India has developed a sophisticated industrial and scientific infrastructure which enables the country to absorb advanced technology in a broad spectrum of industries.

The two countries agreed to establish an institute for advanced research. The French President also proposed to India the conclusion of a long-term agreement for scientific, technological, and industrial collaboration designed to promote technological innovations. Mitterrand said the proposed agreement should provide for the full participation of Indian scientists, so that both countries could share in the benefits of the research. Such collaboration, he said, would be "an eloquent example of North-South cooperation without the stigma of an unequal relationship that is inherent in the present pattern of international developmental assistance."

The nuclear agreement

Perhaps the most important bilateral agreement reached during the Mitterrand visit concerned the supply of French enriched uranium for India's U.S.-built Tarapur nuclear plant. In recent years legislative obstacles in the United States have prevented continued U.S. supply of enriched uranium to India, despite a 1963 agreement to do so. The French became involved last July, when India and the United States agreed to allow France to take over American obligations.

Negotiations on this issue between France and India had been deadlocked for four months due to the French demand that India accept more severe safeguards than those specified in the 1963 agreement with the United States. However, just hours before Mitterrand's arrival in New Delhi, negotiations were completed, reportedly after the intervention by the President, and India's position in the negotiations was accepted.

Overall, the mood in India toward Mitterrand, as reflected in the country's newspapers, was very receptive. Many commentaries emphasized the French willingness to export advanced technologies to India. The Indian attitude was perhaps best reflected in a comment made by President Singh at the banquet honoring Mitterrand. "Contemporary realities," he said, "demand that France pursue an independent foreign policy, and India and other nonaligned countries should work together to build bridges between the East and the West and the North and the South."

The press conference

The French and Indian delegations released few details on the more than five hours of discussions between Mitterrand and Mrs. Gandhi. However, it is known that they exchanged views on the Soviet Union's political situation, the Middle East—particularly French-Egyptian plans to settle the crisis in that region—and American foreign policy. Mrs. Gandhi also briefed the French President on the situation in Asia.

In all of his public appearances, Mitterrand went out of his way to emphasize that France places great importance on the upcoming Non-Aligned meeting and the role it could play in the political drive for a new international economic order.

Speaking at a press conference in New Delhi, Mitterrand was asked by this news service to elaborate on his views of the international monetary crisis. The President responded by saying that a world monetary system had existed until 1971 (when Paul Volcker and George Shultz severed the last links between the dollar and gold), and that system was based on traditional liberal ("free trade") philosophy. At this time, he said, France has particular views on the world monetary issue because of its membership in the European Monetary System, which imposes specific rules on its members. The dollar system, he said, is not bound by one set of rules but by many different rules, and most countries in the world are suffering from monetary instability. A new international monetary system is needed, he said, one that is not based only on the dollar.

The President was also asked about the Middle East, since he had arrived in India after a very important three-day visit to Egypt. He said that France and Egypt, who are closely coordinating their Mid-East policies, do not envision asking India to join with them in a joint policy, and that no three-way agreement exists between India, France and Egypt. However, he said, Indian backing for the French-Egyptian call for joint recognition of the Palestine Liberation Organization and Israel would be welcomed.

Soviet leaders buttress the Politburo, debate economic failures and reforms

by Rachel Douglas, U.S.S.R. Editor

The first Soviet leadership shuffle since Leonid Brezhnev died and Yuri Andropov became Communist Party General Secretary occurred at a party Central Committee plenum Nov. 22 and at a session of the Supreme Soviet the following two days. While Andropov promised the plenum a drive for economic reform featuring decentralization of many responsibilities and prerogatives, the first step of the new leadership was to reinforce the Politburo and Central Committee Secretariat with a tough regional leader of KGB background and a heavy-industry specialist from the state planning committee, Gosplan.

The former KGB man is Geidar Ali Reza ogly Aliyev, 59, who headed the Soviet Republic of Azerbaijan, on the border with Iran, as its party chief for the past 13 years. At the plenum, Aliyev was elevated from non-voting to full membership in the Politburo, the 11-man executive body of the Central Committee. The next day's session of the Supreme Soviet, the nominal parliament, saw Aliyev designated First Deputy Prime Minister, putting the leader from historically Muslim Azerbaijan in line to succeed 77-year-old Nikolai Tikhonov as Prime Minister of the U.S.S.R. The other First Deputy Prime Minister, Ivan Arkhipov, is a 75-year-old member of Brezhnev's rapidly shrinking machine from the southern Ukraine, who has repeatedly been denied promotion to the Politburo.

Aliyev's security career—he became Azerbaijan KGB head in 1967, the year Andropov was named national KGB chairman—indicates long-standing ties to Andropov. But Aliyev's own speeches of the past decade mark him as an energetic, not just *pro forma*, champion of Brezhnev's foreign and domestic policies.

Campaign against corruption

The overriding qualification, however, for his promotion to authority over the government ministries through which the Soviet economy is run, is that Aliyev carried out a ruthless

crackdown against corruption in the bureaucracy in Azerbaijan.

Scores of party and industry officials were fired during his tenure. Last year, Aliyev told the national weekly *Literaturnaya Gazeta* that not “mild words”, but “tough decisions” were needed against criminals, bribe-takers, nepotism, “private ownership mentality,” speculation, “languid, inert people . . . rogues, and rascals”.

Andropov hinted that heads would roll as economic administration is tightened up, and turned the hints into reality a few days later. Speaking at the plenum, he referred to the need to “place personnel correctly, so that in the decisive sectors we have politically mature, competent, and resourceful people, with organizing ability and a sense of the new,” and said that “help” would be offered to those unaware of how new economic mechanisms are supposed to work. Andropov singled out the transportation sector and steel for special criticism. On Nov. 29, three years and one day after Leonid Brezhnev at a Central Committee plenum berated him by name for bearing “a not insignificant share of responsibility” for “flagrant violations” of freight turnover plans, Minister of Railways I. G. Pavlovskii was removed from his position.

Andropov's speech and Aliyev's promotion touched off rumors at home and abroad that more shakeups were looming. Word spread in Moscow that retailers were hastily cleaning up their under-the-counter practices, while foreign press ran unconfirmed stories of people who had enjoyed Brezhnev's protection now being on the skids.

Consolidation and reform

Andropov's power, however, is in but the early stages of consolidation. He either refrained in caution or was barred from taking Brezhnev's second title, Chairman of the Presidium of the Supreme Soviet, which post was left empty for the time being. Andropov-booster in the Hungarian news agen-

cy MTI jumped the gun, publishing a false report that he had secured that position.

The meetings also showed the strength of other parts of the leadership coalition. Andropov appeared before the Supreme Soviet flanked by Politburo members Andrei Gromyko, Foreign Minister, and Dmitrii Ustinov, Defense Minister. The defense-linked heavy industry and scientific grouping made itself visible with heavy-industry man Nikolai Ryzhkov's transfer from Gosplan to the Central Committee Secretariat and the naming of nuclear physicist Nikolai Basov to the Supreme Soviet Presidium.

Even Konstantin Chernenko, Brezhnev's Politburo ally whom Andropov outmaneuvered to become General Secretary, was made Chairman of the Foreign Affairs Commission of the Supreme Soviet, a post vacant since its previous holder, Politburo power-broker Mikhail Suslov, died last winter.

The power of the science and industry people will be decisive for how the economic reform that Andropov is talking about actually materializes. Many strategists, especially in Britain, have eagerly anticipated Andropov's wholesale adoption of the "Hungarian model" of economic decentralization, which not only favored the consumer sector and admitted "profitability" as a main economic performance standard, but began to align domestic prices with international market prices, in preparation for making the Hungarian currency convertible. Under its New Economic Mechanism, begun in 1968, Hungary went deeply into debt and joined the International Monetary Fund.

Indeed, Andropov exhorted the party to study "the experience of fraternal countries." His concrete proposals for increasing the "independence" of company managers and speeding up the introduction of labor- and resource-saving technologies were, however, drawn from policies stated by Brezhnev in the last three years. The difference is Andropov's stress that now they will actually be carried out. Soviet press articles on economic reform, published in the recent period of Andropov's ascendancy, evoke not only Hungary's example, but the 1965 and 1968 reforms designed by the late Prime Minister Aleksei Kosygin. In those reforms (which were far less than fully implemented), the "market economy" features were watered down in a compromise with a defense and heavy industry lobby in which Ustinov, now a major force on the Politburo, played a prominent role.

This year's Nov. 5 Revolution Day speech by Moscow party chief Viktor Grishin, another Politburo member, stressed that "local initiative" must be "skillfully combined" with "centralized planning," so that "all tasks be resolved, first and foremost, from overall state positions."

Anthony Robinson a *Financial Times* of London writer who last spring hoped aloud for Soviet agricultural reform to hand land and political clout back to a class of independent peasants, greeted Andropov's first economics speech with praise, but also disappointment that Andropov had not yet mentioned "radical price reform" or the "underdevelopment" of the Soviet service sector relative to basic industry.

Andropov said that the first phase of reform would be a series of experiments, mostly organizational ones that are supposed to increase output without raising investment. For the short term, the 1983 economic plan presented to the Supreme Soviet by Gosplan Chairman Nikolai Baibakov foresees the lowest annual growth rates ever for the Soviet economy: 3.2 percent for industrial output, which in 10 months of 1982 was running even more slowly, at only 2.7 percent above 1981.

Border diplomacy

The current head of the KGB, Andropov's successor Vitalii Fedorchuk, was conspicuous to an extraordinary degree at the Supreme Soviet session: he was a featured speaker, as he presented a new "Law on the U.S.S.R. State Border."

Fedorchuk's speech both boosted the prestige of the KGB as an institution—"worthily fulfilling the tasks entrusted"—and dramatized Moscow's top foreign policy goal, conveyed already before Brezhnev died, of constructing zones of security all around the perimeter of the Soviet Union. (An Italian radio commentator put a more outward-looking interpretation of Fedorchuk's comments about the KGB border troops' task of halting weapons and drug traffic across the border, finding in this a veiled offer of international cooperation in that area.)

The most demonstrative step in this periphery-focused diplomacy is the pursuit of improved relations with China, begun in Brezhnev's last months and now picking up steam. A new round of virulent Soviet propaganda attacks against Washington harbingers a major disarmament offensive toward Western Europe in 1983—with the result, harmful for the chances of genuine world peace, of feeding tension between the United States and Europe.

During Brezhnev's funeral, Andropov met the parties to the continuing Afghanistan crisis—Pakistan's General Zia and the possibly expendable Afghan ruler, Babrak Karmal. On Nov. 17, a *Pravda* diplomatic notice revealed that the Soviet Foreign Ministry desk covering Afghanistan, Iran, and Turkey, which had been vacant since May 1982, was filled by V. S. Safronchuk, whose most recent posting was Kabul. On Nov. 28, the Turkish Foreign Minister arrived in Moscow for talks with Gromyko, from which he would proceed to Baku, Azerbaijan, to see Aliyev.

Judging by his background, Aliyev will have much to say about developments on the U.S.S.R.'s southern flank.

Besides having been in charge of a border republic, Aliyev, according to some reports, spent time in Turkey, Pakistan, and Iran, as well as West Germany, in his younger days with the KGB. In Azerbaijan, he evidently followed closely the events in Iran as the Ayatollah Khomeini came to power; in December 1980, Aliyev's successor as KGB chief in Azerbaijan, Maj. Gen. Ziya Yusif-Zade, launched a campaign against people who would, "in connection with the situation in Iran and Afghanistan . . . exploit the Islamic religion as one of the means of influencing the situation in our country."

De la Madrid pursues a 'middle way' on debt

by Timothy Rush

The inauguration of Mexico's new President, Miguel de la Madrid Hurtado on Dec. 1, occasioned a gruesome outpouring of Malthusian self-congratulation on the part of Mexico's enemies that they had Mexico where they wanted it. Faced with the worst economic crisis in its history, Mexico would have to start destroying its own population.

Perhaps most frank was the *New York Times's* Scotty Reston, who all but endorsed the famous plan of U.S. State Department-linked agronomist William Paddock to cut the Mexican population in half—reduce it to a “manageable” 35 million. Reston wrote from Mexico City Dec. 1 that “you don't have to be an expert on the interest rates or the price of oil”—some of the real reasons for Mexico's economic collapse—“to understand Mexico's quandary . . . overpopulation.” The “standards of judgment” of those who point to doubling of Mexican longevity and the 75 percent reduction of infant mortality over the past 50 years as signs of progress must “be questioned,” Reston proclaimed. The problem is that Mexicans don't realize this yet, and are still “optimistic.” In fact, moaned Reston, Mexico City is “jumping with human energy and excitement . . . the doubts of journalists [can't be heard] for the laughter of children.”

If these Malthusian forces, who stand behind the IMF and the leading commercial banks in New York, London, and Switzerland, think they have de la Madrid as a pawn in their pocket, they are wrong. De la Madrid is a nationalist who is committed to saving his country. As he put it in his inaugural, “We are going through an emergency situation. The situation we face is intolerable. I will not permit the nation to fall apart in my hands. At this moment, more than ever before, the interests of the nation and of the republic take precedence over private interests of individuals.”

However, there is no question de la Madrid has immediately swung the country to a very different course than that followed by his predecessor, José López Portillo, over recent months.

IMF controls economic policy

The IMF is clearly in the saddle on economic policy. All the chief economic officials in the cabinet, most notably Jesús Silva Herzog (reconfirmed at the Finance post), and Carlos Salinas de Gortari, installed at the crucial post of Planning and the Budget (SPP), are defenders of an IMF approach.

This involves severe austerity policies, relaxation (though not yet elimination) of exchange controls, a return to high interest rates, and priority attention to debt repayment over any considerations of domestic growth.

The ten-point program of “economic reordering” announced by de la Madrid in his inaugural address was similarly an IMF program in its essential features. Point number one called for slashes in government spending, and the payment of foreign debt as a priority. The list proceeded from there. The new President declared the bank nationalization of Sept. 1 “irreversible,” consistent with his repeated public statements over the past three months. However he opened the door to re-selling part ownership to the private sector, as he declared his government would “seek new and imaginative forms of participation. Nationalizing is not state-izing.”

No middle ground

The new Mexican President is looking for a middle way between breaking with the IMF system—a path of joint debt moratoria with other Ibero-American debtors and efforts to negotiate a new world economic order with the leading creditor nations on the basis of this shock—and carrying the IMF program through to its genocidal conclusions, so aptly sketched by the *New York Times's* Reston. There is no such middle route.

This is what his predecessor, López Portillo, found out. Throughout the first five years of his term, López Portillo cut the Mexican private sector and the foreign banking community into Mexico's surging growth on a more-than-generous basis. Then the current debt trap was sprung, on the basis of usurious international interest rates and collapsing foreign commodities markets, augmented by a politically motivated surge of flight capital.

In August 1982, López Portillo was told by Mexico's creditors' cartel that Mexico had to put all its oil revenues into debt repayment and stop any projects of benefit to Mexico's population. By the private account of some of López Portillo's closest collaborators, he came within a hair of declaring a unilateral debt moratorium on Mexico's \$80 billion debt. He took the next toughest step of nationalizing the banks and decreeing across-the-board exchange controls.

De la Madrid is painfully aware of the same international pressures which are the fundamental cause of the Mexican collapse. In his inaugural speech, he stressed that the Mexican crisis “comes within a deteriorated international situation. We are seeing a very deep international recession now upon us. At the same time we see trade war, with protectionism disguised as free trade; a situation of high interest rates; local and regional wars where the hegemonic powers dispute for control.”

The foreign policy stance

In foreign policy, de la Madrid made clear that he will follow the outlines of the López Portillo era, not just in Central America but more broadly in the developing sector.

"We will seek a new international order," he stated, ". . . [showing] solidarity with the best causes of the developing sector. We will strengthen Latin American brotherhood."

De la Madrid declared that the first implementation plans for his government will be ready by the end of the month, and a more comprehensive plan by May.

That is in fact the same timetable as his Malthusian opponents—for his discrediting and overthrow. *EIR* sources in Mexico and in the United States report that plans from these quarters, which include surfacing an overtly fascist and fundamentalist "middle-class" movement, are in an advanced stage and are timed to mature by the middle of 1983.

The members of the new Mexican cabinet

In the list of 19 Mexican cabinet ministers released the evening of Nov. 30, and the complementary list of some two-score important subcabinet posts released 24 hours later, probably the most shocking single appointment was the re-naming of Miguel Mancera Aguayo as head of the Bank of Mexico, a post he had held up until Sept. 1. Throughout his previous tenure, and particularly during the first eight months of this year, he tenaciously defended the free convertibility of the peso which was allowing the entire nation to be blackmailed by flight-capital operators and was forcing the country into a hideous spiral of devaluation and inflation. He was sacked the day exchange controls finally came through, some eight months after they would have done the most good.

Some jubilant foreign bankers have nicknamed him "Miguel Mancera MacArthur." His return signals that a hard-line monetarist faction, both inside and outside the country, played all their cards with de la Madrid at the very beginning to get the maximum taste of "revenge."

However the appointment and what it betokens will predictably enrage the mass organized forces, led by labor, which rallied to back López Portillo's crackdown on the capital-flight blackmail. These are the forces which de la Madrid must keep in line, if his chimerical deal with the IMF is to hold together at all.

Most of the winners in the cabinet are close associates of the new President, and like him, are something of unknown entities in terms of personal views on the key issues now coming up. One of the few men with a highly defined profile, and one which saddles the administration with big problems, is Jesús Reyes Heróles, appointed Education Minister. Reyes Heróles, as Interior Minister for the first three years of the López Portillo government, and as head of the ruling PRI party and of the state oil company Pemex before that, has worked tirelessly to replace Mexico's republican institutions with a "pluralist" parliamentary regime on the British model.

One of his biggest targets has been Mexico's organized labor movement. As Education Minister, he will be well positioned to destroy the teachers' union, the largest union in the country, which is already under internal attack.

The losers include the factions of previous Presidents López Portillo and Echeverría. Also a big loser is the outgoing mayor of Mexico City, Carlos Hank González. One of the wealthiest and most corrupt figures in Mexican politics, Hank was universally recognized in de la Madrid's inaugural denunciation of those who use political office for business gain: "Either one governs or one does business. The linking of the two things is immoral," de la Madrid angrily declared. Hank and his faction were wiped out in the cabinet appointments.

The "economic cabinet" includes:

Jesús Silva Herzog, Finance Minister. Monetarist son of the Jesús Silva Herzog who helped Cárdenas nationalize Mexican oil; chief negotiator of the IMF accords signed Nov. 10. Ph.D. from Yale.

Carlos Salinas de Gortari, Planning and the Budget (SPP). 34-year-old "whiz kid" trained at Harvard and MIT, with connections into Wharton econometric modeling. Staff director for the Master Development Plan put together under de la Madrid in 1980, when de la Madrid headed SPP.

Francisco Labastida Ochoa, Resources and Industrial Development (Sepafin). An undersecretary to de la Madrid in SPP, and one of de la Madrid's "inner circle."

Miguel Mancera Aguayo, Bank of Mexico, hardline monetarist from the old Financial and Bank of Mexico "Mafia."

Gustavo Petricioli, Nafinsa (National Development Bank). Monetarist background, former director of the stock exchange.

Hector Hernández, Commerce. Former Undersecretary of Commerce; principal negotiator for Mexico's possible entrance into GATT, vetoed in 1980 by López Portillo.

The leading non-economic positions are filled by:

Manuel Bartlett Díaz, Interior. Served in a top Interior Ministry post under then-minister Moya Palencia in the early 1970s; jumped to being de la Madrid's chief political troubleshooter in 1979.

Bernardo Sepúlveda Amor, Foreign Ministry. De la Madrid's chief foreign policy adviser since early 1981; moved up from serving as Mexican ambassador in Washington.

Ramon Aguirre Velázquez, new mayor of Mexico City. Technocrat, close to de la Madrid, who moved up to take over SPP when de la Madrid was tapped as the PRI's presidential candidate.

Mario Ramón Beteta, Pemex. Monetarist Finance Minister for last year of Echeverría administration, then switched under López Portillo to head up the surging Somex state-owned banking conglomerate.

Sergio García Ramírez, Attorney General. Moves up from post of Labor Minister for last year of López Portillo administration; past political associations with Moya Palencia.

How Japan's Nakasone should play his cards against Henry Kissinger

by Richard Katz

The attack has already begun. In virtually every newspaper headline, new Japanese Prime Minister Yasuhiro Nakasone is being labeled a creature of Kakuei Tanaka, the former Prime Minister who is the chief defendant in the Lockheed bribery case. "Tanakasone" they have begun to call the new Prime Minister.

"Nakasone Forms Cabinet Dominated by Tanaka Men" shouted the headline of the Nov. 27 *Japan Times*. Out of 20 cabinet posts announced by Nakasone, seven went to members of the Tanaka faction of the ruling Liberal-Democratic Party (LDP), far more than were distributed to any other faction leader, including Nakasone's own, which got only two posts. Nakasone has "paid off" Tanaka for using his powerful electoral machine to win the prime ministership for Nakasone.

The LDP is divided into six different personality-led factions which have engaged in extremely bitter factional blood-letting over the past ten years. This intraparty feud has prevented any Prime Minister since 1972 from serving more than two years, despite the stable majority of the LDP within Japan's Diet (parliament). It has also hindered the Japanese government in creating a national consensus around solutions to national and international economic and foreign policy problems. Although factions have existed since the LDP's founding, the fallout from the Lockheed scandal raised the bitterness of such fights beyond previous levels.

Tokyo insiders have already laid out the schedule on which Nakasone will be engulfed in the next outbreak of fratricide, which is being called the "February conjuncture."

In January 1983, Nakasone will visit the United States to meet President Reagan. He is expected to grant Washington at least symbolic concessions on trade and defense issues in order to try to return home as the man who patched up the U.S.-Japan frictions of the Suzuki era. However, the fundamental problems at the foot of these long-standing frictions are not subject to a "quick fix" that Nakasone can use to win political points at home.

Nakasone may even find that some people in Washington are not eager to give him a diplomatic victory. State Department officials, according to a Republican Party-associated

Japan expert, recall Nakasone's nationalist reputation and "are afraid he will 'do something dramatic.' They aren't sure how to handle him."

Threat of new Lockheed scandal

While the policy issues are problematic—including the domestic economic and budget crisis—the most dangerous problem for Nakasone in the period leading up to new Diet elections, is a scheduled rebirth of interest in the Lockheed scandal. In February, the prosecutor in the Lockheed case against Tanaka will sum up his case and make his demand that Tanaka be sent to jail. From that point on until the actual verdict sometime in the spring or summer, Lockheed will be in the headlines every day.

Nakasone will have to bear the onus of having been put into power by Tanaka as the LDP enters new Diet elections. The LDP is expected to do poorly. At that point, the anti-Tanaka factions in the LDP which brought down Suzuki because he was "Tanaka's man" will begin to demand the ouster of Nakasone. Nakasone could be out of office by summer.

Kissinger, Lockheed and resource diplomacy

Once again, Lockheed will shape Japanese politics, almost to the exclusion of debate over real policy issues, with Tanaka and Nakasone as the target.

However, recent developments in Italy around the Lockheed case have led some Tokyo insiders to suggest another possibility. Nakasone and Tanaka might try to survive by taking the Lockheed issue head on. In this case, Lockheed would dominate the headlines, but the target would not be Tanaka: it would be Henry Kissinger.

According to well-placed Japanese journalists, some Tanaka associates have taken note of the headline story in Italy that then-Secretary of State Henry Kissinger had tried to use the Lockheed scandal to destroy the political leadership of Aldo Moro, after having threatened him in 1974. These revelations were made by close Moro associate Corrado Guerzoni at the trial of the Red Brigades terrorists who murdered former Prime Minister Moro in 1978 (*EIR*, Nov. 23,

Nakasone on Kissinger and the great oil crisis of 1974

The following excerpts are taken from Nakasone's May 1982 autobiographical essay "My Life in Politics." This has not yet been published, but it has been given to President Reagan, and EIR has obtained a copy.

The Ministry of Foreign Affairs strongly opposed my [1973] plan to visit these Mideast states. Though fully 98 percent of Japan's crude oil imports came from these countries, almost all of it was purchased indirectly through the major oil companies. The ministry wanted to maintain close ties with the United States, host nation of the oil majors. It worried that the United States would view my visit as indicative of a willingness of Japan to strike out on its own, if not in defiance, at least in disregard of U.S. interests.

I argued forcefully that Japan should work to develop closer relations with the oil-producing nations even as it continued to act in concert with the other oil-consuming nations on oil matters. . . .

In the end, I prevailed in my views, and set off for the Mideast *before* the oil shock. . . .

I am told my actions at this time were not well-received in the United States. At home, some criticized me for having been too bold, given the complications of the international oil situation. It is also true that I had a number of sharp exchanges with U.S. Secretary of State Kissinger. . . .

I was convinced that resource-poor Japan . . . had to do everything in its power to protect its economy from collapse. This judgment stemmed from my own convictions about the course of history. Looking at the new wave of resource nationalism sweeping through the Middle East, I saw how fruitless it would be to oppose this vast historical current. . . .

Japan had to act on its own behalf. It could not rely solely on the goodwill of other states. . . .

Japan will no doubt continue to be a member of the Western alliance, sharing their belief in freedom and democracy. But at the same time we must revitalize that alliance. We must sweep away the old mindsets and ways of doing business of the colonial age. We strive to create a new international order based on equality and mutual benefit.

30, 1982).

The Japanese journalists commented, "It was widely believed in Japan that Kissinger helped set up the Lockheed affair to 'get' Tanaka. But we can't say that because we could never prove that. Now that this story has come out in Italy, some people in Tokyo are thinking of re-opening the investigation."

The story of Kissinger's involvement in the Lockheed scandal is the story of the attempt to stop the "resource diplomacy" being carried out by then-Prime Minister Kakuei Tanaka and the man who was Tanaka's Minister for International Trade and Industry (MITI), Yasuhiro Nakasone.

Tanaka came to power in 1972 as the candidate of the "Shigenha," the "resource faction" of Japanese industrialists who believed that Japan could not be assured of unstifled economic development and foreign policy independence as long as it was dependent upon others for access to energy and other natural resources.

Earlier Prime Ministers, notably Ichiro Hatoyama and Hayato Ikeda, had carried out a "Shingenha" policy to some extent, but Tanaka was like no other Prime Minister. Tanaka was a rough-and-tumble Mayor Daley-style politician who built his power on a self-made construction business and a well-greased electoral machine that repeatedly astounded the Japanese "establishment."

As Prime Minister, Tanaka traveled the world in support of his resource diplomacy. He made huge oil and natural gas deals with the Soviet Union during a visit with Brezhnev—and became the only Japanese Prime Minister to secure a Soviet promise (since revoked) to negotiate at some point a return of the "northern Islands" taken by the U.S.S.R. after World War II. In visits to Europe, Tanaka and his aides made efforts to form consortia with European state-owned oil firms to break the monopoly of the Seven Sisters. Tanaka made oil-for-technology deals with Arab countries and resource-for-technology deals with other developing countries. He built up Japan's nuclear energy and secured deals for independent access to uranium. Finally, he initiated Japan's ties to mainland China.

MITI Minister Nakasone played a major role in this "Shingenha" diplomacy. Nakasone had first made his name as a Diet member in the mid-1950s as a major proponent of nuclear power and as the first Chairman of Japan's Atomic Energy Commission.

Nakasone spoke of his view of resource diplomacy in a forthright June 1973 interview with the Japanese *Economist* in which he rejected Kissinger's anti-OPEC consumer bloc idea:

[The OPEC countries have adopted the] principle of not selling oil to any country which does not cooperate in their industrial construction, or not allowing such a country to mine oil. In fact, the phenomenon of selling "direct deal" [not through the international majors] to a country which cooperates in their industrial devel-

Nakasone on defense and the need for nuclear power

On nuclear energy: [During a 1953 trip to America], I made a study of United States research into the peaceful use of atomic energy. All research relating to atomic power had been prohibited in Japan but I had long been keenly aware of the importance of this work. . . .

If we did not begin such work in Japan as quickly as possible, our country soon would be left behind by the coming energy revolution.

For a country as poor in natural resources and energy as Japan is, the creation of new wealth through scientific and technological progress is essential for national survival. Particularly in areas of study requiring a comprehensive approach and long-term planning—like the peaceful use of nuclear energy—the government must take responsibility for setting national policies, providing the appropriate stimulus and taking the lead in development. . . .

That was the time when U.S. President Dwight Eisenhower was making his famous “Atoms for Peace” speech before the United Nations General Assembly, in which he set forth his policy of international cooperation in the peaceful use of atomic energy. . . .

In March 1954, I succeeded in persuading the cabinet to earmark 230 million yen for a basic study on the construction of nuclear experimental plants. . . .

Today there are 38 operational nuclear reactors in Japan . . . [providing] 16 percent of Japan’s total electric power output. These plants proved their value during the oil crises.

I firmly believe that scientific and technological growth and improved productivity through cooperative industrial relations were indispensable if Japan was to make its way in the world as an independent nation devoted to peace.

I attached conditions to my support for the Nuclear Non-Proliferation Treaty. I wanted to know how the nuclear powers intended to limit nuclear arms. . . . guarantees that the nuclear powers would not use nuclear weapons to threaten or attack non-nuclear powers . . . assurance that the industrial secrets of each country’s nuclear power industry would be protected. My criticism of the treaty was a criticism of the whole idea of nuclear chauvinism.

On defense policy: I next met [in 1951] with U.S. special envoy John Foster Dulles, who was in Japan to

negotiate the peace treaty that would end the occupation. I spelled out the provisions I thought should be included in the treaty, and discussed the need for and possible contents of a mutual defense agreement. In this document I made a special point of asking that Japan be given complete freedom to conduct scientific studies, including the right to study the peaceful use of atomic energy.

I did not disagree with the basic policy of cooperation with the Western world, especially the United States. Nonetheless, I was convinced that complete independence would only come when Japan was capable of administering and defending itself and of contributing in some measure to the security and well-being of other states. . . .

However, it led many Americans to regard me as a dangerous individual, steeped in rabid nationalism. . . .

As I saw it at the time, this [just-signed] Japan-U.S. Security Treaty was altogether too one-sided. We relinquished jurisdiction over members of the U.S. Forces stationed in Japan; we permitted U.S. Forces to act against domestic unrest. The treaty lacked an expiration date. The agreement might have been better termed a treaty of protection. . . .

A people that have become used to the protection of another country soon lose the will to defend themselves. They degenerate into weak and selfish materialists who put the pursuit of economic prosperity above all else. This was the outcome I most feared when the security treaty was signed. . . .

[Nakasone noted that the 1960 treaty revisions remedied many problems, and commented “Today we have a good treaty.”—ed.]

I was appointed head of the Defense Agency in the Sato cabinet in 1970. The following was my first public statement on taking office as Defense Agency Director General: Japan will defend itself by itself. This is our foremost and fundamental principle. When we cannot do everything by ourselves we will join with others. In the past we have often given the mistaken impression that Japan’s defense plans exist only as a part of American strategy in the Far East. I believe we must dispel this misunderstanding. We must strive to establish our own basic policy on defense. . . .

Japan should content itself with a non-nuclear defense of its territories, air and sea. By no means should it seek to become a major military power. . . .

As an industrial nation with sophisticated science and technology at its disposal, the greatest contributions Japan can make to world peace are through cooperation in the economic and cultural spheres.

opment has appeared . . . This led Japan to offer positive cooperation . . . The majors side, taking this Japanese bid as a threat, advanced that consumer country bloc idea . . . European countries do not agree . . . The consumer bloc idea is Dulles diplomacy in oil . . . We have no intention to follow servily any idea that is not reasonable globally . . .

The 1973 clash

For Henry Kissinger, Japan's "resource diplomacy" and the foreign policy independence it presaged, was a direct challenge. This became particularly true after the Aug. 15, 1971 dollar crisis and the issuance of the Club of Rome's "Limits to Growth" report. Under the pretext of "limited resources," the Club of Rome rehashed the classical British colonial view that the rapid industrial growth of heavily populated non-white Third World countries was a political threat to the existing industrialized nations.

For this "low growth" faction—represented in the Nixon administration by Kissinger, Undersecretary of the Treasury Paul Volcker, and Labor Secretary George Shultz, but not including Nixon himself—Japan's cooperation with such nations through "resource diplomacy" was a threat.

Kissinger's indignation was communicated to Tokyo in a heated 1973 cabinet meeting by Foreign Minister Masayoshi Ohira. Ohira warned that Nakasone's planned trip to the Middle East was a direct challenge to Kissinger's Middle East policy. According to MITI sources, Ohira said that Kissinger had gone so far as to threaten that the Seven Sisters would reduce their oil supplies to Japan, if Japan defied his anti-OPEC consumer bloc—all of this occurring *before* the October 1973 oil shock.

Kissinger's threat simply underscored the need for independent access to resources. Nakasone traveled to the Middle East in 1973 and again in January 1974.

Kissinger personally contacted Nakasone and, in a heated shouting match, warned Nakasone that he'd better drop the oil-for-technology policy. "What benefit is there for Japan in what you say?" Nakasone demanded of Kissinger, according to Nakasone associates. "Unity with us," was Kissinger's reply.

Kissinger and the Draper Fund retaliate

Kissinger's revenge came a few months later. The Japanese magazine *Bungei Shunju*, charged Tanaka with corrupt funding of his construction firm and his LDP faction. Nothing much came of this story until Tanaka appeared before the Foreign Press Club. There, reporters from the *New York Times* and the *Washington Post*—the same papers that "Watergated" Nixon—created a furor over the issue and chastised the Japanese reporters for not going after Tanaka. After that, the scandal grew inside Japan; by November 1974, Tanaka was forced to resign.

What was the source of *Bungei Shunju*'s information? The original material was not in Japanese, but in English! Indeed, large portions of the piece had appeared months earlier in a Chicago paper called *Rising Tide*, published by the Unification Church of Rev. Sun Myung Moon. The major Japanese backer of Moon's "church" is a very powerful Dope, Inc. gangster and former Class A war criminal named Ryoichi Sasagawa. Sasagawa is no ordinary mafiosi. Aside from his high-level connections in the LDP, Sasagawa is the honorary chairman and financier of the Washington, D.C. Draper Fund/Population Crisis Council—the main U.S. co-thinker of the Club of Rome. On the Draper Fund board along with Sasagawa sit Robert McNamara, George Ball, Maxwell Taylor, Henry Fowler, C. Douglas Dillon, Holland's Prince Bernhard, and Club of Rome chieftain Aurelio Peccei. Among its supporters was Kissinger National Security Council staffer Robert Hormatz.

In September 1975—four months before Lockheed broke—Sasagawa visited the United States to meet with McNamara, Dillon and officials of Lehman Brothers and Bache & Co. Just as in the Italian case, Kissinger had not hesitated to use gangsters and terrorists for his purposes.

The *Bungei Shunju* scandal removed Tanaka from the prime ministership, but by no means was his power destroyed. No indictment was handed down. Tanaka retained his parliamentary seat and there was wide speculation he would one day return to power.

Then, in January 1976 a Special U.S. Senate Committee heard testimony from two officers of a corporation under virtual receivership to the U.S. government and to the investment banks that had hosted Sasagawa, the Lockheed Corporation. The officials told the Church Committee that their firm had bribed officials in a number of countries, notably Italy and Japan.

From that point on, Tanaka was indicted, and subject to possible imprisonment. Though he could put other men in power, he was blocked from ever returning to the prime ministership himself. An added benefit for Kissinger is that Tanaka's successor, Prime Minister Takeo Miki, who had followed a "Shigenha" policy in his own way, was deposed from office due to the bitter LDP infighting catalyzed by the Lockheed scandal.

In September 1976, Journalist Seichiro Tahara charged in a *Chuo Koron* article, "Kakeui Tanaka, Who Stepped on American Tiger's Tail" that networks run by Kissinger and Kissinger-backed David Rockefeller had engineered the Lockheed scandal in order to end Tanaka and Nakasone's resource diplomacy, particularly in oil and nuclear energy. At the time, "Shigenha" businessmen told *EIR* they agreed with Tahara's article.

This spring, Nakasone is slated to be the next victim of Lockheed, and Tanaka is scheduled to be finally "finished off" by a court conviction—unless they "go Italian" and name Kissinger.

Bush gives Pretoria carte blanche

The only national sovereignty in Africa which the United States recognizes, the Vice President demonstrated, is South Africa's.

African nations must give up their sovereignty, Vice-President George Bush told them last month on his seven-nation tour of Africa.

Bush didn't say that in so many words, but his deprecatory attitude toward the Organization of African Unity (OAU), a continent-wide organization of sovereign nation-states, was the beginning of this message. His endorsement of South Africa's murderous and destructive role in southern Africa, and his repeated backing of the South African position on the issue of independence for Namibia, drove the point home.

Last week I reported the economic policy content of Bush's trip, which was based on a World Bank nation-wrecking blueprint. The trip was set up by Asst. Secretary of State for African Affairs, Chester Crocker. "Crocker held Bush's hand throughout the entire trip," one Washington source told me. Crocker worked under Henry Kissinger when Kissinger headed the National Security Council Staff, and became later African Studies director at Georgetown's Center for Strategic and International Studies, a favorite Kissinger haunt.

Crocker's priority concern for Africa is its mineral wealth. Married to a Rhodesian, he is considered an expert on southern African affairs.

The key political concern of the African leaders Bush met with was the Reagan administration's attitude toward the stalled negotiations on the independence of Namibia. The U.S. had relaunched these negotiations,

which involved four other Western nations (France, Britain, Canada and West Germany), South Africa, and SWAPO, the national liberation movement in Namibia. The issue of Namibian independence has been unresolved since 1966, when the United Nations revoked South Africa's League of Nations mandate to administer the territory. South Africa presently occupies the territory with upwards of 20,000 troops.

On his trip, Bush adopted the South African position on further Namibian negotiations, making the withdrawal of Cuban technicians and troops from neighboring Angola a precondition for further talks, and thus attempting to dictate Angola's foreign policy.

The Namibia issue as it is being currently played out has nothing to do with independence, but whether South Africa will be able to make and break nations at will in southern Africa. South Africa is sponsoring a rebel movement which is trying to topple the government of Mozambique. A similar force is prepared for operations into Zimbabwe. South Africa is backing the Unita guerilla insurgents in Angola. South African troops actually occupy part of Angola's Cunene province. On Nov. 11 Angola's President reported that the South African Army has inflicted \$10 billion in material damage on the country since independence in November 1975.

While South Africa has been on the rampage, the Reagan administration has not lifted a finger to rein it in. According to Crocker's reasoning any

harsh words from the administration would disrupt his policy of "constructive engagement," based on enticing South Africa to reenter Namibia negotiations they have repeatedly backed away from, by coaxing and wheedling. Bush indicated that Crocker will continue to pretend to seek to negotiate for two more years while South Africa gets a free hand to destroy other nations: "If there is to be security in Southern Africa, South Africa must be involved in shaping it." South Africa's threats to drop any pretense of talks and instead install a black puppet government of its own in Namibia—the excuse used by Crocker, *et al.* to continue the "negotiations" charade—are only a bluff. No such arrangement could last.

South Africa's destructive activity nicely complements the IMF's nation-wrecking. South Africa easily qualified recently for a \$1 billion IMF loan, unlike other Africa countries, since South Africa has no qualms about destroying its own population.

Bush's efforts to use African refusal to accept the linkage of Namibian independence to the withdrawal of Cubans from Angola met with blistering criticism from even moderate African governments. In words of Kenya's President Daniel Arap Moi, "No nation that possesses true democracy and national sovereignty should connect the two issues."

Afterwards, Crocker treated all criticism of Bush's trip as if Africans were children letting off steam: "African leaders often find it hard to state publicly their positions, and must publicly express a position of disassociation from us . . . the point is, no one should be deceived about the rhetoric involved."

As one of my African sources put it: "Bush made Kissinger look like a pygmy."

International Intelligence

Argentina grants asylum to Bolivian drugrunners

Argentina's military junta has officially granted political asylum to Luis Arce Gómez, the former Bolivian Interior Minister who took refuge in Argentina shortly before the current Bolivian President, Hernán Siles Zuazo, took office in mid-October. Arce Gómez, an asset of the drug-running and terrorist apparatus run by the fascist Propaganda-2 Freemasons, served as Interior Minister under the 1980-81 presidency of "cocaine general" García Meza. He is wanted in Bolivia for his role in directing paramilitary death squads, drug-trafficking, and for the assassination of Socialist leader Marcelo Quiroga Santa Cruz.

Action taken by the Siles Zuazo government shortly after taking power revealed the scope of the P-2's drug and terrorist activities in Bolivia, including its deployment of such European fascists as Steffano della Chiaie and the recently captured Pierluigi Pagliani. Investigations also revealed the support given these networks by the P-2 linked faction of Argentina's military intelligence. It is this latter faction that has guaranteed protection to both Arce Gómez and García Meza in Argentina.

Israeli mafia pushes another Haddadland

The Israeli occupying force in Lebanon is quietly working to create another Israeli-controlled enclave in central Lebanon, like the one in south Lebanon known as "Haddadland" after the mercenary Major Saad Haddad.

Israeli Defense Minister Ariel Sharon and the Israeli mafia behind him are the architects of a scheme called the "Druze Open Door," according to which the current leadership of the powerful Druze sect which dominates the Chouf region, Walid Jumblatt and his large clan, are to be ousted—and his pro-Israel rival Majid Arslan to become Druze leader.

Walid Jumblatt, who has been vocal in opposing Israel's provocative occupation of

the Chouf, narrowly escaped assassination Dec. 1, when a large bomb exploded in West Beirut. Three days earlier Prince Majid Arslan for the first time welcomed the Israeli forces in the Chouf. Lebanese sources say that the Israelis are primarily occupying towns under the control of the feudal Arslan clan, such as Aley, to protect them from the Jumblatts.

The Chouf region contains some of the most lucrative illegal drug, gun and contraband business in the world. It passes from the Syrian occupied Bekaa Valley in Eastern Lebanon to the port towns of Lebanon.

Lebanese President Amin Gemayel issued a call to the United States on Nov. 30 to increase the multinational force in Lebanon in order to quell the growing violence in the Chouf, which Gemayel has been powerless to stop.

Colombian labor targets monetarists

On Dec. 9, Colombia's four labor federations—three million strong—will demonstrate throughout the country to demand nationalization of the drug-linked banking system, and the lowering of interest rates, as the prerequisite of a reindustrialization policy. In addition important forces within the movement will be demanding a continent-wide debt moratorium as the means for achieving such a program.

The march's program was hammered out following an explosive Nov. 25 meeting of the National Wages Council. Club of Life member and executive of the UTC labor federation Jorge Carrillo told the assembled labor representatives that "The high interest rates and bad management of the financial sector are the causes of the economic crisis. . . . The workers have had no hand in these policies and cannot be the ones to sacrifice . . . but rather those who have benefited from high levels of indebtedness and soaring interest rates."

Carrillo's words were in response to Finance Minister Gutierrez Castro who, while sharply denouncing the foreign indebtedness and industrial stagnation for making Colombia "one of the most strangled countries in the Third World," nonetheless of-

fered the desperate "solution" of worker sacrifice as the only means of staving off "economic catastrophe."

Carrillo explains, "One cannot combat inflation in Colombia based on the hunger of its workers because inflation is caused by . . . high interest rates, by the fact that for every productive worker there are three who don't produce, and because of the declining value of obsolete machinery." He ended with a call for the Colombian government to join with its neighbors "to ask for a renegotiation of the continent's foreign debt, or a moratorium."

European Nuclear Committee founded

Newspapers in France, including *Le Monde*, the country's "newspaper of record," called attention to the founding meeting of the European Committee for Nuclear Energy that took place in Strasbourg near the Franco-German border Nov. 27, which was addressed by *EIR* founder Lyndon H. LaRouche, Jr., Helga Zepp-LaRouche, Jacques Cheminade, and leaders of several European nations.

On Dec. 1, *Le Monde* reported:

"A European committee for nuclear energy was founded Saturday Nov. 27 in Strasbourg, at the initiative of the National Committee for Nuclear Energy and the Franco-German Committee for Nuclear Energy. Delegations coming from Sweden, Spain, Italy, Belgium, Germany and France, bringing together industrialists, scientists, engineers, trade union leaders, political personalities and university professors, participated in the creation of that committee which will designate its board of directors 'before the end of the year.'"

"The aim of the committee is to define and put forth a new policy of 'Atoms for Peace' renewing the historical optimism of great projects of North-South economic development such as those of General de Gaulle and President Eisenhower. 'To develop nuclear energy without delay in the European countries is a necessity if Europe wants to pull out of the economic crisis; to export European nuclear technologies to the Third World is synonymous with rapid develop-

ment in those countries of highly skilled jobs, and of prosperity for our countries,' declared the spokesman for the Committee, Jacques Cheminade, General Secretary of the European Labor Party, and François Georges Dreyfus, Director of the Center for German Studies and of the Institute of Political Studies of Strasbourg.

The necessity to promote research in the domain of controlled thermonuclear fusion, the next great area for energy development, according to the committee, was also stressed during the course of the conference.

"The Committee also raised the question of defensive beam weapons capable of destroying ballistic missiles while flying in space. 'It is the realization that those weapons and not the utopia of the dangerous movement in favor of freezing nuclear weapons and of jeopardizing all the present strategic equipment based on nuclear terror are what can guarantee peace,' Mrs. Helga Zepp-LaRouche, president of the Club of Life, stressed during a press conference.

"The new committee, which wants to be the 'real peace movement,' has the intention of organizing a symposium which will take place parallel to the upcoming summit of non-aligned countries in New Delhi next February."

Peeved Pakistanis won't take F-16s

The week before the scheduled Dec. 6 arrival of Pakistani strongman Zia ul-Haq in Washington, word got out that the weapons deal at the center of the U.S.-Pakistan relationship was in trouble. Pakistan has apparently rejected delivery of the first six of the forty F-16 fighter planes in the \$1.6 billion arms package, because the craft were not equipped with the sophisticated electronic devices generally installed on their American counterparts—which allow them to carry nuclear payloads.

The planes were to have been delivered on Dec. 2, in time to add a military flourish to General Zia's departure.

The planes had already been officially accepted by Air Commodore Hakim-ullah of the Pakistani Air Force in ceremonies Oct. 13 at the Fort Worth, Texas, division

of General Dynamics, the F-16's manufacturer. Saudi Arabia had already made the down payment on the planes for Pakistan.

'The Germans were afraid, that's all'

The American embassy in Bonn has been caught at the center of a rumor campaign aimed at blocking the influence in the Federal Republic of Germany of Lyndon H. LaRouche's call for the United States to develop a beam weapon anti-ballistic missile system. LaRouche issued the call at a Nov. 26 conference held by the *Executive Intelligence Review* in Bonn.

German military personnel, contacted by *EIR* to attend the conference, expressed interest but said they could not come with the prior approval of the U.S. embassy. One German officer named embassy staffer Mr. Dillion, the liaison to German military intelligence, as the man who would have to give the okay.

The State Department declares that it has no jurisdiction over private conferences; yet German officers continue to say that approval from Washington is required for a meeting of a military nature.

Although the *EIR* conference was well-attended, there was a notable absence of Germans and Americans.

Behind the bureaucratic runaround is a bitter fight to block LaRouche's influence. The Bonn embassy has previously been implicated in efforts to strip security protection from LaRouche and his wife. Commented one representative from a defense-related American company: "I heard the seminar was good, but you didn't have many Germans, did you? . . . The reason is that the rumor traffic around this was the highest I've seen in years. The Germans were afraid, that's all."

The left-liberal daily *Frankfurter Rundschau* carried a journalistic attack against the *EIR* conference Dec. 1, noting that the West German government was circulating an "internal government dossier" in March, denying the credibility of *EIR*'s information on "the illegal weapons trade, drug smuggling, imminent terrorist activities, and whatnot."

Briefly

● **EDGAR BRONFMAN** will visit Moscow sometime in December at the invitation of the Central Committee of the Soviet Communist Party. According to the Israeli daily *Haaretz*, Bronfman's trip to Moscow is being viewed in the context of a possible thaw in bilateral U.S.S.R.-Israeli relations. Bronfman's contact point and 'sponsor' in Moscow is Georgii Arbatov, director of the U.S.A.-Canada Studies Institute in Moscow. It is expected that Bronfman will meet with new Soviet leader Andropov during his stay in Moscow. Last summer, Bronfman hired the former Israeli ambassador to Washington, Ephraim Evron, who is known among diplomats as a Kissinger man, to serve as his adviser on Israel.

● **TRADITION** Family and Property took out a six-page ad in the largest Mexican newspaper *Excelsior*, on Nov. 29 to attack Pope John Paul II and his *Laborem Exercens* encyclical as "socialist." According to the statement, signed by TFP's Brazilian chapter, the ad has been published in 90 periodicals in 35 countries, as part of a campaign against the Second International which began a year ago. The French government has also been targeted.

● **TRILATERAL** Commission candidate Garret FitzGerald claimed victory Nov. 26 over incumbent Irish Prime Minister Charles Haughey. Kissinger-associate Fitzgerald, also a former Prime Minister, is expected to be a beneficiary of real estate operations now in motion around expected Israeli annexation of the West Bank of the Jordan River.

● **MECHAI VIRAVAIIDYA**, a member of the World Population Council, announced that he plans to celebrate the King of Thailand's birthday on Dec. 5 by performing 1,000 consecutive vasectomies in Bangkok—a new world record. Angus Ogilvie, the Queen of England's cousin, will be in town to share in the festivities.

Will the White House fall into Howard Baker's trap?

by Richard Cohen, Washington Bureau Chief

Senate Majority Leader Howard Baker (R-Tenn.) is now the pointman in an effort to nurse the White House into a deal that would all but eradicate President Reagan's ability to make sharp, independent political and economic moves during the period of intense crisis foreseeable in the spring and summer of 1983.

Baker and his collaborators are seeking signals from the President's State of the Union Address that would mark a change from the President's previous commitments to U.S. defense and national security, and a more conciliatory tone to a European and U.S. "peace movement" planning for potentially violent street actions next year. In addition, Baker is reported to be seeking signs of White House willingness to accept congressional moves to create institutions of permanent depression, institutions masquerading as "jobs programs."

This plan centers around surfacing Baker, along with Senate allies Finance Committee Chairman Robert Dole and Budget Committee Chairman Pete Domenici as "backroom" brokers between the Reagan White House on the one hand and the Federal Reserve Board and House Speaker Tip O'Neill. The powerful sponsors of the "Baker Project" are essentially the same New York and London commercial and investment bankers who in late 1981 ferried the staffs of the Senate Budget and Finance Committees from Washington up to New York in order to craft a 1982 tax increase and deepen federal budget cuts.

My sources insist that the same administration conspirators that promoted the 1981-82 Bank for International Settlements (BIS)-crafted austerity package are now privately involved in in-house lobbying for the "Baker Project." White House Chief of Staff James Baker III is said to be the most informed and direct agent of the Baker Project in the White

House. In addition, Baker's top assistant, Elliot Richardson-protégé Richard Darman, is now reported to be in the leading position to replace Deputy White House Chief of Staff Michael Deaver, and to have recently assumed direction over White House domestic policy. Office of Management and Budget Director David Stockman, Vice-President George Bush, and Commerce Secretary Malcolm Baldrige are reported to fully back the "Project," along with Secretary of State George Shultz, who has recently assumed a dominant position within the Reagan administration's "Economic Troika" of Stockman, Treasury Secretary Donald Regan, and Council of Economic Advisers Chairman Martin Feldstein. These sources point to Shultz's close collaboration with AFL-CIO President Lane Kirkland in promoting the gasoline tax and "road repair jobs bill" certain to pass the congressional lame-duck session. Shultz, in collaboration with Jim Baker and Kirkland, is said to be urging the President to drop Labor Secretary Ray Donovan, an opponent of the Depression-style jobs programs endorsed by Kirkland, if he hopes to get the support of the Building Trades unions of the AFL-CIO and their president, Robert Georgine, in 1984. Shultz is also reported to be opposed to key aspects of the President's strategic modernization program.

The most powerful backers of the "Baker Project" have two important tactical objectives within the next six months. First, they must eliminate the policy access to the Reagan administration of *EIR* founder Lyndon H. LaRouche and his associates, and second, they must finally break the last remnants of presidential independence by forcing Reagan to yield publicly to congressional *diktat* around the time of the 1983 State of the Union address.

Three additional parameters will be brought to bear by the BIS by mid-1983. 1) The President will presumably have

to launch his 1984 presidential campaign in the midst of an economic crisis. If the President is subjected to the "Baker Project" and LaRouche policy access is successfully blocked, then the BIS will have no obstacles in securing control over the apparatus of emergency government. 2) In addition, mid-1983 will mark the growing emergence of the U.S. and European "peace movement" within the context of the planned stationing of the new U.S. tactical nuclear missiles in Europe. This and rising unemployment are to be used by the BIS crowd to force irreversible strategic concessions from the President. 3) Finally, any potential for an independent Reagan initiative toward the Soviet leadership, according to this perspective will by mid-1983 have been eliminated through the consolidation of Andropov policies centered about building the peace movement.

The Baker option has surfaced amidst enormous behind-the-scenes activity generated between the White House and Capitol Hill following the November elections. Negotiations involving the Hill Democratic and Republican leaderships and White House representatives have been continuous on the conduct and parameters of the 1982 lame-duck session and the fiscal 1984 budget. The net result of these smoke-filled sessions was stated bluntly by Baker himself on national television on Nov. 28. "We are never going to save our way out of the recession. . . . There is no prospect of significance savings from defense, domestic appropriations, or benefit entitlement programs, at least for the near future . . . so we are going to be locked into high deficits at least for the time being, unless we can increase the level of economic activity of the country, and that is dependent to a remarkable extent on the level of interest costs." Baker urged "higher level of cooperation and coordination among the White House, Congress and the Federal Reserve," stipulating that "all bets are off if interest rates start going back up."

What Baker was reflecting was the fact that after three weeks of negotiations, there was no consensus on Capitol Hill to accept greater cuts in the "social safety net" of domestic programs and entitlement programs—cuts supported by some prominent Reagan administration members. In addition, the President demonstrated that he was unprepared to accept any substantial cuts in the defense budget.

Presidential advisers had convinced Reagan that he could seize the initiative during the lame-duck session within the context of this budget deadlock by promoting a six-month acceleration of the third year of his tax cut; but only two days after Baker's television appearance, the President could find no support within the Republican Hill leadership and the day before to the President's sudden abandonment of the tax-cut acceleration ploy. O'Neill, flanked by House Majority Leader Jim Wright, had already effectively seized the lame-duck initiative by announcing a \$5 billion jobs program for the restoration of federal buildings and federal housing projects.

On the same day, the Democratic leadership announced an all-out attempt to defeat the MX missile in the lame-duck session. Rep. Joseph Ababbo (D-N.Y.), chairman of the

important Defense Appropriations Subcommittee, in concert with full committee Chairman Jamie Whitten, indicated that they would attempt to eliminate the \$998 million required for the first five MX missiles—thereby killing the program. O'Neill quickly sanctioned the moves. On the Senate side, Ernest Hollings, (D-S.C.) ranking minority member of the Budget Committee, claimed on the same day that he now had enough Senate votes to kill MX funding. Disarmed by the Republican leadership's failure to support the tax acceleration ploy, the President now faces Democratic momentum on both the "jobs" and "defense cut" questions.

Speaking on national television on Nov. 18, Baker hinted at the role he would play in bargaining the White House into larger "makework" jobs programs in 1983. He ruled out anything more than the limited highway jobs program that he, the President, and O'Neill endorsed for action in the lame-duck session, but left the door open for next year. Baker has also told the President that he will do everything in his power to postpone a final decision on the MX until next year. However, the President will have to be "more flexible" on arms control and the defense budget. Finally, the Senate majority leader with the help of Jim Baker, has told the President that if he buys this package, a deal may be possible with the Fed to lower interest rates.

Such "conservative" think tanks as the Heritage Foundation and the Hoover Institution, who retain significant influence in White House and Pentagon circles, were badly discredited only two days prior to Baker's television appearance. According to sources close to the White House, economic position papers were leaked to the media by elements close to Jim Baker. These position papers were said to be the responsibility of White House presidential counselor Edwin Meese, and reportedly urged a series of harsh austerity initiatives, including a tax on unemployment checks and lowered minimum wage for youth to "increase employment."

Sources close to the White House report that the President in no way sees himself as having compromised his principles on U.S. defenses and national security and on his opposition to the programs of permanent depression. In fact, in private negotiations preceding the lame-duck session, the President personally overruled suggested concessions from his chief negotiators in order to retain his commitments. Secondly, these sources stress that the President is still far more confident in the advice of his two old friends and advisers Meese and National Security Adviser William Clark. And finally, as the austerity remedies of the "New Right" and "conservative" think tanks have become discredited, sources report the influence of presidential confidant Dr. Edward Teller to have increased; the President is now said to be committed, at least in broad terms, to Teller's approach to the development of advanced directed energy defensive systems.

But perhaps most dangerous to the deal the BIS crowd are counting on is the persistent presence and increasing influence of LaRouche, whose economic recovery program could overturn all the current parameters.

The dirty dealings in the office of Manhattan D.A. Morgenthau

by Vin Berg

On Dec. 3, attorneys for the National Caucus of Labor Committees (NCLC), which is chaired by Lyndon H. LaRouche, entered New York State Supreme Court requesting legal relief from grand jury proceedings scheduled to begin at noon that day.

The case arose from a Nov. 16 raid by 17 detectives from the office of Manhattan District Attorney Robert Morgenthau on the New York premises of PMR Printing Company, which prints *EIR* and several other publications of organizations associated with LaRouche, and at which a number of NCLC members are employed. Morgenthau was allegedly seeking evidence linking PMR to an Oct. 24 supplement in the *New York Times*, reporting on the political dirty dealings of the East Side Conservative Club of New York mob lawyer Roy Cohn, which the *Times* claims to have been bogus. Legal observers say that there is no identifiable law on the New York statute books, aside from Third Degree Forgery—a Class A misdemeanor not subject to investigation by grand jury proceedings—with which the circulators of the *Times* supplement, if it was indeed bogus, may be charged. PMR employees, all subpoenaed at the time of the search, have moreover not been formally notified of potential charges or even the subject and scope of the district attorney's so-called investigation.

For these reasons, as well as the remarkable irregularities in Morgenthau's subpoena-serving procedures, NCLC attorneys asked the court on Dec. 3 to quash all subpoenas. Failing a favorable ruling on this motion, the NCLC legal team will seek a stay on grand jury proceedings on the grounds that they were a politically motivated attack on a political organization and its members, in violation of their civil liberties.

"The entire affair is what lawyers like to call a 'fishing expedition,'" said an NCLC spokesman on the eve of the court action. "The story about the *New York Times* supplement is being used as a ruse to permit a campaign of political

and legal harassment against LaRouche and his associates. Even if no prosecution results from the grand jury actions, the operation could be used to financially exhaust the international LaRouche organization, with a wave of costly court hearings and civil suits."

In the light of day . . .

District Attorney Morgenthau has been involved in many covert operations against LaRouche in the past, but this one is the riskiest, because it is being conducted openly in the name of the D.A.'s office. By stepping into the light of day in this way, Robert Morgenthau has made himself, his financial and political associates, and his record in office matters for intense public scrutiny.

For him, the result has been most damaging. Facts now exposed reveal a figure who, in a country which loves to talk about its "corrupt politicians," is one of the worst of the lot. He is part of the seamiest side of British and Israeli intelligence operations, those tightly interfaced with organized crime, the kind of operations that involve assassination, terrorism, drug traffic—while he serves as chief law-enforcement official for a city which, since he assumed office, has experienced the worst growth in narcotics traffic and crime in the nation.

When Morgenthau moves to openly attack LaRouche, much more than Robert Morgenthau is exposed to public view.

• Morgenthau is a close associate of "Israeli Mafia" circles historically associated with the Meyer Lansky empire, circles at whose center is Israel Defense Minister Ariel Sharon, the butcher of Lebanon, and Gen. Rehavam Zeevi, a.k.a. Gandhi, a reputed underworld boss expelled from Israel's armed forces for arms smuggling and drug traffic links. Zeevi heads a financial combine which has been buying huge chunks of West Bank land in anticipation of massive profits pending Israeli annexation. It is confirmed that Henry Kissinger, whose

associate Lord Harlech organized the buy-up, is one of the "investors." Morgenthau held a meeting with Kissinger two days before Kissinger flew to London for meetings with Lord Harlech to discuss this combined geopolitical maneuver and financial grab.

- Morgenthau sits, at Sharon's request, as chairman of an organization called PEACE ("Preventing Emergence of Another Arab Country in Eretz Israel [Judea, Samaria and Gaza])," the American branch of the Lansky-mafia-controlled Gush Emunim sect which claims all of Jordan and most of Lebanon and Syria on grounds of Jewish "racial superiority."

- Morgenthau is part of an illegal foreign-intelligence unit functioning under the code-name Project Leviticus. The unit, identified to *EIR* as a "Mossad" or "ADL" (Anti-Defamation League) unit (Morgenthau sits on the ADL's National Commission), represents a pro-British Jewish-surname outfit engaged in efforts to strip the United States of intelligence capabilities in the Middle East. The arrest and prosecution of CIA agent Frank Terpil by Morgenthau's office is said to have been part of Project Leviticus operations, which seek to substitute British for American influence in the Middle East.

- Morgenthau is married to Lucinda Franks, currently a free-lance reporter for the *New York Times*, her cover for British-linked intelligence operations (the network of which she is part is sometimes misnamed the "left CIA") which have placed her in the orbit of terrorist networks in Europe and the United States. She interviewed and received regular communiqués from Weatherunderground terrorists during the mid-1970s, withholding the documents from the FBI. She wrote articles praising the terrorist Weathermen, and the Symbionese Liberation Army captors of Patricia Hearst, acknowledging that she had seriously considered joining the terrorists. Franks collaborated with British-intelligence stringer Michael Vale in Europe and the United States in efforts to penetrate the LaRouche organization in the early 1970s, pending an assassination attempt on LaRouche which was aborted after exposure of Vale's agents. Franks, then working for UPI, switched to the *New York Times*.

- Robert Morgenthau was involved in what intelligence professionals call "security stripping" against LaRouche in 1978. One David Newsome physically assaulted an associate of LaRouche, and during the court-room testimony, Newsome declared he had committed the assault because LaRouche "had been speaking to me." On that pretext, Morgenthau subpoenaed LaRouche. Only two weeks earlier, LaRouche had been the victim of an assassination attempt in Detroit, Michigan. Yet Morgenthau's office refused to provide security cooperation for LaRouche's court-room appearance. The Detroit attempt was traced to circles of Max Fisher, reputed Midwest "Purple Gang" boss known personally to Morgenthau through a British-intelligence front called the Jerusalem Foundation.

- Repeated formal complaints filed with Morgenthau's

office regarding death-threats, physical attacks, and harassment of LaRouche-linked organizations met with repeated refusal to investigate by Morgenthau's office, even when the evidence of a pattern of incidents proving "aggravated harassment," a felony, was recommended to his attention by the U.S. Attorney for the Southern District of New York. Involved were the Jewish Defense League and the Yippies, among other cult-organizations. Morgenthau, at the center of the circles controlling the JDL and Yippies' overlapping membership, in one instance reportedly delivered a "promise" to the JDL's leadership that he would never prosecute persons who attacked LaRouche, his associates, or their property.

'Open door' for narcotics

- Morgenthau, since becoming District Attorney of Manhattan in 1977, has not simply watched passively as New York was established as the principal entry-point for "Sicilian connection" heroin coming into the United States, and as crime in all categories soared (80 percent of it related to drugs). He has actively worked to turn the city's streets over to the drug czars, by emasculating the powers of his own office, by attacking anti-drug officials in other departments, and by crippling the powers of the police department for effective anti-drug operations. Morgenthau lobbied for passage of the state's "marijuana decriminalization" legislation, which resulted in a 300-percent increase in pot usage among teenagers. He arranged to force the resignation of the city's Medical Examiner, Michael Baden, who took a tough anti-drug position. He instituted a "no arrest" policy on drug-pushers, telling police his office would not prosecute marijuana pushers—who also push other things—even if police arrested them. As a result, the cash flow for drug traffic in New York City is now estimated at \$30 billion. The city's addict population may now be as high as 250,000, each one committing an estimated 200-300 crimes a year to support his habit.

- Since Morgenthau's 1977 election, felonies in New York City have increased 21 percent. Murder is up 17 percent; burglary 19 percent; robbery 35 percent; grand larceny 40 percent. Nevertheless, felony arrests have declined to only 70 percent of 1977 levels. Fewer than 16 percent of felonies in Morgenthau's jurisdiction result in arrest. Arrests for rape dropped 17 percent; assault 19 percent, burglary 23 percent, larceny 15 percent. Arrests on narcotics charges have fallen 21 percent. Only two thirds of all murders result in an arrest. In fact, statistics show, with Morgenthau as district attorney it doesn't much matter if an arrest does occur. He is such an energetic prosecutor that only one of every 263 arrested burglars ever goes to jail.

Perhaps the lesson to be learned, from Morgenthau's ordering of a total of 17 detectives to raid the PMR Printing Company over an alleged Class-A misdemeanor, is this: In Robert Morgenthau's New York, only the criminal is safe.

The New York Times is not really a newspaper

by Richard Freeman

The *New York Times* is not a newspaper and hardly a “newspaper of record.” Most of the conclusions drawn in its articles cannot be substantiated; most of its interviews are contrived; most of its exclusives are laundered intelligence. As a going enterprise, the *New York Times* newspaper makes negligible money.

But if one simply reverses one’s perspective, one can solve this apparent enigma—a non-profitable non-newspaper. The *New York Times* is an intelligence bureau. Many of its reporters file only one to three stories per year, an expensive proposition for a real newspaper, but hardly surprising for an intelligence bureau that files the reporters’ reports and contact meetings for future reference. On a hierarchy of intelligence importance, the *Times* occupies a more stratified position than the Central Intelligence Agency, or the gumshoes of the Federal Bureau of Investigation, the Defense Intelligence Agency or even the National Security Agency, which together comprise the heart of America’s official intelligence services. The *New York Times* runs dirty tricks, prints slanders, brings down governments, aids in assassinations, fronts for and covers sympathetically terrorists, and encourages the drug trade.

The big myth about the *Times* is that it is independently run and is a “Jewish” newspaper to boot. It is putatively run by members of the Jewish-surname Ochs-Sulzberger families. Even Presidents, outraged by the *Times* on one or another occasion, have slurped the paper as “that bunch of deceiving Jews.”

This, too, is poppycock. The *Times*, throughout its history and today, remains under the control of the organizations which were the forerunners of and the actual *British Round Table*, the master intelligence service of the British Crown. In particular, since at least 1893, the *Times* has been under the control and suspected secret ownership of the British Round Table’s most important banking house in America, the House of Morgan.

As this series will show, this important connection makes understandable two seemingly disparate, documentable facts:

a) that the *New York Times* has had the most intimate relationship with the world’s most infamous triple spy, Harold “Kim” Philby, since the 1950s, and has otherwise collaborated with the Soviet secret intelligence services for 50 years; and b) the *Times* shamelessly endorsed the policies of the regimes of fascist genocidalists Adolf Hitler and Benito Mussolini, who exterminated millions of people for purposes of purifying the races, including, of course, of Jews.

The pivotal role of J.P. Morgan

The Morgan control on behalf of British ruling circles of the *New York Times* extends back to at least 1893, when the firm of J.P. Morgan & Co (now called Morgan Guaranty Trust) acquired the *Times* for itself and other top Wall Street financiers, including August Belmont, the official Rothschild agent in the United States and long-time controller of the Democratic Party; Jacob Schiff, the powerful head of Kuhn, Loeb; and Spencer Trask of the Morgan-controlled Trask & Company.

As is the case with Morgan Guaranty today, J.P. Morgan & Co. was in 1893, the most powerful financial house in America. Morgan, along with some Boston Brahmin allies, owned 40 percent of all U.S. railroads, the most important industrial enterprises of the day; Morgan had set up General Electric Co. and American Telephone and Telegraph in the 1880s; within the first ten years of the 20th century, Morgan set up and controlled U.S. Steel, International Harvester, Electric Bond and Share, Bankers Trust, Guaranty Trust, the National Bank of Commerce, and also controlled large chunks of academia, including prominently Harvard (with the Cabots and Lodges), Columbia University, and the University of Pennsylvania.

Morgan’s British roots

The key to the Morgans’ power lay in the fact that the wealth of the family had been built by John Pierpont’s father, Junius, who was a banker in London, operating the powerful firm Junius Morgan and Co. The Morgans were integrated

into top ranks of the Freemasons and the Episcopal Church, the real power centers of the British oligarchical world.

J.P. Morgan held for 30 years the top lay position of the Anglican Church in the United States, senior warden, at the St. George-Trinity Church, located on Wall Street. He was also the treasurer of the fund-raising committee, and paid \$1.5 million of his own money to have the Cathedral of St. John the Divine, the control-center for America's ranking Episcopacy, erected on 110th Street and Amsterdam Avenue in upper Manhattan.

Along with this power, Morgan bought and sold newspapers. He funded Republican Party-oriented newspapers; he also had a heavy hand in promoting Democratic Party-controlled newspapers.

The *New York Times* was founded in 1851 by Henry Raymond. It supported the Confederate slavocracy in the initial phases of the Civil War. In the decade after the Civil War, the *Times* was acquired by George Jones, and when he died, it was left in trust to his family. In the late 1880s and especially early 1890s, J.P. Morgan used the weapon of the British-style gold standard (imposed by the Specie Resumption Act of 1875) to strangle the credit of independent financiers and industrialists in the United States.

The Jones controlling-interest of the *New York Times*, however, started adopting an "anti-gold, free silver" attitude along the lines advocated by William Jennings Bryan. This could be tolerated, as Morgan himself had helped push the free-silver argument, as a safety valve misorientation to prevent large-scale attacks against the destructive effects of the Specie Resumption Act's gold standard.

But the *New York Times* seems to have overstepped the line that Morgan had drawn. Too much criticism of the gold standard, in New York City of all places, was not tolerable. Morgan's retaliation against the *Times* was swift and merciless; he forced it into bankruptcy.

Morgan buys the *Times*

What Morgan did was conduct financial warfare against the *Times*. He and other financiers in New York forced merchants and other potential advertisers in the *Times* to withdraw their advertising. Between the late 1880s and 1896, according to one chronicler of the *Times*' history, advertising lineage in the *Times* declined by 80 percent. Advertising lineage is the life-blood of a paper's revenues—newspapers cover only a fraction of their cost with the money they charge for the newspaper's purchase by customers.

The withdrawal of advertising lineage forced the Jones family interests into the position of having to sell the paper. In 1893, J.P. Morgan and his associates stepped forward to buy.

The House of Morgan bought up the bulk of the *Times* \$250,000 outstanding debenture-bonded debt. J.P. Morgan also bought \$25,000 worth of *Times* stock. Others buying \$25,000 worth of *Times* stock included August Belmont,

Jacob Schiff, and Equitable Life Assurance Co. Morgan's ally, the financier Charles Flint, bought \$550,000 worth of *Times* stock. This gave Morgan almost total control over the \$1,000,000 worth of *Times* stock outstanding. Needless to say, the *Times* stopped the annoying habit of printing anti-gold-standard editorials.

Morgan had plans for the *Times*. He saw the *Times* as a vehicle for an intelligence bureau for what was then shaping up in Britain to be the Round Table of Cecil Rhodes. The purpose of this enterprise, in the words of Rhodes-associate John Ruskin, was to spread the control of the "superior" English-speaking white races "over the entire globe." Ruskin and Rhodes were race purification fanatics as well as unabashed defenders of the extension of the British Empire, including reconquest of the United States.

It undoubtedly occurred to Morgan that it was undesirable to carry out his project for the *Times* while he still officially owned it. It was no secret that J.P. Morgan was more British than the Queen. What was needed was someone to whom the *Times* could be turned over, a puppet. The puppet chosen was a backwoods bankrupt named Adolph Ochs.

Portrait of a nincompoop

In 1896, Adolph Ochs, the grandfather of the current publisher of the *Times*, Arthur Hays "Punch" Sulzberger, offered to buy the *Times*.

Adolph Ochs was born in 1858 in Nashville, Tennessee. His mother, Bertha, was a fervent supporter of the southern slavocracy during the Civil War. Bertha Ochs had, in fact, been a prominent member of the Daughters of the Confederacy after the Civil War, and at her death in the 1890s was buried with a Confederate flag draped over her coffin while the Daughters of the Confederacy officiated at the funeral.

Adolph Ochs dropped out of school at either the age of 13 or 15, and went to work as a printer's assistant. In 1877, he struck out into business and became the business solicitor for the newly founded *Chattanooga Dispatch*. The paper promptly folded.

Ochs moved on to other ventures. In 1878, he bought the *Chattanooga Times*. The paper became a modest success, but one must remember, at this time Chattanooga was barely a town: it had mud-streets and people still carried six-shooters.

In 1888, Ochs overextended himself in a land speculation scheme, having plunked down over \$100,000 for a Tennessee land bubble. The bubble went bust in 1890, and Ochs had to sell everything he owned except his newspaper to pay off his debts. Ochs had other investments, equally bad. By the mid-1890s, with a depression raging in the country, Ochs's situation was desperate. One account of Ochs's life states, "Close associates in Chattanooga had begun to suspect the true state of his affairs, but they helped cover up for him. . . ."

To be continued.

Former Justice Department officials warn against tolerating Abscam tactics

by Freyda Greenberg

The latest in an ongoing series of hearings in the House Judiciary Committee's subcommittee on Civil and Constitutional Rights, former U.S. Attorney for the District of New Jersey Robert J. Del Tufo has presented detailed testimony regarding abuses of the judicial process and of the civil and constitutional rights of citizens that resulted from the Justice Department's Abscam investigation.

Abscam was the entrapment operation run by the Justice Department in 1978-82 to convict leading politicians, businessmen, and trade-unionists of accepting bribes from phoney Arab "sheiks"—i.e., FBI agents. The most famous case produced the forced resignation of Sen. Harrison Williams (D-N.J.) after one of these operations was run against him. Those framed up were constituency-based figures opposed to transforming the United States into a "post-industrial" society.

Del Tufo presented his testimony along with his former colleague William W. Robertson, also of the U.S. Attorney's office in New Jersey, on Nov. 23. Del Tufo and Robertson are continuing a campaign they began in 1979 to bring to light abuses being conducted in the name of the Abscam investigation. The story which Del Tufo and Robertson told the subcommittee pointed directly to Abscam Prosecutor Thomas Puccio as well as U.S. Justice Department officials Phillip Heymann and Irvin Nathan in allowing and in many cases instigating the abuses.

Because of the secret nature of such investigations, not only were the victims of the investigation essentially indicted without benefit of public hearing; those few law-enforcement officials who attempted to keep the investigation from ripping up the Constitution were ostracized by Washington and the Brooklyn Strike Force office (i.e. Puccio) and driven out of the investigation. This occurred when the venue of the Abscam cases was moved from New Jersey to Brooklyn, New York due to objections from Assistant U.S. Attorneys in New Jersey Edward J. Plaza and Robert Weir, Jr. to the Justice Department's condoning of outrageous behavior by Mel Weinberg—the FBI con-man used to set up Abscam stings. At that point they became the subject of a slanderous memorandum from Justice Department Organized Crime Strike Force head Irvin Nathan which to this day is used to isolate sections of New Jersey's crime-fighting apparatus.

Below we reprint excerpts from Mr. Del. Tufo's Nov. 23 testimony.

Del Tufo began his testimony by explaining the standards required to conduct a fair, honest undercover operation. Prosecutorial responsibility involves: "(a) Ensuring that the investigation properly monitors and controls the informant's activities; (b) Ensuring that there is a trustworthy factual basis for suspicion to believe that a person is in fact criminally predisposed before the apparatus of law enforcement is turned in his or her direction and thus before intrusive evidence-gathering techniques are employed; (c) Ensuring that putative suspects are not lured or induced into the commission of criminal acts by overbearing or devious stratagems. . . ."

"In my opinion, Abscam breached in many significant respects proper standards of professional responsibility as well as fundamental restraints and guidelines which should be abided in undercover operations. Moreover, its litigative history—including the fact that lengthy and expensive post-trial due process hearings were required, that various federal district court and appellate court judges have reacted to it with some scathing language, that a heated debate on various issues was triggered in the press, that these hearings have been deemed necessary, and that similar hearings were deemed necessary by the Senate—lead to the inescapable conclusion that, despite its impressive and unique record of convictions, a serious question exists as to whether Abscam has fostered public confidence in the integrity of the law enforcement system. . . ."

Del Tufo placed much of the blame upon the administrators of the investigation:

"The problems with Abscam arose from the failure of the Department of Justice in Washington to insist upon adherence to recognized and well-established guidelines which govern the conduct of undercover operations and to see that effective control and direction of the investigation was exerted by responsible and experienced supervisory personnel.

"Abscam, by its very nature and composition, posed a marked potential for mischief. It demanded close and continuous common-sense scrutiny and control. Abscam was not,

after all, an undercover inquiry into some actual on-going criminal event or enterprise such as narcotics trafficking or some organized crime endeavor. Indeed, it was not even an inquiry into suspected acts of existing political corruption. Rather, as it finally evolved, it constituted a proactive excursion to ferret out potential corruption by utilizing fictitious proposals conceived by the government itself. . . . The need [for close scrutiny] was heightened in Abscam when the government decided to use Weinberg, a convicted felon and con-man *extraordinaire*, to implement the artifice. The danger which Weinberg posed was magnified significantly by the lack of supervision over him, coupled with the apparent agreement to compensate him simply for succeeding in bringing marks before the camera and to bestow a bounty depending upon the importance of the office held by the target. In this environment, vast opportunities were opened for informant self-dealing and for over reaching, even by tricking or conning third persons into compromising situations, and there is evidence that Weinberg may well have acted in precisely this fashion. It was the Department's responsibility to bring Weinberg under control and to keep him under control. Despite admonitions from New Jersey, it failed to do so.

The Department did not install and maintain normal monitoring machinery. Of importance here was the failure to require prompt preparation and dissemination of transcripts of taped conversations so that supervisory personnel in Washington would have an accurate picture of events and could make sound judgments based upon what was actually happening. (Mr. Puccio, when serving as supervisory field prosecutor, could have made a difference, he recognized the problems and New Jersey prosecutors continued to emphasize them to him. But he refused to insist that corrective action be taken.) This particular failure resulted in judgments being made upon the representations of Weinberg, and those closest to him in the field, as to what had occurred. All too often, however, these representations did not accord with the actual facts when, through transcripts of conversations or other information, they became known months later."

Del Tufo then pointed to the existence of evidence that Weinberg received a substantial portion of the \$100,000 passed to former Camden, New Jersey Mayor Errichetti on March 31, 1979, and that he was the source of fraudulent certificates of deposit for whose "recovery" he was financially rewarded by the Justice Department.

Del Tufo reported New Jersey attorneys' attempts to correct the situation:

"Repeatedly between May and July, we discussed the issue with the Brooklyn prosecutors but there was no improvement. During a meeting in Washington on July 18, 1979, I called the matter to the attention of Mr. Heymann, Mr. Nathna, and other senior officials . . . we had discovered, and communicated, Weinberg's coaching of Senator Williams and our concerns intensified over the viability of future prosecutions and over possible violations of constitutional rights. In response . . . coaching was forbidden and

directions were issued to improve housekeeping details, but the commands were honored by field personnel in Brooklyn in the breach and almost never in the observance. . . .

"In my opinion, the field was simply not interested in controlling Weinberg and in putting the necessary monitoring machinery in place. They gambled that Weinberg's style would produce spectacular results and were not concerned about the means he might employ to achieve them. Washington regrettably was unable or, ultimately, unwilling to interfere and enforce its own decrees."

Not only was Abscam executed outrageously, Robert del Tufo testified, but, "Abscam, by its very nature and composition, posed a marked potential for mischief. Abscam was not, after all, an undercover inquiry into some actual ongoing criminal event or enterprise such as narcotics trafficking . . . not even an inquiry into suspected acts of existing political corruption. . . . It constituted a proactive excursion to ferret out potential corruption by utilizing fictitious proposals conceived by the government itself."

In conclusion, Del Tufo recommended:

"The Subcommittee should consider recommending to the Department of Justice that clear and effective internal rules and regulations be promulgated to mandate and guarantee that serious allegations of impropriety by Department informants and employees are objectively investigated by an impartial, independent agency. With respect to Abscam, however, such a remedy comes far too late and would be meaningless. In view of the unique circumstance, coupled with the Department's demonstrated lack of resolve and the gravity of the allegations of wrongdoing, I suggest that the Subcommittee propose whatever legislative or other action is necessary to appoint a special Prosecutor to investigate charges of criminal misconduct by Weinberg and others. . . . A proper evaluation of Abscam cannot be achieved absent access to all relevant information. The Department's selective disclosure to date is inadequate. The reluctance to disclose is puzzling and alarming.

"In my view, Abscam was an aberration. But it is one which could occur again."

National News

Teller decries official know-nothings

Dr. Edward Teller, the nuclear physicist who played a leading role in World War II's Manhattan Project to develop the atomic bomb and led the subsequent development of the hydrogen bomb by the United States, denounced the widespread "ignorance" among federal officials of the potential for anti-missile beam-weapons systems in a Chicago speech Nov. 30.

Teller had described at length both the feasibility, and tremendous strategic importance of beam weapons, which could destroy the triggering mechanisms of nuclear missiles in flight and prevent their detonation, in a speech to the National Press Club Oct. 27.

"We are now in the most uneasy period of our history," said Teller, who was addressing a conference commemorating physicist James Franck at the University of Chicago. He decried the fact that vital decisions on defense-science policy were made by ignorant "bureaucrats," both currently and during the Manhattan Project. "The only way to have a strong defense against nuclear war," said the eminent physicist, "is to think correctly. James Franck did not believe in disarmament." The only person knowledgeable on beam weapons in Washington D.C. is Presidential Science Adviser George Keyworth, he said.

Teller also denounced the Defense Department's classification policy in his remarks.

Successful Space Shuttle mineral-mapping test

NASA investigators have confirmed that the Shuttle multispectral infrared radiometer experiment, performed on the second test flight of the Space Shuttle in November 1981, detected clay and carbonite-bearing minerals on earth while in orbit.

For the first time minerals other than limonite (a common group of iron-bearing minerals) were identified remotely by an or-

biting spacecraft sensor. The identification was done on the basis of a super-refined reading of the infrared spectrum reflected by the target territory under the spacecraft.

Passing over Egypt, the instruments on board the Columbia were able to locate limestone and deposits of aluminum-bearing silicates, using the infrared spectrum given off by the clays associated with these deposits as a clue.

These results, whose findings were afterwards confirmed by ground investigators, indicate that it is now possible to distinguish different types of clay minerals from space, and potentially possible to map the abundance of these minerals, especially in arid environments. Previously, clay mineral identification was possible only using laboratory-sampling techniques.

The same Shuttle mission, STS-2, also demonstrated the use of revolutionary new types of space-borne radar to map the territory beneath the Sahara desert, revealing dried riverbeds and ruined pre-historic towns.

Simpson-Mazzoli not yet out of the woods

One version of the Simpson-Mazzoli "immigration reform" bill, H.R. 6514, was passed by House Education and Labor Committee Dec. 1. But because this committee had substantially amended the version of the bill already passed earlier by the House Judiciary Committee, and other alterations are under consideration by two other House committees, it is unlikely that the full House will have any time to take up the immigration reform question during this lame-duck session.

If the bill is not passed this session, it will die and will have to be re-introduced next session.

The Agriculture, Energy and Commerce, and Ways and Means Committees, to which the bill was also referred for consideration, have all requested an additional day for mark-up of their own versions.

Capitol Hill sources say that House Speaker Tip O'Neill (D-Mass.) had informally promised advocates of the bill over

the Thanksgiving holiday that efforts to reach a consensus on the bill and bring it to the floor would be speeded up. But opponents of the measure think that there is a common understanding among House Democratic leadership that unless the bill can be substantially amended before it comes to the floor, it will not be brought up this session.

Editorial support from the *New York Times* and demands for "quick action" from AFL-CIO President Lane Kirkland have been insufficient to guarantee passage of Simpson-Mazzoli, the primary feature of which is a national identification-card system for workers modeled on the Nazi work card system of the 1930s.

Hodel supports Third World development

Donald Hodel, President Reagan's newly appointed Energy Secretary, singled out the impact of U.S. energy policy on the Third World as the critical issue during his confirmation hearing before the Senate Energy Committee Dec. 1. Hodel reiterated his support for nuclear energy development, the Clinch River breeder reactor, and advanced energy technologies.

He emphasized the issue that had infuriated environmentalists when he debated them during his tenure as head of the Bonneville Power Administration—that their opposition of nuclear energy was having devastating consequences in the Third World. "What Congress and the administration do about energy has global implications, for although what we do in the United States may cause only ripples on the energy shores of our society, it may cause tidal waves on the energy shores of other nations, especially the developing countries," Hodel told the committee.

Hodel then attacked Malthusianism directly. "History teaches us that as a dominant fuel or technology is discovered, flourishes, prevails, and then wanes, another is discovered." Testifying before the committee, Fusion Energy Foundation representative Charles Stevens described the responsibilities of the new Energy Secretary from the standpoint of the strategic necessity of

developing anti-nuclear-missile beam weapons.

Stevens called on Hodel to heed the plea of Dr. Edward Teller that classification wraps on beam weapons be lifted, to inform the American population of the tremendous importance of developing the beam weapon capability, both to end nuclear terror and to serve as the high-technology driver that could pull the U.S. economy out of the current disastrous depression.

Cannon rebukes frameup of Teamsters union leader

Senator Howard Cannon (D-Nev.) told a federal jury Nov. 29 that he was never offered—and therefore did not accept—a bribe from Teamsters union officials in 1979. Cannon was testifying in the government's case against Teamsters union president Roy Williams for bribery of a federal official.

Since Cannon is not accused of wrongdoing in the government's case against Williams, and since the Senator's career was brought to an end in the November election (largely as a result of a press smear campaign linking him to Teamsters union bribery), the prosecution had hoped that Cannon would be willing to provide evidence against Williams.

Instead, Cannon said he had "absolutely not" accepted or been offered a bribe by Williams to scuttle the Carter administration's trucking deregulation bill, and that he had never even met Williams. "I wouldn't know him from a bale of hay," Cannon said.

To back up his testimony, Cannon produced a letter from President Carter praising his role in securing passage of the deregulation bill. Comparing this evidence to the inuendo the prosecution had based its case on, defense attorney Thomas Wadden said that the Cannon testimony had finally allowed the court to "cut out the sliced baloney and dill pickles and get to the nitty-gritty of this case."

Regardless of the outcome, however, observers have noted that the case is already having the effect of tying up the attention of the Teamsters' leadership at a time when they desperately need to be thinking about

economic policy and protecting their membership from the depression. Similar court tactics were used against Teamster president Jimmy Hoffa.

Massachusetts court supports right to die

A Massachusetts jury awarded in mid-November \$2.58 million in damages to the widow of Earle Spring, who died of kidney failure in early 1980, after delivering a "guilty" verdict against a geriatric center and a nurse for their efforts to keep Spring alive. Mrs. Spring claimed that the nursing home had violated her husband's "privacy" by allowing medical professionals and others engaged in a court battle for Spring's life to question him at the geriatric facility.

The 78-year-old Spring, who told a doctor and a nurse that he wanted to live, was pulled from his kidney dialysis machine by court order in January 1980 to allow him to "die with dignity." At that time, medical professionals had determined that Spring had a life expectancy of at least another five years.

The jury also awarded Spring's widow damages against nurse Joan Wolohan, who had allowed a Boston physician and a nurse, who were associates of Democratic Party leader Lyndon LaRouche, to interview Spring in the geriatric center. Spring asserted in the interview that he did not want to die.

LaRouche, a candidate for the Democratic Party nomination for President in 1980, led a campaign to pressure both President Carter and Sen. Edward Kennedy (D-Mass.) to save Spring's life.

At issue was the entire "right-to-die" movement, epitomized by the January 1980 decision of the Hampden County Supreme Court to remove Spring's life support in response to an action brought by his family and physician to "allow" him to die. The LaRouche campaign forced a reversal of the decision when Massachusetts Supreme Judicial Court Judge Frances Quirico ordered Spring placed back on dialysis. Spring, weakened by lack of proper treatment during the court case, died several months later.

Briefly

● **GEORGETOWN** University's Interculture Center, which houses sections of the university's School of Foreign Service, is inscribed with the following quotation from Jesuit cultist Teilhard de Chardin: "The Age of Nations is past. It remains for us now, if we do not wish for us to perish, to set aside ancient prejudices and build the earth." The school trains more career officers of the U.S. Foreign Service than any other institution.

● **NICHOLAS BENTON** announced his candidacy for Mayor of Houston, Texas Nov. 29. Benton, who ran an unusually successful write-in campaign against incumbent Republican Rep. Ron Paul in November, will be opposing incumbent Mayor Kathy Whitmire in the non-partisan election October 1983. Benton has been endorsed by the National Democratic Policy Committee.

● **MAX RABB**, the U.S. ambassador to Italy, may soon be out of a job, the Thanksgiving Day edition of the *Washington Post* reiterates.

● **THE NATIONAL** League of Cities convention, meeting in Los Angeles Nov. 29-Dec. 1, rejected even voting on a nuclear freeze resolution promoted by Los Angeles Mayor Tom Bradley and other Democrats linked to Democratic National Committee Chairman Charles Manatt. A delegation from the National Democratic Policy Committee had polarized the meeting over the issue of the freeze versus defensive beam weapons. Mayor Bissell of Oak Ridge, Tennessee, who had signed the NDPC petition to the U.S. Congress for beam-weapon development, led the successful opposition.

Operation Juárez hits home

A fire-eating macho, the President of Colombia, demanded that Ronald Reagan get soft on Cuba and Nicaragua when the U.S. delegation arrived in Bogotá on Dec. 3. So the front page of the *New York Times* reported the next day.

Thank God the *Times* does not control all channels of information. The fact of the matter is that Colombia's new head of government, Christian Democrat Belisario Betancur, warmly invited Mr. Reagan to establish a new hemispheric alliance and secure collective renegotiation of Latin America's murderous \$300 billion in foreign debt. This, he said accurately, would be to the benefit of everyone concerned:

"Latin America is illiquid, but not insolvent. Latin America can pay, and wants to pay, but it has been placed at the edge of an abyss of brutal economic adjustments without being able to count on the support of the financial world to provide liquidity." Up to now, U.S. financial policies have "caused frustration and irreparable harm" to the continent.

"The hour has come to propose a renegotiation that takes into account the development of the debtors' economies—if one wants to assure payment of the debt. Of course, this would be in the interest of the creditor banking community. This conception means that the service on the debt . . . should not exceed a specific percentage of the value of yearly income. We should also discuss an emergency plan so that the [debtor] countries in question can deal with their own particular problems."

A day earlier, Victor Acosta, the Secretary-General of the nation's biggest labor federation, the Union de Trabajadores de Colombia (UTC), met a wave of passionate approval when he told a regional trade-union conference in Duitama that the current crisis requires not only nationalization of Colombia's corrupt banking system, but a continent-wide freeze on debt repayments until an adequate repayment plan based on real and rapid development of Latin America has gone into ef-

fect. The UTC's official economic adviser is Andean Labor Party leader Maximilian Londoño, an *EIR* contributor and associate of *EIR* founder Lyndon H. LaRouche, Jr., and a member of the Club of Life's task force on high-technology development of the Southern Hemisphere.

Following LaRouche's meetings with Indian Prime Minister Indira Gandhi and former Mexican President José López Portillo earlier this year, LaRouche wrote the document titled *Operation Juárez*. He specified that the most elementary prerequisite for world economic recovery is the removal of the debt burden. If creditor entities refuse to recognize that their leech-like exactions from debtors' productive powers will bring down the entire world financial system, he said, the debtor nations must wield "the debt bomb" and ask the banks and international institutions if they would rather forego payment altogether or restructure the debt.

The debt cannot be repaid under current circumstances, LaRouche said, and that has since become clear to all parties. The question now is whether debt-repayment "conditionalities" will be imposed by the Malthusians who seize upon the pretext of rolling back red ink, in order to wreck nation-states and their industrialization potential. They are not interested in solvency; if they were, they would move with Operation Juárez. They are interested, to put it succinctly, in the murder of billions of people of "lesser races," as *EIR* has documented for the past five years.

We are at a profound and delicate conjuncture in this war. Brazil has formally agreed to deal with the International Monetary Fund, after years of nationalist resistance. Mexico's new administration is also acceding to new levels of IMF austerity and monetarist orthodoxy. Yet these phenomena are shadow-boxing as a harsh light bears down: the reality that there is no money for the creditors, and the greater reality, voiced by Belisario Betancur on behalf of the continent, that there is no remedy without industrial development.

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