

# EIR

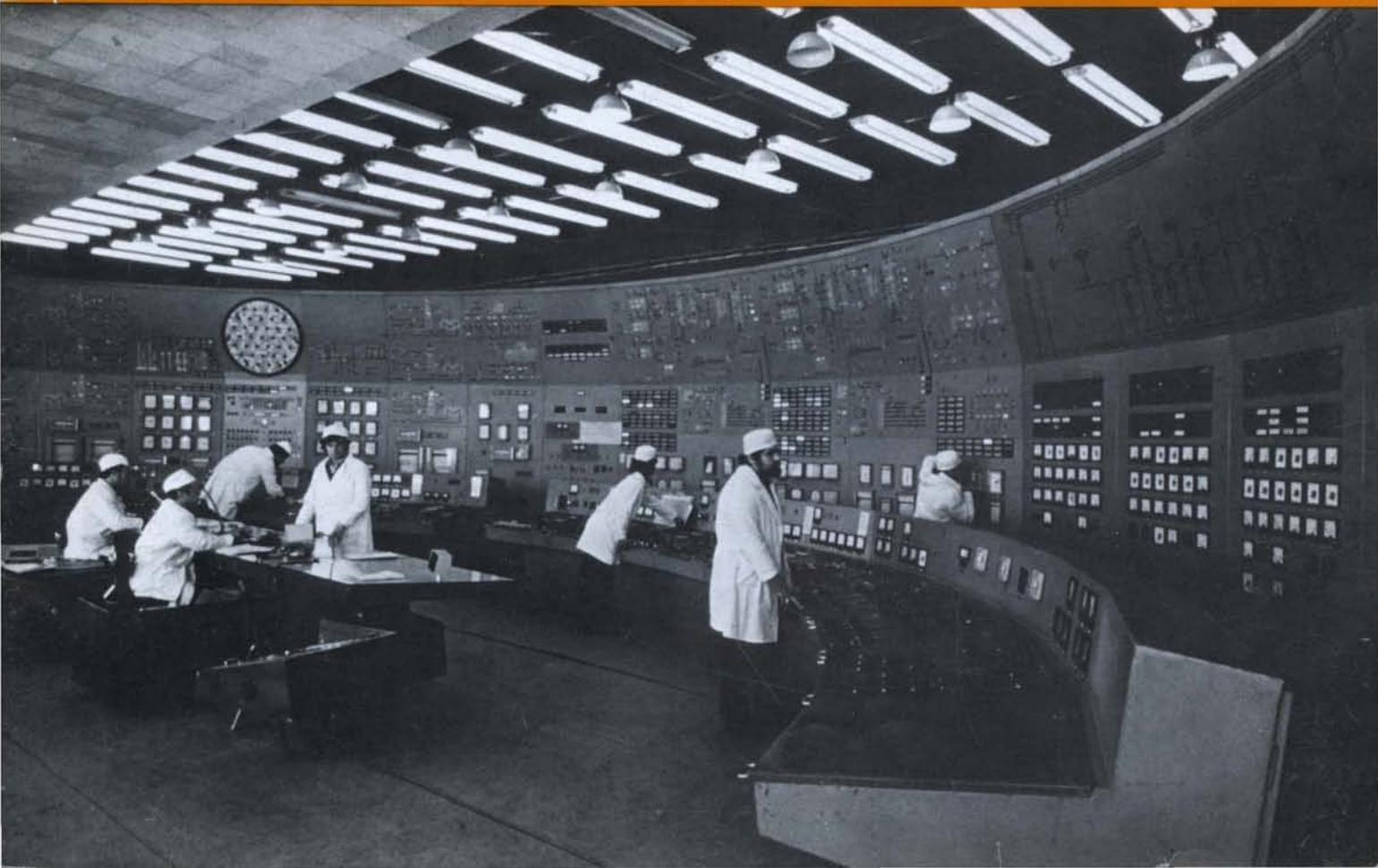
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David Stockman plans 'Black Thursday'  
The \$3 billion New York tax giveaway  
Weinberger's postindustrial military budget

**Will the Soviets rule in the 1980s:  
The real story of the party congress**



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# EIR

## From the Editor

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I am writing from Mexico City, where I joined *EIR* founder Lyndon H. LaRouche, Jr. on March 15, following his explosive five-day tour of Monterrey. It began with a major address to the Monterrey Institute of Technology (TEC), and generated a policy debate that is all over the Mexican press. Of his proposal that Mexico exchange oil for nuclear energy technology, the leading Monterrey newspaper *Mas Noticias* editorialized March 11: "It would be wise to pay close attention to the words of warning that have just been voiced by the American economist Dr. Lyndon H. LaRouche, Jr., who stated at a conference at the TEC that petroleum is a potentially obsolete energy source. . . . In the view of the economist, Mexico would benefit if it traded the surplus of a potentially obsolete energy source like oil for modern industrial technologies of the 21st century. And it is here that we believe the Mexican government should focus all its attention. . . ."

I was also delighted to hear about French President Giscard's blast against monetarism (see *International*), voicing a policy perspective strikingly parallel to the approach LaRouche is discussing in Mexico. Giscard's foreign minister subsequently stated that France seeks a global economic development policy centered on oil-for-technology accords and stabilization of Third World hot spots.

Washington, however, proposes a penny-ante defense approach (see *Economics*) based on the premise that industry will never recover, and devoted to a foreign policy (see *National*) of limited wars for population extermination. Our Special Report this week must be used to drive home the fact that the Soviets reject this lunacy in favor of mobilization for fundamental scientific breakthroughs as the key to national strength.



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K. Shakhbazyan/United Nations-TASS

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## Stockman and Regan plan 'Black Thursday'

by David Goldman

No sensible person acquainted with the facts of what is now happening in Washington doubts that Office of Management and Budget Director David Stockman and Fed Chairman Paul Volcker are preparing a hard landing for the American economy. Doubt evaporated last week-end when the *New York Times* revealed that it was David Stockman who told reporters "on background" to expect a crisis "that will make the 1930s banking crisis look like small potatoes" in the thrift institutions and life-insurance sector. Stockman's intervention prompted second-level officials to volunteer their own scenarios.

What is less generally known is the extent to which the OMB has planned for a period of major bankruptcies and high unemployment. According to sources close to Stockman's old sponsor and housemate at Harvard University, Sen. Daniel Moynihan (D-N.Y.), Stockman is covertly supporting the institution of a Reconstruction Finance Corporation (RFC), which the New York senator will introduce this week. Although Stockman is sympathetic to the proposal, he will not yet publicly support it. The OMB director will wait until major sections of industry are on the ropes, and then support the RFC plan under the terms Moynihan is putting it forward: that its task is *not* to reconstruct older industries, as under the New Deal, but to phase them out—a sort of industrial hospice.

Reversion to an ugly and inappropriate form of government economic intervention is, in fact, widely mooted on the fringes of the administration. Dr. Robert Kilmarx of Georgetown University's Center for Strategic and International Studies, which sent a dozen staffers

into the administration, envisions a return to directed industrial investment, motivated by urgent defense requirements. The National Industrial Defense College's Assistant Dean John Ellison reports that the Pentagon is considering using Presidential Review Memorandum 57—which permits the President to take over direction of the economy through the Federal Emergency Management Agency under conditions of national security emergency. "This is one of the more upbeat aspects of our program," Ellison told *EIR*.

What Stockman and his collaborators envision is a retreat of events in Britain under the guidance of Margaret Thatcher, which will ultimately reduce inflation at immense cost in the form of high unemployment, widespread bankruptcies, and lost production. For all Stockman's pre-inauguration disclaimers against "root-canal economics," that is the present course of OMB and Federal Reserve policy. The Treasury Department is on board with a triage program for the thrift institutions.

### 'Weaken credit dependence'

"Margaret Thatcher finally reduced credit demand after there were a lot of bankruptcies," said an economist at U.S. Trust, a Wall Street firm with close ties both to Britain and the Federal Reserve through the elite Ditchley Foundation. "The same thing is going to have to happen here." By warning that the "equity [of the thrift institutions] has been wiped out," and that the life-insurance companies would face a 1930s-style bank run, Stockman began the first phase of this scenario.

The problem, said Crocker National Bank econo-

mist Frederick Berger, is that “the markets haven’t adjusted” to the Fed’s new monetary policy. “Corporations didn’t believe that it was going to be so rough, that the prime rate would rise so high—but Volcker did. And at the beginning corporations were borrowing at the same rate that they did before. The problem is that corporations, and the general public, don’t understand the new monetary policy. The new policy intends to weaken dependence on credit.” But eliminating dependence on credit means that the second tier of the corporate sector will not make it through.

Apart from the dire situation in the thrift industry, the illiquidity crisis *EIR* projected on Nov. 11 (“First-Quarter Downturn for the U.S. Economy”) is showing up in the industrial sector, e.g. in International Harvester’s scramble to refinance a debt burden that increased 60 percent over 1980. More poignant is Ford Motor Company’s effort to increase cash flow by selling steel on the commercial market it used to produce to make autos. Ford now sells 60 percent of the steel it makes, about what proportion it used to devote to auto production.

What the Reagan administration is now being told was summarized bluntly by Carnegie-Mellon University monetarist Allan Meltzer in a recent interview. Meltzer said, “The decisive issue for the success or failure of the Reagan administration will be that they come out of the recession with their policy still intact. That is, they must get through the recession without having another very large runup in government expenditures. And the reason is that this is not the first time that a government has promised to end inflation. The problem is that when they start to end inflation, they cause a recession. During the recession they forget about their policy to end inflation, and they begin to take their economy out of the recession, and that produces even higher rates of inflation. People have learned that this is the experience of the U.S. government and other governments, but they don’t want to believe the policy has changed until they see that it actually has changed.”

Turning back to the British example, this is the inspiration for Sir Geoffrey Howe’s new budget, which adds new spending cuts and taxes to an already deflationary fiscal stance. Despite unemployment of 2.5 million going on 3 million, and the first instances of widespread starvation since the 1930s, Howe is committed to an even more intense monetarist crunch. What is significant in the present British position is not merely the evidence of where monetarist policies lead—gasoline is \$3.00 per gallon and cigarettes are \$2.20 a pack—but the way the economic debate parallels what Stockman and Moynihan are working out for the postrecession cleanup.

Labour Party economic adviser and Oxford economist Walter Eltis put the question more clearly than any

American commentator in the March 8 London *Sunday Times*. His article bore the title “What Sir Geoffrey Howe should learn from Hitler.” Eltis notes that under the present regimen, unemployment will rise by 50,000 per month. Where Britain’s future is concerned, manufacturing investment will fall by 15 percent this year, after falling 15 percent during 1980. Howe “should try to do for industry what Hitler did for the German army in the 1930s. . . . He used the opportunity that the German slump provided, of massive spare resources which were not needed for consumption. We could do the same, only it is future battles in export markets we shall wish to win.”

Eltis contends that what Thatcher has done was necessary to lower inflation and, more importantly, to lower consumption. Once that freed up resources, then these may be directed into investment forcibly.\* Eltis is speaking here of peaceable uses. But should the United States government invoke PRM-57, as Pentagon industrial planner John Ellison suggests, the result might be much closer to the letter of Hjalmar Schacht’s policies than anyone is presently willing to suggest.

### The historical record

I argued in this space last week that the monetarist program Stockman, Donald Regan, and above all Paul Volcker imposed on President Reagan was designed to fail in its stated objectives, that is, that the “supply-side” growth policy was a setup for a financial crash. Historically, no monetarist policy has lasted long in power because, as William Buckley commented 10 years ago, “It is possible that Milton Friedman’s policies suffer from the overriding disqualification that they simply cannot get a sufficient exercise in democratic situations.” Hoover was followed by Roosevelt, Brüning by Hitler, and Poincaré by the Popular Front—three different solutions to the monetarist problem.

In Britain, “Social Democrat” Roy Jenkins, former Labour Chancellor of the Exchequer and high European Community official, is already propagating the Eltis program as the possible basis for a “center” government to replace Thatcher, including the Liberals and the Edward Heath Tories. Should this combination succeed, it would have important bearing on American politics.

Which way out will Reagan take? He can adopt the set of proposals Europe has offered him (see International for French President Giscard’s blunt condemnation of monetarism). Or his own fine intentions will dissolve into the type of chaos Herbert Hoover went through. But unlike the 1930s, the consequences of the wrong choices may not be reversible.

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\*The argument that this is the hidden agenda of monetarism is made in *The Ugly Truth About Milton Friedman*, by Lyndon H. LaRouche, Jr. and David Goldman, released in January by New Benjamin Franklin House.

# Caspar Weinberger proposes a postindustrial military budget

by David Goldman

In what Dr. Edward Teller hailed as the most important breakthrough for military technology since the hydrogen bomb, scientists at the Lawrence Livermore Laboratory showed last month that a particle-beam defense system is technologically feasible.

On March 4, Defense Secretary Caspar Weinberger presented a military budget that guarantees that the weapons system Livermore demonstrated will never be developed. Even if Weinberger had oriented the defense budget to preparations for actual thermonuclear war-fighting, the cuts in high-energy research and development and scientific education which David Stockman unveiled in February would have made them completely ineffectual.

Livermore's breakthrough underscores the point that the Weinberger program seems designed to evade: a nation's ability to defend itself is a function of its ability to produce basic science research, realize that research in the form of applications technology, and produce that technology in sufficient scale through its industrial base. The national weapons lab proved that the detonation of a small nuclear device could "pump" a directed beam of X-rays through a heavy medium, with a shock wave sufficient to wipe out a large number of incoming enemy missiles. "The X-ray laser system has the potential of tipping the battle in favor of the defense for the first time in the history of nuclear warfare," *Aviation Week and Space Technology* Feb. 23 quoted a Pentagon official saying. The system is compact enough to launch from the existing model space shuttle.

However, the proposed budget cuts in the inertial confinement fusion program, the NASA budget, and scientific research make the new system's chances for development negligible. Roughly the same problems must be solved to deploy particle-beam weapons that must be solved to realize inertial confinement fusion energy. These are basic science, not applications, questions.

Considering that the Soviet Union currently employs a million-man pool in research and development, and has three engineers engaged in military research and development for every one in the United States, the deficiency is terrifying. It is not merely the case that the

Soviet Union has committed immense resources to both the particle-beam and fusion energy programs. It also is building in the electrical generating capability to realize these programs. A nuclear warhead is a large amount of stored-up electricity. After the abortion during the 1970s of America's nuclear energy program, General Atomic's Harold Agnew estimates, the U.S. lacks even the capability to produce sufficient new warheads to drive the type of particle-beam program that Livermore envisions.

It is no exaggeration to say that the director of the Office of Management and Budget, the former Michigan campus draft-dodger, is worth more than a dozen divisions to the Soviet High Command. As Richard Freeman documents below, the Weinberger budget is a patch-job on existing programs, a "retrofitted" Carter defense budget. It shuts the United States out of the entire next generation of weapons technology.

At the policy level, Secretary Weinberger has demonstrated that the Defense Department and OMB take the deindustrialization of the United States as a first premise for all other policy, regardless of the national security consequences. The twisted economics of the defense budget became evident at a meeting of defense contractors sponsored by the Electronics Industry Association in October 1980. Projecting defense consumption of computers and related software to show an 830 percent rise during the next 10 years, the contractors foresaw the biggest share of the expansion of the electronics market in the defense budget.

For technological reasons, the electronics portion of defense procurement will rise from about one-quarter now to about one-half by 1990. The question is the use to which the electronics will be put. According to the Electronics Industry Association, the principal uses will be computer hardware and software, i.e. *Star Wars*-style computer graphics and other forms of high-tech kookery, mixed in with legitimate uses. In collaboration with Defense Department planners, the Electronics Industry Association predicted that while the total defense budget would grow by 260 percent (in current dollars) between 1981 and 1990, the largest share of the rise would take the form of doubling the Pentagon's stock of computers and provision of software services, from

33 percent to 60 percent of total defense electronics! (See Figure 1.) In those 10 years, total Department of Defense expenditures are expected to rise from \$142 billion to \$401 billion, but electronics purchases will rise from \$20 billion to \$76 billion, almost fourfold.\* In current dollars, this is a doubling rather than quadrupling.

These data reflect on the unworkability of the "sunrise versus sunset" division of industries proposed as Carter administration policy in the *Agenda Eighties* report of the last administration, and still pursued without fanfare by the OMB. Strictly speaking, the navy is not refurbishing old mothballed ships; it is canning semiconductors. Under the Stockman-Volcker economic scenario not much else is possible. With only three shipyards producing three-quarters of American shipping tonnage, the United States is in no position to conduct a major shipbuilding program. But it can re-outfit old vessels, absorbing "sunrise" electronics hardware in the form of missile guidance systems, communications, computers, and so forth.

*EIR* has argued that the premise of the Stockman budget is the Carter administration's *Global 2000 Report*, which contends that the world population must fall by 2 billion persons from the level it would otherwise have reached by the end of the century. Disturbing in the context of the defense budget is the explicit recognition of this economic-strategic objective on the part of defense planners. Welcoming participants in last October's Electronics Industry Association forum,

Rockwell International Vice-President Wendell Johnson opened the proceedings by saying:

"I want to mention in this context the *Global 2000 Report to the President*, the subtitle of which is 'Entering the 21st Century.' The report makes major points concerning the pressures of population versus resources. Without belaboring all the points that are made, it's significant to point out that given a population of the world in 1975 of 4 billion people, at the present growth rate it is going to be 6.5 billion by the year 2000. . . . By the end of the 21st century, it is expected to reach 30 billion which the United States Academy of Sciences estimates as the maximum capacity of the Earth to sustain human life."

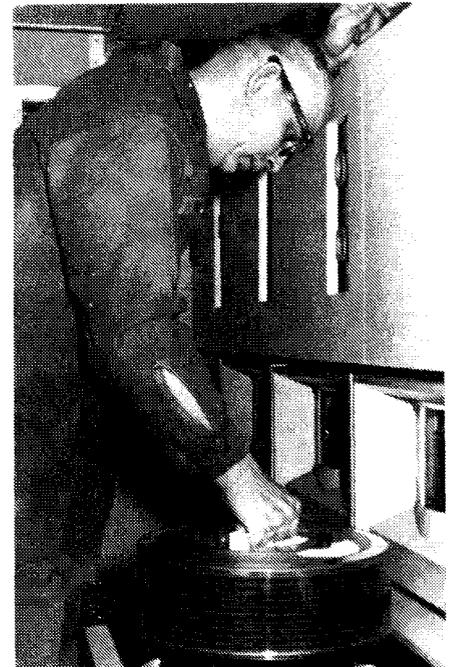
It is rare for military planners to use population scare-talk, particularly since events in Central Europe 40 years ago, to justify military programs. Unfortunately, the reference is appropriate. The same track of scientific development leads to both deployable particle-beam ABM systems and to controlled thermonuclear fusion. The latter energy source is the only basis for integrating an expanding world population into modern industrial life. By rejecting it, Reagan administration officials have sanctioned population reduction by the most brutal methods. But they have also written off America's future as a military power. We can't have it both ways.

*\*Proceedings of the DOD Electronics Market: Forecast for the 80's*; the Electronics Industry Association, Washington, D.C.

Figure 1  
**DOD computer and electronic purchases**

	1980	(billions)	1990
<b>Defense electronic purchases</b>			
Current dollars . . . . .	\$20.1		\$75.7
1981 dollars . . . . .	22.1		39.8
<b>Defense computer purchases</b>			
Current dollars . . . . .	6.7		45.8
1981 dollars . . . . .	7.4		24.1
<b>Composition of defense computer purchases</b>			
Hardware (current dollars) . . . . .	2.1		8.6
Software (current dollars) . . . . .	4.6		37.2
Hardware (percentage) . . . . .	31%		19%
Software (percentage) . . . . .	69		81
<b>Noncomputer defense purchases of electronics</b>			
Current dollars . . . . .	\$13.4		\$29.9
1981 dollars . . . . .	14.7		15.7
<b>Number of Defense Department computers .</b>	6,435		27,699

Source: Electronic Industries Association



# The specifics of the defense budget: unfit for modern war-winning

by Richard Freeman

The defense budgets for fiscal years 1981 and 1982 are not, as the Reagan administration claims, or as the press suggests, the funding plans for a massive military buildup. When funding for new personnel pay increases and replacements of a portion of the badly depleted U.S. weapons arsenal are taken into account, there is little increment in the budget left over for anything else.

Only a few dollars are allocated for the new technologies, the new weapons systems, and the industrial infrastructural buildup that would be necessary for the U.S. to pursue a war-winning strategy. In many cases, the funding is in exactly the other direction.

The difficulty with the Reagan administration defense budgets presented March 4 by Defense Secretary Caspar Weinberger is that, like the Carter administration before it, the Weinberger team rejects the idea of winning any war with the Soviets and espouses "deterrence adequacy," that is, equipping the U.S. with technologies outmoded, in some cases, by 20 to 30 years. In this light, the Reagan administration's defense budget, which does not propose one significant new system that wasn't contained in the previous administration's military budget, is just a beefed-up, warmed-over Carter policy plan. It will widen the gap between the militarily advancing Soviet Union and the United States (see Figures 2, 3, and 4).

### 'We can't catch Soviets'

At the topmost levels of the Weinberger DOD, and in the prime contractor and supplier industries with important policy input, there is the rock-hard belief, despite public policy pronouncements, that the U.S. is, and will remain, a second-rate military power.

Some of the people making current U.S. defense policy are extremely frank about this view.

According to James Lee, manager of marketing planning at Hughes Aircraft, who last fall delivered one of the keynote addresses at the Electronic Industries Association on DOD electronic purchasing policies, "We cannot and are not going to catch up with the Soviets in defense." Lee told *EIR*: "The DOD will build the MX missile, the B-1 bomber, and the Trident II. If we build these systems simultaneously, that will be very

costly and leave no money for social services or for NASA." Lee confirmed that "MX and others don't represent any technological breakthrough."

This view was reinforced by Nathan Higginbotham, manager of corporate and government programs for McDonnell Douglas Aircraft. Higginbotham told *EIR*: "There will be very little given to new technology financing. This is not possible. We've got to spend money just to replenish our arsenal. I would like to see beam weapons developed, but that will take years, with a lot of problems and no immediate yield. Therefore we'll have to spend for other things."

The strategy is further piped into the Defense Department from a 150-person unit called the Office of Program Analysis and Evaluations. This department is a remnant of the Robert McNamara whiz-kid systems analysts who have destroyed U.S. military capability since the 1960s through their cost-cutting procedures. This unit, headed by one of the six DOD assistant secretaries, has many people tied into "systems analysis," according to one of the department's economists. In their view minimal output, with minimal advances in technology, is the path the U.S. military must follow.

Overreaching the entire defense apparatus are the three top dogs at the DOD: Secretary Caspar Weinberger, Undersecretary Frank Carlucci, and Deputy Secretary Fred Iklé. It is a wonder that Iklé could have gotten into a Reagan defense cabinet at all. The former head of the Arms Control Disarmament Agency, Iklé is a known adherent of soft technology and mutual technological disarmament through the SALT process.

But his boss Caspar Weinberger, despite his tough-guy image, goes even further in this direction. Weinberger was the U.S. representative to the 1974 World Food Conference in Bucharest, where he pleaded the need for population control programs and cited the limitation of the world's food and other resources. Weinberger is contemptuous toward the massive industrial buildup and anti-environmentalist education that qualifies a nation for a real military defense policy.

Weinberger's manned forces deployment is a tipoff. Weinberger is vectoring U.S. armed forces away from conventional force use—massed standing army and

invasion forces—toward the use of many Rapid Deployment Forces, special units of 200 men and officers, who would deploy to harass and engage the Soviets and their supposed surrogates in regional hotspots. Conventional force size has been cut 40 percent since 1970 and degraded into an all-volunteer army along the lines recommended by Milton Friedman, leaving the U.S. with an army that is more than 25 percent illiterate, and rife with drug abuse. Weinberger and Reagan have both given their blessing to the all-volunteer army nightmare, while adding funds to increase its size by a few tens of thousands. Roughly 20 percent of the defense budget has to be spent on basic training and related expenses, since high turnover means a high retraining rate.

### What they are worried about

The defense budget for fiscal year 1981 is projected by the Reagan administration at \$178.6 billion, \$7.4 billion above Carter request levels and that of 1982 is projected at an appropriation level of \$222.8 billion, an additional \$26.4 billion above the Carter request level.

An inventory of the leading items of the U.S. defense budget's weapons-acquisitions program and its research and development budget demonstrates that the Reagan defense budget is merely a retrofitted Carter defense budget, without one significant innovation. Most of the programs are obsolete in today's modern technologies, and won't work.

- **Shipbuilding.** The Reagan administration has committed an additional \$4.2 billion to the \$6.6 billion allocated by the Carter administration fiscal year 1982 shipbuilding program. This will go toward increasing the U.S. active fleet during this decade from 454 to 600

ships, but will introduce no basic new modernizing technology. The program calls for the increase of the U.S. carrier fleet from 12 to 15 to allow the United States to operate in both the Indian and Pacific Oceans. But to accomplish this, Weinberger proposes: 1) taking one outdated U.S. aircraft carrier, the *Oriskany*, out of mothballs; 2) building precisely one new nuclear-powered 90,000-ton-displacement carrier, for deployment at the end of the 1980s and; 3) taking the World War II battleship *New Jersey*, removing its gun turrets (to "save manpower," says a Pentagon source) and then calling it an aircraft carrier.

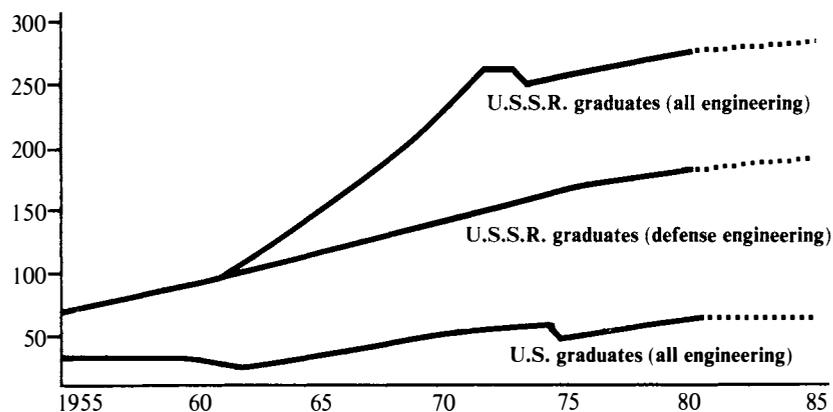
The extra \$4.2 billion will also go for building a cruiser, two frigates, and a submarine, and purchasing and reconverting from oil to diesel fuel six container ships from the bankrupt Sealand Corporation. Of 13 vessels purchased, only 5 will be newly built.

Of the total "new" 144 ships, as many as half could simply be "reactivated" older ships, stripped down and loaded up with electronic gadgetry, which doesn't add to military capability but does create a final market for electronics goods. The other ships that will be constructed from scratch will take from 5 to 10 years to be built.

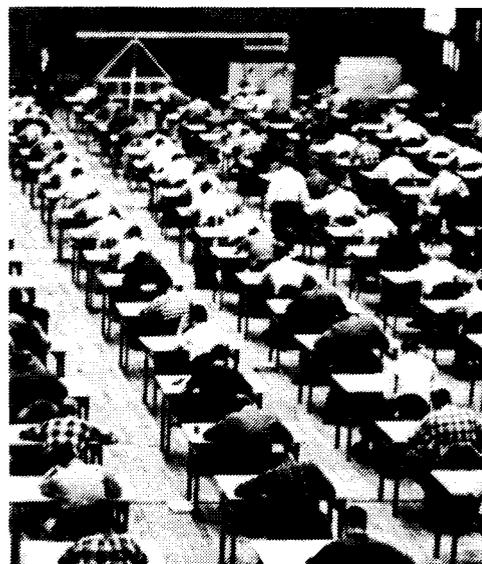
- **Land-Based Intercontinental Ballistic Missiles.** The leading item here is the MX missile system, which is the brainchild of the RAND Corporation, with input from the likes of Paul Nitze and the Vienna-based Institute for Systems Analysis.

The major idea behind the MX missile system is that to "increase the survivability of a land-based ICBM force," 4,600 hardened missile silo shelters will be built in the Western U.S. Beneath these silos 200 nuclear-tipped ICBM missiles will circulate on an underground

Figure 2  
Undergraduate engineering, U.S. and U.S.S.R.  
(thousands of graduates)



Source: National Center for Educational Statistics



conveyor belt system, and could be launched from any of these 4,600 above-ground silos. This system could cost at least \$100 billion or more. According to an engineer for one of the giant aircraft companies, his company has been given 23 million hours of work (or 11,000 man-days) on one small component of the MX system. This company usually doesn't get a work order for any one job of more than 1 million hours.

The problem of the MX is twofold: 1) the Soviets are developing high-powered laser beam and particle beam weapons to shoot down U.S. ICBMs in mid-flight and, therefore, 2) have little intention of firing on empty U.S. missile silos after launch as an antiballistic missile defense.

The vaunted protective feature of the MX is worthless.

- **Aircraft.** The B-52 bomber is an outmoded plane, and the new B-1 represents little basic advance over the B-52. These are airships that will be loaded down with the cruise missile but have little chance of reaching beyond the Soviet shield to penetrate the Soviet Union.

- **Research and Development.** While the U.S. is undertaking some basic new R&D work in electronics and metal alloy processes, these will not be of sufficient importance to make a significant change in the direction of U.S. military technology. For example, the DOD is placing high priority on Very High Speed Integrated Circuits (VHSIC), which will have a five-year funding effort of \$270 million. This will increase the speed of electronic pulses within integrated circuits by making the circuits smaller and thereby decreasing the distance the electric wave has to travel. But as last week's *EIR* demonstrated, the Japanese will soon have 85 percent of the world market in large integrated circuits, from

having only 7 percent of the market 10 years ago, because the Japanese advance their electronics industry by concentrating its advancement in industrial-related tasks. Lacking this orientation, the U.S. programs such as the VHSIC increase existing refinements in electronics, but don't pioneer new technological breakthroughs.

There are some military R&D programs, such as the CAD/CAM, an integrated, numerically controlled machine-tool-run factory of the future, which are beneficial to industry. But as Dr. John Ellison of the Industrial College of the Armed Forces told *EIR*, "That program is funding at \$200 million, but I'd like to see it at \$1 billion to make any breakthroughs."

On the other hand, the DOD's R&D effort is literally pouring money down a sinkhole by investing in a "mobility fuels program," which attempts to use "domestic synthetic fuels, improved energy-conservation methods and other fuel and energy sources," to run aircraft jet engines. This will increase costs several-fold, with reduced efficiencies.

### The U.S. industrial base

The implicit question running through the defense budget is whether, even given the moderate buildup in replacing some of the depleted U.S. weapons arsenal, the U.S. has a chance of producing the weapons contracted for.

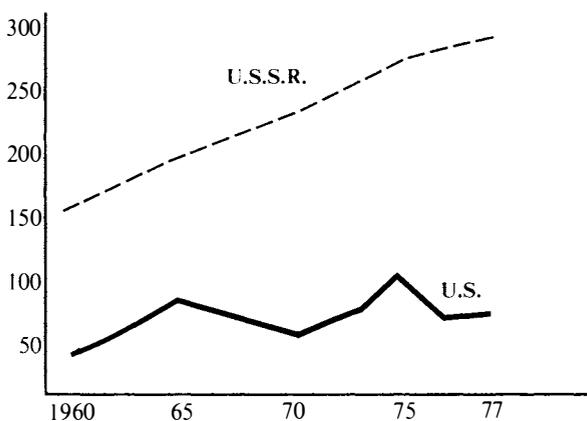
The lack of technology focus in the defense budget, combined with the wholesale gutting of the National Aeronautics and Space Administration, the U.S. fusion program, the U.S. science program for secondary education, and the gutting of U.S. basic industry through the loan-shark interest-rate policy of Fed Chairman Volcker, will combine to decimate the U.S. industrial base which forms the pipeline for defense production.

Between Sept. 17 and Dec. 3 of last year, the House Armed Services Committee convened an extraordinary set of 14 hearings on the "Capability of the U.S. Industrial Base." While most of the present testimony was warmed-up Harvard Business School rehashes, the testimony of Air Force General Alton Slay stood out as landmark testimony. With ample empirical support, Slay demonstrated that not only is the U.S. not producing the quantities of weapons needed to fight a war with the Soviets, but its industrial base is not equipped to gear up for such a war. Slay cited the following evidence:

- "lead times for titanium forgings we use in our aircraft and jet engines have gone up 87 weeks since 1978";
- "lead times for large aluminum forgings were recently reported at 115 weeks, an increase of 43 weeks from 1978";
- "steel forgings for landing gears have gone from 36 weeks in 1978 to 96 weeks in 1980."

Figure 3  
**Machine tool production**

(in thousand units)



Source: "Current Industrial Reports: Metalworking Machinery," U.S. Department of Commerce and *Narodnoye Khozyaystvo SSSR*.

These are some of the most important components for the U.S. aircraft program, which is roughly one-third of all U.S. hardware acquisitions programs. Without such components, the aircraft-building program "doesn't fly."

Yet, the Reagan defense budget makes no provision for adjusting this serious dysfunction—unless one considers wiping out the conventional commercial aircraft industry through deregulation and high interest rates to be a solution to this lack of capacity problem. The air force has run simulated programs of surge conditions—maximum emphasis on increased speed of output of hardware—and found that even under such mobilization, the F-15 and F-16 fighter planes get off the production line no sooner than under normal conditions. This is how serious the capacity bottlenecks are.

With this evidence firmly grasped, many of the key members of the Senate Armed Service Committee questioned the credibility of Defense Secretary Caspar "Cap the Knife" Weinberger when he appeared before that committee to defend the Reagan defense budget. Weinberger, a firm believer in the idea of population control and the deindustrialization correlate that goes with it, simply lied his way through questioning by Sen. John Tower (R-Texas). The questioning went as follows:

**Tower:** Can you assure us that in fact there is the ability for the industrial base to absorb this [defense budget]? Does the industrial base have the capacity to carry out these programs in '81 and '82?

**Weinberger:** Yes. These programs will stop the erosion of our industrial base.

**Tower:** Can you give me an example of a program or programs that are required, but that you have not funded in this budget, because this industrial base can't sustain it?

**Weinberger:** Well, a number of defense suppliers have experienced the roller-coaster effect of our procurement policy over the years. Especially in areas like tactical aircraft, tanks, strengthening our missiles, and shipbuilding.

But others were willing to be more straightforward than Weinberger. General Jones, former Joint Chief of Staff head stated, "One of my greatest fears is our industrial readiness. It now takes three or four years to deliver aircraft. We are not prepared to mobilize, either."

Senator Barry Goldwater (R-Ariz.), another member of the Senate Armed Services Committee, stated, "The thing that most disturbs me is the continued deterioration of our industrial base, when we can't compete with the Japanese and the Germans in automobiles and avionics and aircraft because we have to worry about plants and modernization. Why, we can't even buy good steel. And we are dependent on strategic materials."

**Figure 4**  
**Balance of Power**

United States	Soviet Union
<b>Military Service</b>	
Voluntary	Conscript
<b>Total Armed Forces</b>	
2,068,000	3,638,000
<b>Strategic nuclear forces</b>	
<b>OFFENSIVE</b>	
656 SLBM in 41 submarines	1,015 SLBM in 90 submarines
Strategic Air Command: 600 combat aircraft; 1,054 ICBM	Strategic Rocket Forces: 756 combat aircraft; 1,400 ICBM, 690 IRBM/MRBM
<b>DEFENSIVE</b>	
331 Interceptor aircraft	2,720 aircraft; 64 AMB Galash (ABMs) at 4 sites; 10,000 SAM launchers at 1,000 sites
<b>ARMY</b>	
774,200	1,825,000
17 divisions (4 armored, 5 mechanized, 5 infantry, 1 airmobile, 1 A.B.); Brigades: 1 armored, 1 infantry, 1 in Berlin, 2 special mission; 3 armored cov. regiments	169 divisions (46 tank, 115 mechanized rifle, 8 A.B.)
10,500 medium tanks; 22,000 AFV; 15,000 artillery and missiles, 26,000 AA artillery and SAM	50,000 heavy and medium tanks; 55,000 AFV; 33,500 artillery; 9,000 plus AA artillery and SAM
9,500 Aircraft/helicopter 191,500, 3 divisions; 573 medium tanks; 950 armored personnel carriers; 364 combat aircraft	
<b>NAVY</b>	
532,300	433,000
172 major combat surface ships; 75 attack submarines	59,000 naval airforce, 12,000 naval infantry, 8,000 coast artillery and rocket troops,
Reserve; 38 major surface ships, 4 attack submarines	243 major combat surface ships, 243 attack and cruise missile subs
Submarines: 70 nuclear, 5 diesel	Reserve: 29 major surface ships, 117 attack submarines
Surface ships: 13 aircraft carriers, 20 cruisers, 67 destroyers, 65 frigates	Submarines: 85 nuclear, 158 diesel
	Surface ships: 3 aircraft, 35 cruisers, 97 destroyers, 107 frigates
<b>AIR FORCE</b>	
570,000	455,000
3,400 combat aircraft	4,650 combat aircraft

## Gen. Slay: industrial base is shot in U.S.

*The following are excerpts from a statement by Gen. Alton A. Slay, Commander of Air Force Systems Command, on Sept. 22, 1980 before the American Mining Congress in San Francisco, California.*

I have chosen . . . an unpleasant theme—whose importance eclipses any other I could think about. I'm going to suggest to you this morning that our position in the international pecking order of military, technical, industrial, and economic power is slipping badly. I'm going to suggest to you that we are no longer the "Arsenal of Democracy," as President Roosevelt correctly tagged us 40 years ago. I'm going to suggest to you, in fact, that unless things take a turn for the better over the next several years, we may not even be able to correctly tag ourselves as the Arsenal of the U.S. . . .

At the time of the Cuban missile crisis, we had an overpowering edge over the Soviets. That strategic power edge has vanished. . . . The Air Force had almost 350 major squadrons, with 850,000 military people, operating 16,000 first-line aircraft, from nearly 250 installations worldwide. Today, we have just 250 major squadrons, not 350; we have just 550,000 military people, not 850; operating 7,000 aircraft, not 16,000; from 134 major installations, not 250; and not nearly so worldwide. About the same degree of decline can be measured in other services. In 1970, for example, our total armed forces strength stood at around 3½ million. Today, that fraction is about 2 million—a decline of almost 40 percent in almost a decade.

During the 1970s, Soviet spending on things related to military research and development, military weapon system acquisition, and military facilities, exceeded that which the United States spent by \$240 billion.

The total number of Soviet scientists and engineers engaged in all types of research and development activities is now approaching the 1 million mark, the largest research and development manpower pool in the world. . . . Last year, the Soviets graduated just under 300,000 engineers. We graduated 50,000 and that was a banner year for us. We have never graduated more than 52,000 engineers in any one year. The Soviets have three

times as many engineers engaged in military research. . . .

If you believe that one U.S. engineer is the equivalent of three Soviet engineers (which I don't believe), how long will that three-to-one ratio last, with them graduating six times the number of engineers each year than we do? How long do you think it will be before that ratio is five or six to one?

You can forget that old tale of poorly built, ineffective Soviet military equipment. If that tale was ever true, it certainly is not true now, nor was it true when the equipment they have in the field today was manufactured. They have highly sophisticated, reliable, and effective weapons and don't let anyone try to tell you anything different. I also want to put away the myth that the Soviets are bumblers when it comes to production. They are efficient producers and their factories are modern and well equipped. They are far outproducing us in every aspect of military production:

They produce about 20 armored vehicles for every one we field; the ratio of artillery tubes built is also ten to one in their favor; they build over twice as many fighters, and three times as many helicopters as we do; they field 18 surface-to-air missiles for every one we field; they build twice as many submarines and twice as many naval surface combatant ships as we do.

No, there's no solace to be had for us on either the R&D or production parts of the military equation. The Soviets are now, and have been for 20 years, on a concerted R&D acquisition offensive. They've had a constant forward thrust—a constant acceleration—that's given them the momentum we lack. . . .

But that's an average. Last year, we had a negative growth rate of eight-tenths of 1 percent. . . .

Moving up to the next industrial echelon, we find another capacity problem: there are only three remaining U.S. suppliers of large forgings, the kind we need for aircraft landing gear and engine components. . . .

The shrinking industrial base, coupled with increasing demand . . . worldwide for scarce materials, and products made from these materials has resulted in greatly lengthened lead times and-escalated costs. . . .

But I'm afraid that our near-term capability to surge—to do something to get hardware in the field quickly—is minuscule and that the long-term prospects aren't as grand as some people obviously think they are. For example, we recently appraised our surge capability for F-15 and F-16 fighters. We found that during the next 18 months, under surge conditions, and using all of the authority and clout we could muster, we could not receive any additional F-15 or F-16 aircraft beyond those currently contracted for.

One thing that we can do is to stir the pot. . . . I've been doing that as often as I can, since a sick industry equates, in my mind, to a sick defense posture.

## 'Let them die'

*The Regan Treasury plans major S&L bankruptcies to restructure the economy—and the population.*

Treasury Secretary Donald Regan and Budget director David Stockman are planning a "controlled crisis" of bankruptcies among U.S. savings and loans this spring, report some of my Treasury sources. The major institutional investors led by Prudential Insurance plan to pull out over \$50 billion in deposits and loans from the S&Ls in early April, said the source.

Stockman and Regan do not want to stem the tide, because they agree with the big institutions that the U.S. economy needs to be restructured, by shutting down some S&Ls, and the homebuilding market they support. "Don Regan and Dave Stockman don't believe in bailouts," said my source. "They intend to force the Federal Home Loan Bank to let these S&Ls die if they are destined to fail. One by one."

Some at Treasury specifically want to cut back U.S. homebuilding to force the U.S. further into *sub-zero population growth*. "We've allocated too much capital to housing," said a source. "Now we have scarce resources.

"The typical American college graduate wants to live in a three-bedroom house. That's asinine. He'll have to take a smaller, energy-efficient apartment."

This will reduce U.S. population growth, he said. "Fewer homes mean Americans will have fewer

children. Less space in apartments means smaller families. And that's a good policy."

Washington regulators estimate that some 200 S&Ls will "disappear" in mergers and liquidations, on top of 35 S&Ls bailed out and merged by the Federal S&L Insurance Corporation (FSLIC) last year. Some 400 S&Ls are technically bankrupt under the FSLIC's net worth requirements, since their equity is less than 4 percent of deposits.

Profits plummeted 75 percent in 1980 to \$900 million, and the nation's 4,700 S&Ls are expected to lose a cool \$4 billion in 1981.

Last year the FSLIC spent a record \$1.5 billion in bailing out and merging a total of 35 S&Ls. Now the regulators are afraid they won't have the money to halt a wave of bankruptcies.

Stockman is already acting to cause depositors to panic and pull out of S&Ls, said my usually reliable source. "You have major institutions near insolvency," Stockman told the Washington press corps in an unusual "background-der" on March 7.

"Any honest evaluation of the S&Ls would show their equity has been wiped out." Bank runs "like the 1930s" may result, he said.

"That was pretty inflammatory stuff," laughed my source, "and it's caused tremors all over the place, which was what it was designed to

do. It's advanced our timetable."

The crisis atmosphere, he said, will help plans by the major institutional investors such as Prudential Insurance to pull their money out of \$50 billion in "jumbo" S&Ls savings certificates coming due in early April, which would knock out about 8 percent of the S&Ls' assets. "Then we could also see the major commercial banks start to pull in their loans to the weaker S&Ls, just as they did to Chrysler," he said.

"Secretary Regan feels this will all be very useful in helping to modernize and restructure the entire U.S. economy," said my source. Donald Regan, he insisted, believes in the "postindustrial" thesis under which the U.S. should phase out basic heavy industry like auto and homebuilding and move into computers and other "information age" services. "Don Regan is a free-trader who wants to give no government bailouts to these old industries. Chrysler shows it doesn't work, and now Regan wants to scale down the auto industry. No more bailouts for them.

"Letting the S&Ls go, furthermore, will not only rationalize the S&L and banking industry. Mr. Regan, of course, is for restructuring the financial system—that's what he did in his own industry, the brokerage industry. He's the great liberalizer of Wall Street.

"He's reshaped Wall Street, and now he wants to reshape the economy. Fewer S&Ls means less lending to housing—we need to cut down the homebuilding industry. We have too much housing, we need less housing, we've allocated too much capital to homebuilding and Don Regan wants newer industries to be able to compete for that capital."

## \$100 billion for energy growth

*Société Générale's chairman has issued a proposal that would transform both the Third World and advanced sector.*

While French Foreign Minister Jean François-Poncet and Finance Minister René Monory were in Mexico early this month, leading French banker Maurice Lauré began drumming up support for the creation of a \$100 billion global investment fund to finance energy and economic development in the Third World.

In an exclusive interview with *EIR*, Lauré, chairman of France's largest state-directed commercial bank Société Générale, emphasized that alternatives to the austerity programs administered by the International Monetary Fund and others must be implemented to avoid mass starvation in developing nations.

"The IMF is causing trouble with its absurd monetarism, and they have a cure"—austerity-based adjustment programs—"that kills the patient," Lauré stated. "We must give credit to finance hard-commodity goods production and trade, not debt service," he told our reporters.

Lauré informs us that he discussed the \$100 billion proposal in detail with François-Poncet and Monory, immediately before their departures for Mexico, and urged them to build U.S. support for the concept during their talks with Reagan administration officials which followed the Mexican diplomacy.

Lauré, Monory, and French President Giscard have all been

highly critical of U.S. interest-rate policies (see International). Lauré and Monory have openly criticized U.S. implementation of "monetarist" doctrines of credit restraint for dangerously worsening economic conditions in the developing sector.

Last week, Monory told the French daily *Le Monde* that "most [Third World countries] are incapable, given the evolution of interest rates, of getting themselves to the credit markets in order to meet their needs." Lauré fully concurred in his private remarks. U.S. Federal Reserve Chairman Volcker "is going too far [and] will collapse the world economy if he continues," he said.

Monory was recently appointed head of the IMF Interim Committee, the chief policy recommendations grouping within the IMF's labyrinthine bureaucracy. He has publicly stated he intends to use his position to push for a lowering of interest rates worldwide. He hopes to arouse U.S. support for freeing up development credits at reasonable, long-term rates, at a special summit meeting in June on North-South relations.

The meeting was launched by the IMF's sister organization, the World Bank, but will be chaired by Mexican officials who hope to turn the event into a critical scrutiny of IMF austerity dictates. While in Washington, Monory urged President Reagan to come to the June summit, which will also be attended by Indian Prime Minister Gandhi

as well as Iraqi President Saddam Hussein.

The concept of pooling \$100 billion for world development credits has been intensely debated in Europe under the name of Phase II of the European Monetary System (EMS). In March 1979, France, West Germany, and other member countries of the European Community founded a currency stabilization program under the EMS. The EMS statutes provide for the formation of a European Monetary Fund, which could issue gold-backed bonds consolidating liquidity to be re-lent to developing countries at low interest rates.

Due to howling objections to Phase II from Britain, the IMF, and the Carter administration, Phase II has been formally postponed until 1982. European bankers and officials, however, have often considered that a favorable alternative to Phase II could be formation of a combined commercial bank-government fund which would target loans for energy development.

Last summer, for example, Germany's Dresdner Bank proposed during a Munich international energy conference attended by leading scientists from numerous nations, including the Soviet Union, that commercial bank-government agreements, involving Europe, the Mideast, and the United States, could pool up to \$10 trillion over the next decade for nuclear power-based energy projects worldwide. The proposal was countered by then-World Bank President Robert McNamara, who urged that soft energy technologies, ranging from biomass to coal, could be developed worldwide through a \$500 billion, 10-year program, primarily controlled by multinational oil companies and mining conglomerates.

## Stabilizing prices through the BIS?

*An Italian monetary expert proposes a gold remonetization plan that implies a crash first.*

**F**ormer Italian central bank official Rinaldo Ossola is circulating a draft proposal for gold remonetization, centering on the role of the Basel-based Bank for International Settlements. Dr. Ossola, now chairman of the Banco di Napoli, issued this plan in a paper presented to a private meeting of the International Monetary Advisory Board of the Securities Group in New York on March 3. (See "Springing the Monetary Trap on Reagan," *EIR*, March 17.)

As I reported last week, there is fear in the gold-trading community of a classic bear maneuver: a crash below \$400 an ounce under extreme monetary duress, enabling a handful of large market participants to accumulate enough new gold to emerge from the crisis to dominate a future gold-based monetary system. Dr. Ossola's paper substantiates that fear.

He makes two separate proposals. The first is that the IMF, which wants central banks to accept its dubious paper, the Special Drawing Rights (SDR), use a gold incentive to promote the SDR. The IMF currently distributes SDRs to its member central banks free, and central banks ignore the paper as a means of settlement. Ossola would deny new SDR issues to central banks who refuse to buy additional SDRs with gold or dollars. "The incentive is so attractive that it is unlikely that any central bank would refuse," Ossola told me in a recent interview. However, since

the present value of the SDR is now de facto nothing, doubling the amounts given to central banks will not improve its acceptability.

Of greater interest is the Italian's plan to stabilize gold prices through the Bank for International Settlements. He writes:

"The BIS, acting as an agent for a number of central banks, declares itself ready to buy and sell gold against dollars at margins respectively below and above a central price corresponding to the average of the market prices in, say, the three previous fixings;

"The average of three fixings should be progressively enlarged to some 30 fixings or more in the course of the following weeks;

"Gold purchased and sold should be allocated to or supplied by the central banks participating in the stabilization program in proportion to their gold reserves."

The standard argument against any such attempt to stabilize the gold price is, of course, that there is too little gold to back the \$1.3 trillion of foreign liabilities now circulating in the form of the Eurocurrency market (of which \$1 trillion are U.S. dollar liabilities). Unless the U.S. undertook an export program which increased its foreign sales in the order of \$100 to \$150 billion, its paper liabilities would overpower its gold stock under conditions of remonetization. The only other way to return to gold backing for the dollar would be a form of "Chapter 11" for the Euro-

dollar market; i.e., a suspension of a large volume of dollar liabilities through a crash of one form or another. This, apparently, is what Dr. Ossola envisions.

What the BIS represents in world monetary affairs is a power much older and more evil than the International Monetary Fund. Created in the Palazzo di San Giorgio, the former home of the Genoese central bank that has ruled world finance for 300 years, it is the underlying link to the great Italian, Dutch, Swiss, and British financial powers of the past—whom Dr. Ossola represents. These have always viewed the International Monetary Fund as an intrusion, too subject to the whims of sovereign nation-states who ultimately vote on its decisions.

By contrast, the BIS is a committee of central banks, most of them "independent" from the national governments they serve. The BIS officially admits that 20 percent of its stock is held by (mostly Swiss) private banks, although Dr. Franz Pick believes the amount is actually larger. Were it to take the leading role in a new monetary system, the old financial powers that once stood above nation-states and dictated terms, the way the Cassa di San Giorgio dictated terms to the Spanish Empire of Phillip II, would have reclaimed what they consider to be their patrimony.

France and Germany are now proposing a restabilized international monetary system. They use gold, through the European Monetary System, as a fund for stabilization of currencies. But Ossola's plan implies a 19th-century British-type gold standard, of a sort that caused successive depressions in the American economy.

## Dairy industry launches export push

*Under siege domestically, dairy farmers look to foreign markets to sustain industry growth.*

**T**he U.S. dairy industry—possibly the most productive sector in the entire economy—has launched a drive to break out of the bind in which it finds itself. Confined to a domestic market in which it is under attack for producing “surpluses,” the industry is actively pursuing an export expansion policy to pin down the margin of realized growth. Latin America, where U.S. producers enjoy a premium on transportation costs compared to Europe, is the main market being targeted.

But success will require creative new approaches to market development.

Not surprisingly, the Wisconsin Agriculture Department is playing a leading role. The dairy state, which supplies Mexico with most of its live dairy cattle and has extensive ties with Mexican dairy producers, just led a 10-day exploratory trade mission to Mexico, Venezuela, and the Dominican Republic. Wisconsin Agriculture Secretary Rhode and his trade team are now developing a set of specific programmatic proposals to present to Agriculture Department chief John Block, according to international trade specialist Al Herman, who coordinated the Latin American mission.

Wisconsin officials and members of the industry point out that while the USDA and Commodity Credit Corporation have definitely been dragging their feet, the indus-

try itself has not taken the initiative to take advantage of existing avenues for export development. Instead, they've let the big grains have all the action. There was, for instance, scarcely a dairyman to be seen at the recent Agriculture Council of America Farm Export promotion conference. In recent years, dairy imports have exceeded exports by as much as six to one. A situation of worldwide commercial dairy “surpluses,” with the European Community aggressively subsidizing cutrate exports of its famous milk and butter “mountains” has been a strong disincentive.

The crux of the problem on each side of the prospective dairy trade flow is price. Generally, a three-tiered price structure prevails for nonfat dry milk, the leading trade product: a U.S. domestic market price, supported by the federal program at 80 percent of parity, and now at about \$1.20 per pound; a “world market” price, dictated for the most part by the European Community, which is now at about 60 cents per pound; and a Commodity Credit Corporation sales price that hugs the world market price in between.

Virtually all U.S. shipments of dry milk have been handled by the Commodity Credit Corporation directly to Conasupo, the Mexican government food agency. In each of the past four years, CCC has sold from 40,000 to 80,000 metric tons of

nonfat dry milk to Conasupo. In December 1981, sales of another 60,000 metric tons of milk were negotiated, like the others, at about half the domestic market price for U.S. milk. At this rate the private trade can't hope to compete.

Yet, as the Wisconsin delegation discovered, Mexico, with a three-million-liter per day shortfall of milk, is interested in buying “three times” that amount, if the price is right. Conasupo clearly feels obligated to make maximum use of bargain priced surpluses from other countries, the interests of Mexico's own dairy producers notwithstanding. In fact (and this is a point of irony which ought to suggest a fresh policy approach to trade development planners) Mexico's dairy producers are more often than not on strike because Conasupo's cheap import and pricing policies make it unprofitable, if not impossible, to sustain production. This only increases the pressure for more imports in a classic vicious cycle of undercapitalization and dependence, a situation that is not only no help to Mexico but no help to U.S. exporters either.

Other than the immediate possibility of commercial exports of dried whey (a product containing valuable protein that can be used in baking or feeding blends, and is relatively low priced in the domestic market), dairy industry representatives properly insist that any longer-term stable trading relations for continuing delivery of U.S. commercial dairy products to Mexico, or elsewhere in Latin America, must be based on f.o.b. product prices comparable to the prices paid in the domestic U.S. market. Mexican producers, we submit, would readily agree.

# World Trade

by David Ramonet

Cost	Principals	Project/Nature of Deal	Financing	Comment
<b>NEW DEALS</b>				
\$1 bn.	Malaysia from Japan	Pernas-NEC Sdn. Bhd, 60% owned by a Malaysian government-controlled company, and 40% by Nippon Electric Co., won a contract to build a telephone system for rural and urban areas in Malaysia.		New bids to be submitted to complete telecom requirements for next decade. Total value of project is about \$4 bn.
\$500 mn.	Indonesia from Japan	Two consortia of Japanese trading corporations received contracts to provide Indonesia with oil refinery equipment.		Formal contracts expected to be concluded later in March.
\$200 mn.	Nigeria from West Germany	Siemens A.G. to expand and improve the Nigerian telecom network, including delivery of 160 turnkey transmitting stations for radio, TV, telex, and telephone, as well as project-planning and related infrastructure for stations.		To be completed over the next 2½ years.
\$115 mn.	Iraq from Japan	Kubota Ltd., from Japan, to provide Iraq with the equivalent of 200 kilometer-long ductile cast-iron pipes.		Shipments will start in September, for completion in April 1983.
<b>CANCELED DEALS</b>				
\$375 mn.	U.S.A. from Algeria	El Paso, the Texas energy company, is writing off its investment in Algerian liquefied natural gas; beginning in the early 1970s, negotiations involved the shipment of 700 mn. cu. ft. of gas daily.		Negotiations broke off when Algeria demanded a price increase to which neither El Paso, nor the U.S. government would agree.
<b>TENDERS</b>				
\$3.32 bn.	Iraq	Iraq will hold a tender from world car mfgs. to establish a domestic car industry in Baghdad, after appointing an international consultant in the next few weeks. The Industry Ministry of Iraq is in charge of the project to establish an auto sector. Initial expenditure is estimated at 1 billion Iraqi dinars.		Iraqi representatives were having talks with European, Japanese, and U.S. car mfgs. Expectations are truck production by 1984 and cars by the end of 1985.

# The \$3 billion New York tax giveaway

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*Underassessment of commercial real estate is draining the treasury, Lydia Schulman reports in Part Three of our urban series.*

Austerity in New York City has been accompanied by some remarkable liberality. Through underassessment of commercial real estate, and tax-exempt loopholes, the administration of Mayor Edward Koch is giving away from \$2.5 to \$3.5 billion a year in city tax revenues to major real-estate speculators and holding companies like the Penn Central Corporation.

By enforcing existing real-estate tax laws, and ending welfare exemptions for these beneficiaries, the city could double real-estate tax collections while providing relief to overtaxed small homeowners.

Such measure would generate enough funds, for example, to overhaul the entirety of the decayed subway system, and still leave plenty to spare. The Transport Workers Union, representing employees of the city's transit system, has proposed a 10-year, \$18 billion program to revive the subways. The traditional source of funds for a major capital improvement program of this type is the city real-estate tax. Thus, *EIR* researchers decided to examine the city's various controversial tax-abatement programs (J-51, 421a, the ICIB program, and so forth) in the expectation that if some of those programs were tightened up, several hundred millions of dollars in lost taxes might be recaptured per annum.

We discovered that the city is foregoing not several hundred million, but several hundred billion dollars a year, as a result of gross underassessment of prime Manhattan commercial property, unwarranted tax exemptions, and the controversial tax-incentive programs instituted by the Koch administration and its predecessor under Abraham Beame. We estimate that if existing real-estate tax laws and assessment practices were merely adhered to, another several billion dollars in real-estate taxes a year would materialize.

The dimensions of the underpayment are as follows:

During the past five years, total yearly real-estate tax collections inched up from about \$3.2 billion to \$3.3 billion in current dollars. Not taking inflation into account, this was a 3 percent increase. During the same

period, the market value of prime commercial property soared by roughly 300 percent. The discrepancy is on the order of 100 to one between the rise in market values and tax collections.

With the habitual underassessment of prime commercial properties, the city is losing an estimated \$1.7 to \$2.5 billion a year on Manhattan office properties alone. These funds would be sufficient to revamp New York's undercapitalized subway system.

Beyond this, we have not yet put a total price tag on the unwarranted exemptions and special tax-incentive programs; however, these practices are easily costing the city upward of \$1 billion a year.

One of the biggest current speculative boondoggles in New York is the so-called development of former Penn Central and other railroad properties, parcels that are tax-exempt due to their railroad classification. (These properties include the West 30s and 60s railyards and the environs of Grand Central Station.) It is an ironical fact of history that the Penn Central ran its railroads into the ground as a result of siphoning off railroad funds into real-estate ventures. Then, in 1976, it palmed off its transportation assets to the federal government for \$2.11 billion, and emerged out of bankruptcy proceedings as a profitable real-estate holding company. Yet the Penn Central still claims railroad status for the city real-estate tax exemption, while, along with allied developers such as Donald Trump, it benefits from the speculative runup in the value of those tax-exempt properties.

## **The myth of New York's recovery**

New York City's "favorable real-estate tax climate" is universally cited as the basis for the city's recovery from its 1975 fiscal crisis and economic slump—the burst in office and hotel construction, the improvement in construction and service employment, and the re-emergence of New York as an international tourist center.

"Everyone knows that the real-estate market would

never have recovered without help of the tax breaks and the UDC [Urban Development Corporation]," a highly placed Planning Commission official commented in an interview. "With regard to real-estate, the Koch administration has been unquestionably prodevelopment. Guys like [John] Zuccotti [former deputy mayor under Beame and currently counsel to the Canadian-based Olympia & York Developments, Ltd.], foresaw the need for tax abatements and other real-estate tax breaks."

In a lead editorial on Feb. 23, "The Supply Side Saves New York," the *Wall Street Journal* held up the tax policies of Mayors Beame and Koch as the model for the Reagan administration.

The question remains whether New York's real-estate boom is the basis of a lasting recovery.

The evidence is that the stagnation of city tax revenues has cut into the delivery of vital services to the point that the city's basic infrastructure is now threatened.

To take the case of mass transit, the breakdown of a once reliable, efficiently functioning subway system has had a devastating impact on the city's economy: employees chronically arrive at work late and enraged or depressed; employers complain about the shortened work day and reduced productivity. Education, health care, and other services are under knife after knife for lack of revenue. New York will never again be able to provide employers with a skilled workforce if this situation continues.

### **The underassessment**

The discrepancy between the taxes the city collects on Manhattan office properties and what it could be collecting is due to the gross undervaluation of these properties by the Real Property Assessor's Office and other city departments.

In the current fiscal year, the city assumed that the market value of the totality of Manhattan office properties was \$12.7 billion. It was actually in the range of \$45 to \$60 billion, according to *EIR* estimates cross-checked with numerous real-estate analysts. (The absurdity of the city's claim can be seen in the fact that last July the Pan Am building—a single building—sold for \$400 million. And there are 233 prime office towers in Manhattan, whose current resale value is \$85 to \$100 million apiece, or upward of \$23.3 billion total.)

At the current rate of 60 percent—meaning that the assessed or taxable value of a property is 60 percent of its full market value—the assessed valuation of Manhattan office property was \$7.6 billion in fiscal 1980-81.\* Given the current tax rate of 8.95 percent, those properties yielded about \$680 million in tax revenues.

If the city had begun with the realistic market value of those properties, \$45 to \$60 billion total, then at the customary 60 percent assessment rate and 8.95 percent

tax rate, Manhattan office properties alone would be yielding \$2.4 to \$3.2 billion per annum, not \$680 million. And the city would have at its disposal an additional \$1.72 to \$2.54 billion in tax revenues a year.

Questioned about the giant discrepancy between the city's assessments and the true market values of the same properties, one city tax official sheepishly offered the explanation that commercial property values are rising so fast in the city that the Assessor's Office can't keep up with them.

New York's undertaxation system is even greater than it seems, however. The \$680 million in real-estate taxes levied on Manhattan office property in the current fiscal year compared with a levy of roughly \$600 million in fiscal 1976-77. During the same period, rents on prime Park Avenue office space jumped 300 percent to \$50-\$60 per square foot, and market values rose accordingly. And the city's operating expenses and capital costs, like everything else in the national economy, were hit by double-digit inflation. Inflation also pushed wage earners into higher tax brackets, leading to a higher rate of taxation on their income and lowering of disposable income. In such a period, the freeze on New York real-estate taxes in fact amounted to a massive tax cut.

### **Special deals**

Thus far we have only been considering the undervaluation of taxable property. However, less than half the property in New York is subject to taxation at all; the rest is fully tax-exempt or nearly so.

Newspapers like the *Village Voice* and *Our Town* regularly report on the huge tax exemptions granted to foundations, schools, churches, and so forth. Yet in many cases these exemptions are entirely justified. But what about the tax exemptions granted to utility companies and the quasi-public authorities and corporations in return for the services they ostensibly provide to the public?

Every private railroad operating in New York enjoys a ceiling on its taxable assessment, calculated on the basis of its earnings in a given year. During the current fiscal year, the railroads qualified for a full exemption on \$2.49 billion of their \$2.52 billion in assessed valuation, because of poor earnings and other breaks granted on properties within a five-mile radius of railroad passenger terminals. While there is ample reason to award exemptions on subway property to the MTA, it is wholly unreasonable for the city to shower benefits on the Penn Central and other railroads that have done nothing but deliberately triage rail service and fuel real-estate speculation. The tax-free railyards along Manhattan's West Side waterfront are the site of the next phase of New York's real-estate bubble. As these choice parcels are sold off to developers, they lose their tax-exempt railroad classification; but according to a highly



## Manhattan office property—full market value

Location	Square footage adjusted for vacancy rate	Average rent/ square foot	Annual rental income
<b>I. Higher estimate based on Planning Commission estimates</b>			
All office space below 60th St. ....	275 less 3.5% = 265	\$33	\$8.8
			<b>Total rental income</b> \$8.8
			<b>Total market value</b> \$8.8 × 7 = \$61.6
<b>II. Lower estimate based on Jones Lang Wootten estimates</b>			
Park Ave. ....	15.7 less 0.3% = 15.6	\$45	\$0.7
Ave. of Americas* ....	25 less 1.7% = 24.6	\$35	\$0.9
5th, Madison, Lexington, 3rd Aves. ....	42 less 2.3% = 41.0	\$40	\$1.6
Downtown ....	65 less 4.3% = 62.2	\$20	\$1.2
Non-prime space ....	127 less 3% = 123.5	\$15	\$1.9
			<b>Total rental income</b> \$6.3
			<b>\$6.3 × 7 = \$44.1</b>

### Calculating Real Market Value

To calculate the real market value of Manhattan office properties, we started with square footages of different qualities of office space average rents, and vacancy rates. The table above represents two sets of estimates: the gross figures currently cited by the city Planning Commission for all office space below 60th Street—275 million square feet, at an average rent of \$33 per square foot and vacancy rate of 3 percent; and the finer breakdown of different grades of office space contained in a recent survey conducted by the firm of Jones Lang Wootton. On this basis we arrived at an upper and lower estimate of gross

annual rental income from these buildings: \$8.8 and \$6.3 billion. Using the traditional rule of thumb that a building's market value is seven times its annual rent roll, we arrived at an upper and lower estimate of market value of \$61.6 and \$44.1 billion.

The price-earnings ratio is actually higher than the traditional seven today, because rental income on properties is expected to rise sharply over the next several years; a huge proportion of existing office leases are due to expire over the next several years, and they will be renegotiated at going rentals of \$30 to \$60 per square foot.

placed Planning Commission official, they will get another tax exemption, probably through the UDC.

The tax-exempt status of bonded public authorities represents a second major drain on potential city tax revenues.

Beginning with the creation of the Port Authority in the early 1960s, these entities have removed key sources of tax revenue—the Port of New York, the bridges, tunnels, airports, and later the \$1 billion World Trade Center—from the city's taxing powers, and placed them under the jurisdiction of quasi-public bodies subject to no constituency.

Finally, there is the wholly tax-exempt New York State Urban Development Corporation generally recognized as the kingpin of the last several years' hotel and office building spree. UDC projects, including Donald Trump's Grand Hyatt Hotel, the Convention Center, and the new home of the American Stock Exchange, pay no city sales taxes on their construction material—which can run into the tens of millions of dollars—and no real-estate taxes. They pay only a negotiated percentage of whatever operating profits they choose to report to the city.

“The big flap over the Commodore-Grand Hyatt was over the fact that the percentage of cash flow they agreed to pay is so low,” a Planning Commission official recalled. “The hotel can inflate its costs and reduce its taxable cash flow to nothing, and be sure that its books will never be audited. In fact, the hotel will pay practically nothing to the city until 2000.”

The city is losing an additional estimated \$100 million per year as a result of various tax abatements (J-51, 421a, the ICIB program, etc.) for rehabbers and hotel and office-building developers. Among the recipients of the city's munificence have been IBM, AT&T, Goldman Sachs Investment Company, and Harry Helmsley's Palace Hotel. There is plenty of recoverable tax money to rebuild the transit system, in short, and restore other vital city services.

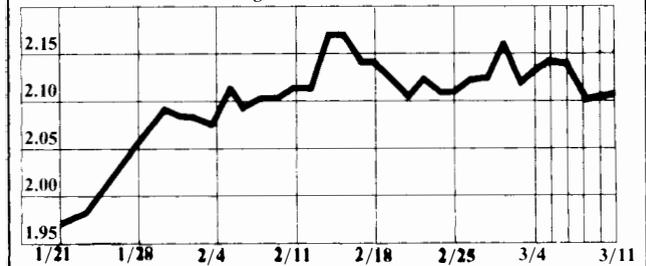
\*When the tentative assessments for fiscal 1981-82 were made public Jan. 29, Finance Commissioner Philip Michael stated that the city has followed the practice of assessing commercial properties at about 60 percent of their full market value and residential properties at 20 percent of market value. The new assessments showed a record 10 percent increase, most of it due to higher assessments on Manhattan commercial properties. However, many of these assessments are being challenged on the grounds that the city discriminates against commercial property, assessing it at a higher rate than residential. In fact, *EIR's* calculation of true market value indicates that Manhattan office property was assessed at only 13 to 17 percent of its market value in fiscal 1980-81.

Nevertheless, as a result of the 1975 State Court of Appeals *Hellerstein* decision, which declared New York State's de facto system of classified assessments illegal, the city has a potential liability of about \$2 billion from tax certiorari claims hanging over it.

## Currency Rates

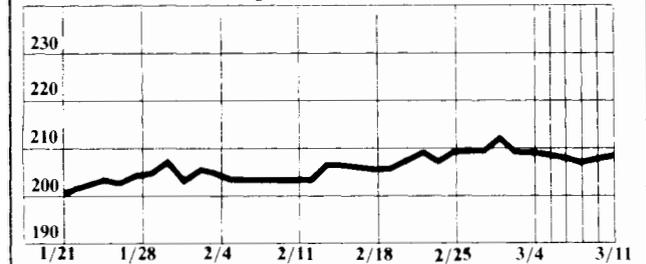
### The dollar in deutschemarks

New York late afternoon fixing



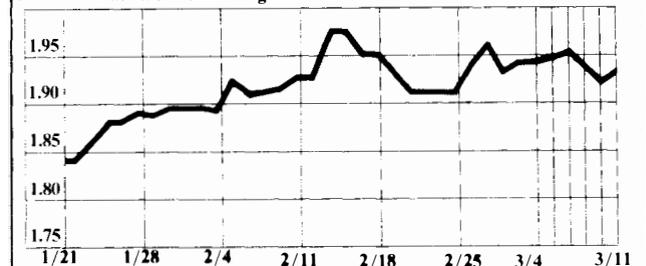
### The dollar in yen

New York late afternoon fixing



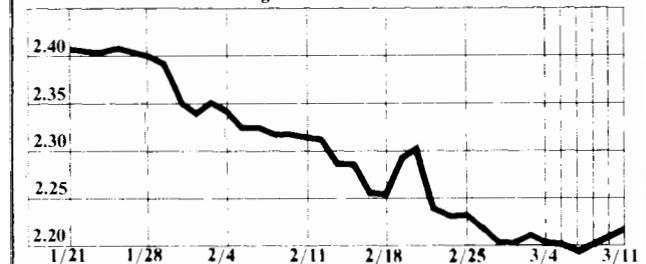
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



## Burns: Schmidt can't be taken seriously

*Part II of a March 2 interview with former Federal Reserve Board Chairman Arthur Burns, made available to EIR. Dr. Burns is a prospective U.S. ambassador to Bonn.*

**Q:** What do you see as the solution to West Germany's long-term structural problems, such as energy and wage inflation?

**A:** First, Germany must watch their budget. Most important is the enormous turnaround in their balance of payments, which is now deep in deficit because of their oil bill. The only solution for Germany will be to address the problem of scarce energy resources, which we also have not addressed, and which the Reagan administration will finally address. The Reagan administration is right. We need a sharp increase in the price of energy in order to curtail demand. Not only must there be decontrol of oil prices, but we should decontrol natural gas, which I believe the administration will do, and after that we should impose a large tax on gasoline and on heating oil to further raise the price of energy. We must curtail demand by whatever price necessary to achieve conservation. Germany faces the same problem.

Structural inflation, in Germany as in the U.S., is also caused by the high level of wages. Wages are a real problem. Look at Chrysler, which is paying \$18 to \$19 per hour, ridiculous, extraordinary for a bankrupt company.

There are only two ways to reduce wage inflation: 1) hard times, by which I mean severe unemployment not for three or four months, but for several years; or 2) wage controls or new wage legislation to weaken the power of trade unions.

We must have adjustment of wages in steel, in agricultural implements, and a number of other industries. In order to speed this we must tackle the minimum wage, the second point; we need overall reform of basic labor legislation, reform of minimum wage, reform of the Davis-Bacon Act, which is highly inflationary. Reagan does not want to tackle this now, with the budget and tax controversy, but he will begin to tackle it by the end of

the year.

**Q:** How soon will this come about in Germany?

**A:** Schmidt will have real difficulties with this in Germany, he's facing tremendous political problems. Immediately, the most important thing Germany can do, which the Bundesbank is doing, is to maintain strict control over the monetary creation, to maintain a very restrictive monetary policy. [Bundesbank chief] Karl-Otto Poehl just came to see me last week and said that he is very concerned about pressures within Germany for monetary relaxation.

**Q:** What is the response to Chancellor Schmidt's open complaints about high U.S. interest rates in Washington?

**A:** Chancellor Schmidt has a loose tongue, he's a very volatile man, although, of course, I know him well personally and I'm very fond of him. He came here a few times while I was chairman of the Fed and I told him that his criticisms in fact were very helpful dealing with other countries. I'll explain what I mean. Last time Mr. Schmidt criticized me publicly, I got a call from a member of Congress, one of my critics, who said "The impudence of that foreigner. From now on, I'll never criticize the Fed again, and I'll always defend you." Schmidt is careless.

**Q:** Why has there been no public administration response to Schmidt's complaints?

**A:** The administration itself is split; many people are highly critical of the Fed, led by the Undersecretary of the Treasury Beryl Sprinkel, my good friend from Chicago. He believes the Fed was too loose last year and now must tighten more consistently.

**Q:** What about opposition from the other side, like Schmidt's?

**A:** That is Schmidt's opposition, and there is no opposition from the other side, the Fed was too erratic in its policy, and that's that. So when Schmidt criticizes the Fed for being erratic, why should the administration people who want a firmer monetary policy say anything? Furthermore, Donald Regan has not discovered what his policy is yet.

I had a full talk with Poehl, he's opposed to the Schmidt initiative for a common industrial nation policy to lower interest rates. It's a silly policy.

**Q:** Do you see continuation of these interest rates and the other wage adjustments you mentioned as a way to ease the U.S. and Germany into the postindustrial society?

**A:** I can't discuss this very important subject over the telephone.

# LaRouche in Washington

Forums for policymakers designed to shape  
U.S. foreign policy toward Europe and Mexico

March 20

## Europe's Challenge to Volcker

*A conference sponsored by the Executive Intelligence Review  
and the National Democratic Policy Committee*

### SPEAKERS:

**Lyndon H. LaRouche, Jr.**, Chairman of Advisory Committee,  
National Democratic Policy Committee;  
Contributing Editor, Executive Intelligence Review

**Helga Zepp-LaRouche**, Chairman, European Labor Party  
Mayflower Hotel, Colonial Room, 1127 Connecticut Ave. N.W.  
2:00 p.m. Tickets: \$25

March 26, 27

## U.S., Mexico, and Central America: Conflict or Cooperation?

*A conference sponsored by the Executive Intelligence Review*

### SPEAKERS:

**Keynote (March 26): Lyndon H. LaRouche, Jr.**

**Dr. Uwe Parpart**, Director of Research, Fusion Energy Foundation

**Fernando Quijano**, Contributing Editor, Executive Intelligence Review

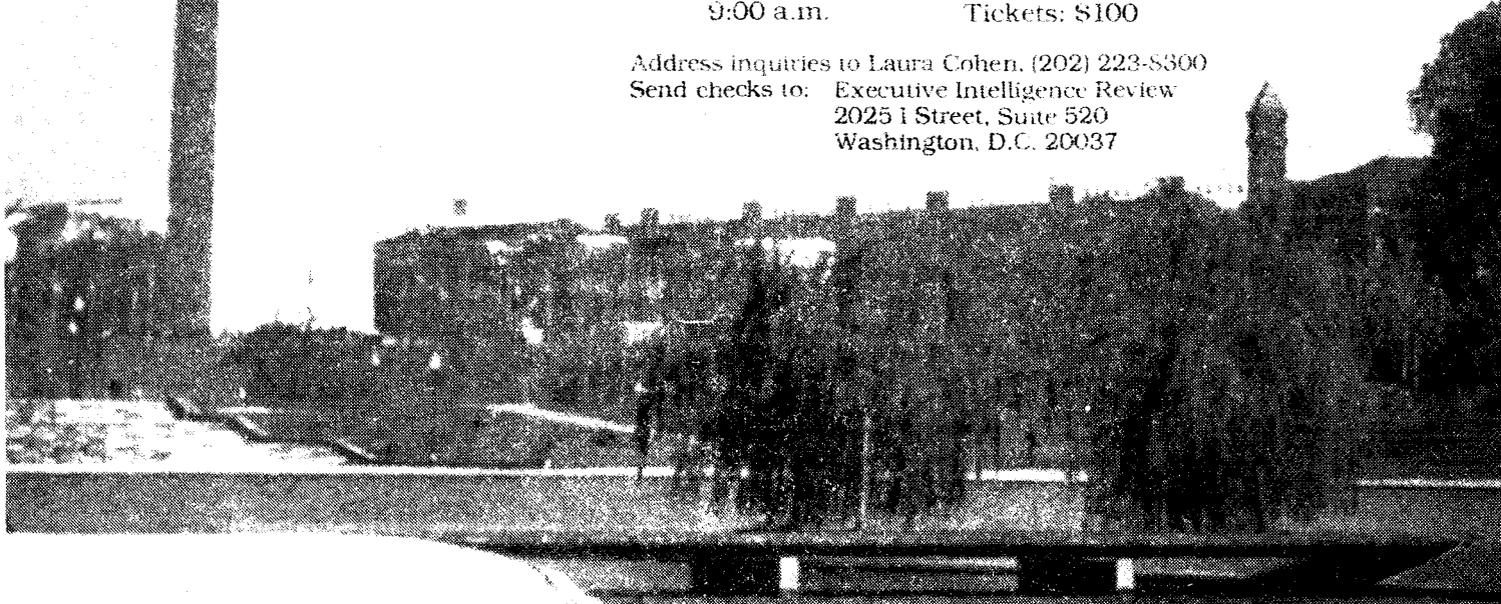
**Al Zapanta**, Member, Reagan Transition Team; Vice President, ARCO Ventures Co.

**Joseph Dietrich**, Consultant; Former President, American Nuclear Society;  
Former Chief Scientist, Combustion Engineering

Hay-Adams Hotel, Colonial Room, 800 16th Street N.W.  
9:00 a.m. Tickets: \$100

Address inquiries to Laura Cohen, (202) 223-8300

Send checks to: Executive Intelligence Review  
2025 I Street, Suite 520  
Washington, D.C. 20037



# Business Briefs

## Communications

### IBM, Japan's NTT work out patent pact

IBM and Japan's government-owned Nippon Telephone & Telegraph (NTT) are expected to form a pact later this year in which all patents held by each firm would be exchanged with the other. According to the Japanese business daily *Nihon Keizai Shimbun* of March 3, the pact is likely to include manufacturing rights under which IBM could make NTT-created products and NTT could license private Japanese companies to manufacture IBM innovations.

The report follows a similar arrangement between NTT and AT&T established in January 1980.

*Nihon Keizai* commented that the new pact would "form a huge international tripod of technological allies . . . and help ease Japan-U.S. conflicts as well."

Opening up NTT's research and development to U.S. procurement and sharing had been a major objective of the Carter administration because NTT's huge R&D and computer procurement had aided Japan's computer development. NTT is becoming the world's most significant challenger to IBM's market dominance. Given the Reagan administration's emphasis on electronics in its economic and defense policies, there is reason to believe the IBM-AT&T-NTT hookup may be linked to efforts to arrange Japan's help in supplying the U.S. arms program.

## Corporate Strategy

### U.S. corporate equity changes hands

One of the largest changes in ownership of corporate equity in U.S. history is now occurring. This is led by buyouts of U.S. companies, especially by Canadian or British-linked companies.

On March 11, the Montreal-based Seagram Liquor Company announced

that it has made an "unfriendly" \$2.3 billion takeover bid for St. Joe's Minerals. St. Joe's, the largest producer of lead and zinc in the United States, has called the Seagram offer "unsolicited" and cited the \$2 billion offer "grossly inadequate." Seagram is a firm noted for its connection to the British Secret Intelligence Service, and has been cited on numerous occasions as involved in trafficking in the illegal narcotics trade. Last December, Seagram undertook a \$3 billion bank borrowing from a consortium of 31 leading banks to build up its cash reserves for the takeover bid.

Seagram's bid has led a wave of takeovers and mergers of U.S. corporations over the last three weeks, including: the \$4 billion bid by Standard Oil of California to take over 80 percent of the stock of the coal and metals company AMAX; AT&T has been granted an \$11 billion rate increase, which, coupled with the recent court ruling that allows AT&T to diversify into noncommunications industries, will give the acquisition-minded giant a large pool for buyouts; Prudential will spend \$400 million for oil investments, a sevenfold increase in investments in this area; Bunker Ramo, a large electronics producer, is the announced target for takeover, according to its own admission to the SEC.

## World Trade

### Defense/auto tradeoff between U.S. and Japan?

Was Reagan emissary David Abshire in Tokyo March 1-11 to negotiate a tradeoff for Japan to ship fewer cars to America in exchange for the opportunity to supply the U.S. defense buildup? At a March 4 Senate Armed Services Committee hearing, Defense Secretary Caspar Weinberger noted that a major obstacle to carrying out the proposed buildup is that "we have fallen behind our allies with the capacity of our industrial base." Therefore, he argued, "There must be a division of labor with other NATO countries and Japan." This was taken to mean that not only must Amer-

ica's allies increase their own defense spending, but they must help supply parts, machinery, and materials for the U.S. buildup. Senators John Tower (R-Tex.) and Barry Goldwater (R-Ariz.) also raised this subject.

Abshire, who had headed Reagan's foreign-policy transition team, repeated Weinberger's dictum on "international division of labor on defense" to Prime Minister Zenko Suzuki at a March 6 meeting in Tokyo. Last fall, officials at Georgetown University's Center for Strategic and International Studies (CSIS), which Abshire heads, told *EIR* that there were proposals for Japan to ship fewer autos in exchange for being allowed to help supply the defense buildup.

According to Japan's Kyodo news service, Abshire told Suzuki that the administration was making no link between auto and defense, but many congressmen were. It is a common practice for administrations dealing with Japan to blame pressure from Congress for goals they themselves want.

## International Credit

### Central bankers, U.S. examine the IMF

The world's top central bankers have been debating in recent weeks whether their governments should issue \$5 billion in special loans to the International Monetary Fund (IMF), the global agency which lends balance of payments credits and oversees austerity programs.

At congressional hearings March 11, new Treasury Undersecretary McNamar announced his department will be doing a cost-benefit analysis of World Bank programs to find out if U.S. taxpayers' funds allocated to such international agencies are producing results consistent with American foreign policy. McNamar also emphasized that the United States will oppose formation of a special energy affiliate for the World Bank, a proposal enthusiastically worked up last year by former World Bank head Robert Mc-

## Briefly

● **INTERNATIONAL Harvester** has just sold 1,800 heavy-duty dump trucks to Iraq, for more than \$100 million. The ailing U.S. agricultural goods producer reports the order will hike output of the truck brand by 50 percent beginning April. The deal is half its annual truck export sales.

● **DONALD REGAN** is under increasing pressure from supply-siders to resign, says the often reliable "Informed Sources" column of the *New York Daily News*. page 13

● **BARON GUY** de Rothschild, Felix Rohatyn, and former U.S. Federal Reserve Chairman Arthur Burns are featured speakers at a May 8 conference at Georgetown University on the Mideast. Also included on the program are German banker Walter Hesselbach, who has strong Zionist ties, and Robert Nathan Associates from Washington, D.C. The topic of discussion will be formation of a Mideast Development Fund centered on Egypt and Israel.

● **THE BANK OF CHINA** plans to expand its international banking ventures into New York, primarily to service the Chinese emigré community. The PRC bank plans to apply for a federal charter to avoid the New York law requiring foreign banks to reciprocate by allowing New York banks to open in their countries.

● **SUSAN B. COHEN**, representing the National Democratic Policy Committee, testified March 10-11 before the House and Senate Agriculture Committees on the omnibus farm bill and U.S. farm policy, blasting OMB Director Stockman. Rep. Arlon Stangeland (R-Minn.) quoted extensively from her testimony to refute consumerist attacks against dairy price supports. Cohen called for adequate credit to farmers and 100 percent parity to maintain high-technology production.

Namara. In his testimony, Undersecretary McNamar noted that Saudi Arabia, which is expected to lend the IMF \$9 billion over the next three years, also opposes the energy bank idea.

Washington observers report many officials in Washington think McNamara was "too independent" at the World Bank and even used his post there to fund policies contradictory to U.S. foreign policy interests.

During the week of March 1, the world's top 10 central bankers met in Ottawa, Canada with IMF Executive Director de Larosière. The following weekend, the same individuals reconvened in Basel, Switzerland at the Bank for International Settlements. On the agenda on both occasions was de Larosière's request for a special \$1.2 billion loan from these banks' countries. Although U.S. spokesmen attended both meetings, it has already been announced that even if the U.S. supports the loan in principle, its laws prohibit it from participating in such a financing arrangement—a fact which could serve to weaken U.S. policy say over the global financial agency.

### Banking

## S&L rationalization laws on tap

Legislation to rationalize and reduce the savings and loan industry after an expected S&L bankruptcy crisis (see Banking) is now being formulated in Washington.

While Secretary of the Treasury Donald Regan does not want the Federal Home Loan Bank Board to bail out many S&Ls after the crisis hits, the administration intends to use the panic atmosphere to force through Congress a ruling that would urge the Federal Reserve to allow the major New York commercial banks to buy up bankrupt S&Ls across the country.

This would precipitate a major takeover of large segments of the S&L industry by commercial banks, who would be likely to substantially reduce S&L lending to homebuilding. The Fed has the

ability to pass such a ruling by regulatory fiat, but seeks congressional approval.

Senator Daniel Moynihan (D-N.Y.) is preparing a more extensive "Reconstruction Finance Corporation (RFC)" for S&Ls. In legislation shortly to be introduced into the Senate Banking Committee, Moynihan calls for the Federal Home Loan Bank Board to issue bonds on the private market, based on its own assets, and use the proceeds to buy the low-interest fixed mortgages now clogging the books of S&Ls and making them unprofitable in today's high-interest environment.

In effect, this would stick the federal government with the bad loans of certain lucky S&Ls, who would then go on to diversify out of home lending and into more profitable areas.

The U.S. League of Savings Associations is also requesting legislation to allow the Federal S&L Deposit Corporation to purchase low-quality mortgages by selling its Treasury bills to raise the cash.

### Public Policy

## German cabinet: defense requires economic growth

At a Bonn cabinet meeting March 11, reports the West German business daily *Handelsblatt*, "the cabinet stressed their view that German defense responsibilities could be met, because the big procurement programs such as the Tornado fighter and the Leopard II tank would not be cut. The cabinet concluded that the defense capabilities of the Federal Republic are premised on its ability to finance defense. Economic stability and growth capability are the preconditions for a new division of labor within NATO."

In a related development March 13, French Treasury Secretary Jean-Yves Haberer stated that the European Monetary System has protected Europe "from the monetarist epidemic," and now "political will" is required to create a European Monetary Fund.

## Will the Soviets rule in the 1980s?

by Criton Zoakos, Editor-in-Chief

The most meaningful way to judge the significance of the recent 26th Congress of the Soviet Communist Party is to match the implications of its adopted policies against those of the policies contained in Defense Secretary Caspar Weinberger's defense budget and in the ill-conceived budget cuts of OMB Director David Stockman. A serious comparison between the economic-military policy of the Soviets and of the Reagan administration for the 1981-1985 period will demonstrate conclusively that if the intended policies of both nations are carried out, then the United States will be reduced to a third-rate power status by the time President Reagan completes his first term in office. By that time, there will be only one "superpower," the Soviet Union; "second-rate" power status will devolve on continental Western Europe under joint Franco-German leadership.

To justify this dramatic conclusion in the reader's mind, we shall first identify the most salient policy features of the 26th CPSU Congress; then we shall identify the underlying assumptions of the Weinberger defense budget plus the implications of the Volcker-Stockman economic policies for the future of U.S. defense and industrial capabilities.

### **The policy core of the Party Congress**

To quote General Secretary Leonid I. Brezhnev, the principal objective of the 26th Congress of the Communist Party of the Soviet Union was to order and organize the "regroupment of the scientific forces of the Soviet Union" for the purpose of carrying out the Eleventh Five Year Plan, a plan which by general admission represents a drastic departure from all hitherto observed Soviet economic planning practice.

In fact, Prime Minister Nikolai Tikhonov, in presenting the plan, characterized it as "the first stage" of a staggering 30-year energy development program, whose objective is to provide the Soviet Union with an "infinitely" extendable energy industry by the end of three decades. This will be accomplished by the systematic, interlinked development and installation of nuclear fission plants, fast breeder reactors, hybrid fission-



Sygnia

*The opening of the 26th Party Congress: Leonid Brezhnev at the podium.*

fusion reactors, and full-scale thermonuclear fusion reactors, as outlined by Anatolii Aleksandrov, the president of the Soviet Academy of Sciences. It was further disclosed by Prime Minister Tikhonov that the entire energy development program is under the direct personal supervision of President Leonid Brezhnev.

Accompanying the launching of this ambitious energy program is the unprecedented emphasis on science and technology which permeated the entirety of the Congress's proceedings. Leonid Brezhnev's personal statement describing his science policy is an unusually powerfully formulated statement of purpose, and it occupied the centerpiece of his keynote address to the Congress:

The circumstances in which the national economy is to develop in the eighties make the acceleration of scientific-technological progress even more pressing. No one needs convincing of the great significance of science. The Communist Party proceeds from the premise that the construction of a new society is simply unthinkable without science. The CPSU Central Committee advocates the continued raising of the role and responsibility of the U.S.S.R. Academy of Sciences and improvement of the organization of the whole system of scientific research. . . . There must also be a more attentive attitude to the needs of science, and a more attentive provision of scientific establishments with equipment and instruments, and expansion of experimental plants. The country greatly needs the efforts of the major sciences,

together with the elaboration of theoretical problems, to be concentrated to a greater degree on the resolution of key national economic questions, on discoveries capable of making genuinely revolutionary changes in production. . . . The promotion of scientific discoveries and inventions is the most decisive and most critical field today. Research and development work should be linked more closely, economically and organizationally, with production. . . . It would be certainly worthwhile for the Academy of Sciences, the State Committee for Science and Technology and ministries to carry out work in assessing the scientific and design base of various industries and to introduce proposals for the regroupment of scientific forces. Here we have every right to count also on help from industries having a particularly strong scientific base, including defense.

In short, comrades, close integration between science and production is an urgent requirement of the present day. The CPSU Central Committee is convinced that workers in science and technology, engineers, designers, and heads of industries and production plants will do everything possible to be equal to this requirement. The basis for scientific and technical progress is the development of science.

Science, in addition to being assigned the task of leading the way of Brezhnev's "infinite supply" 30-year energy program, is called upon to play the basic role in causing increases in labor productivity all across the

board, as Soviet Sector Editor Rachel Douglas discusses below. There is, furthermore, a more profound purpose in Brezhnev's guidelines: the Soviet Union, for the first time in its 63-year history, is mobilizing its resources for a preplanned succession of qualitative rather than quantitative transformations of its economic capabilities.

In short, during the next five years, the U.S.S.R. will be mobilized in pursuit of nonlinear, strategically important qualitative flanks in fundamental science and its applications in both production and defense. This tendency has existed in the Soviet Union for quite some time, and its strategic implications had been identified by the *Executive Intelligence Review*, especially by Lyndon LaRouche, since approximately 1975. What was a mere significant tendency over the past five years has now been transformed into the central rallying task of the Soviet state and party as a result of Leonid Brezhnev's extraordinary success in consolidating his powerful factional grip over his party.

In point of fact, Brezhnev's policy, his singular emphasis on a strategy of pursuing qualitative flanks in science, had been increasingly the subject of major public debates in the U.S.S.R. beginning in approximately 1976-77. During the summer of 1979, Soviet Academician E. P. Velikhov, a leader in the Soviet thermonuclear fusion program, informed Western journalists that the burden of military spending on the economy is such that "a simply linear expansion is now nearly impossible." Siberian development, energy development, improved transport—none of these tasks can be accomplished without a shift into qualitatively new modes of scientific development, he added.

A few months later, Brezhnev, in a Central Committee Plenum, indicated that the Soviet leadership was considering specific techniques of vectoring scientific development throughout their industrial base: "The structure of industrial productions is being improved by the accelerated development of those industries which, by their character, determine overall technological progress."

One year later, a spokesman for the Brezhnev faction, Professor V. Lebedev, wrote in *Pravda* that policy focus must be placed on the "fundamental achievements of science," and that what counts is those breakthroughs in science which create new, unpredictable, nonlinear geometries for the economy.

Finally, after the President of the Soviet Academy Aleksandrov was given his mandate by Brezhnev at the recent Party Congress, he went to the podium and addressed the five thousand-plus delegates principally on the unique importance of "fundamental research" and "fundamental breakthroughs which lead to new domains of human activity."

No doubts should be left about the policy content of the Brezhnev-dominated 26th Soviet Party Congress:

- Primary emphasis on in-depth development of their nuclear energy industry.
- Massive push in fundamental scientific research.
- Sustained increase in the growth rate of labor productivity.

### **The prospects for the United States**

The combined effects on the United States economy of Paul Volcker's monetary policy, David Stockman's budget policy, and Caspar Weinberger's military program will now threaten to produce results so profound that they may be irreversible for at least 20 years. In sum, if the policies of these individuals are allowed to take effect, at the end of Reagan's administration, the United States will be decisively inferior to the Soviets in most essential economic and military capabilities. The single most important cause of such an eventuality will be the inability of these policy-makers to comprehend the specific significance that science policy has in determining both economic and military development.

First, on the matter of defense policy and Mr. Weinberger's budget: the objective of the Reagan administration's defense budget is to build a significant conventional combat force accompanied with an air and naval capability to deploy and fight in any number of locations in the Third World. Virtually the entirety of the budget increases for FY 1981 and 1982 is earmarked for acquisition and maintenance of conventional equipment, for improvement of the preparedness status of existing and planned conventional combat forces, for improvement of military salaries to cover the significant manpower shortages that now exist, and for the procurement of certain types of naval vessels and aircraft whose intrinsic combat mission is essentially conventional.

In terms of strategic nuclear weapons, the new budget faithfully sticks to McNamara's philosophy of "deterrence," i.e., maintaining a force *whose assigned mission is not to fight a war*. Thus, Secretary Weinberger has made the decision not to seek improvements in military R&D, to not seek the development of qualitative flanks precisely at the time when the Soviets are deploying the entirety of their efforts in the direction of obtaining qualitative breakthroughs which will tend to lead them into the next generation of weapons systems, generally associated with fundamental research in plasma physics, fusion energy research, and the effort to develop technologies capable of manipulating amounts of energies associated with thermonuclear fusion.

The strategic nuclear forces of the United States, under Secretary Weinberger's guidelines, are condemned to languish in the technological plateau of the late 1950s, a plateau that is not envisaged to be superseded until the end of the century. The Trident II submarine, the MX missile and the Stealth bomber

basically represent refinements and linear extensions of existing technologies. Despite any possible future refinements in microcircuitry, precision targeting, new electronic countermeasures etc., the weapons planned for deployment into the 1990s cannot possibly embody any technological surprise to Soviet defense planners who are currently engaged in pursuits of "fundamental breakthroughs which lead to new domains of human activity."

If the present antisience bias of our defense policy is not reversed with a drastic shift of emphasis in fundamental science by the year 1982, important national resources are going to be locked into commitments leading us further and further away from what must be done to meet the Soviet scientific challenge. It is possible that by the 1984 elections the science and R&D "gap" may become permanently unbridgeable. Current trends certainly point in that direction, as the following figures indicate.

At the present time the Soviet Union has 45 million "blue collar" workers employed in their nonagricultural goods-manufacturing sector; the United States has 25 million. Soviet labor productivity in the 1976-80 period increased by 17 percent; U.S. labor productivity in the same period registered zero increase (in 1980 it *declined* by 3 percent and in 1979 it *declined* by 0.8 percent). The Soviets now employ over 1 million scientists and engineers in basic science R&D; the United States 0.5 million. Each year, the Soviets graduate slightly over 300,000 new engineers; each year we graduate slightly less than 50,000. The Soviets, before their current Party Congress were outspending us in R&D by a ratio of two to one. After Brezhnev announced his science policy, this ratio is expected to increase significantly.

The above figures, viewed together with the policy decisions made at the Soviet Party Congress, represent the deeper, more resilient Soviet capabilities that the United States must face up to. The number of rubles the Soviets spend in their defense budget fades into insignificance compared to the above qualitative measures. Secretary Weinberger's defense budget fails to respond to this more profound Soviet challenge. Even if the secretary decides to spend more in absolute amounts than the Soviets, it will not improve American defense margins one iota. A bow-and-arrow army may outspend its rifle-equipped rival by three-to-one and more, without ever getting closer to match.

We shall be threatened with exactly this sort of situation if the Soviet Union brings to a successful conclusion its Eleventh Five Year Plan *and* if Paul Volcker, David Stockman and Caspar Weinberger succeed in carrying out their stated economic and defense objectives. The Volcker-Stockman economic policy, projected into 1984, provides for further drastic reduction in industrial and infrastructural capacities *below*

*existing levels.* Chairman Volcker is projecting an increase of unemployment by an additional 1 million by the end of this year, together with a decline of our GNP by 1.5 percent. Given the interest rates since October 1979, there is a net disinvestment going on during the latter half of 1980 and into 1981. Science programs are being systematically cut, including the fusion energy program and NASA. One particularly vicious twist in Stockman's budget cutting was the elimination of that component of the NASA budget which had once been allocated for the purpose of facilitating the transfer into private industry of those new technologies developed within NASA programs.

Over a year ago, Lyndon LaRouche, this publication's chairman and founder, wrote a book with the title *Will The Soviets Rule In the 1980s?*

If one views the Volcker-Stockman-Weinberger policy against the background of the just-concluded Soviet Party Congress, one wonders if that question has already been answered in the affirmative. It may have and it may have not. One thing is for sure: if the Volcker-Stockman-Weinberger policies are implemented during 1981-82, they will burden the United States with just such qualitative disadvantages, whose character may be irreversible for a long time to come.

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# Nuclear energy and manpower: keys to new U.S.S.R. policy

by Rachel Douglas

If West German military officials are right to say that a growing economy is the best measure of a nation's defenses, then the most important strategic decision of the 26th Communist Party Congress of the Soviet Union, held in Moscow in late February, has been largely ignored in the West. While American industry wavers between "sunset" and "sunrise" and questions whether it has a future at all, the Soviets have adopted an economic strategy based on "an infinitely developing nuclear power industry."

The Soviets have decided that nuclear-powered, high-technology industry is indispensable for economic health and defense. Implementation of the resulting policies will guarantee that the U.S.S.R. remains a superpower in the decades ahead.

President Leonid Brezhnev and Prime Minister Nikolai Tikhonov gave the party congress the core of a development plan for 1981-1990, which will determine the remainder of the century. Its main theme is raising labor productivity.

Increased per capita energy throughput in the economy, industrialization of agriculture by creation of farm-factory administrative units or "agro-industrial complexes," a possibly temporary shift to slightly higher rates of growth for consumer industries than for the producer goods sector—these are the Soviet measures to offset an expected dip in the number of young people entering the work force during the 1980s, due to the ripple effect of World War II.

There are two keys to labor productivity in the Soviet plan: technology and the living standard.

The attempt to stabilize and then raise the Soviet living standard means that for the first time the Five Year Plan is to result in a consumer goods growth rate (27-29 percent) exceeding that of producer goods (26-28 percent). For high-technology industrial growth, Brezhnev proposed "a regrouping of scientific forces," while Tikhonov emphasized the improvement of scientific research and development for economic applications.

The result of this combined approach, Tikhonov projected, should be a rise in labor productivity of 17-20

percent during 1981-85, accounting for "no less than 85-90 percent of the growth of national income."

## Energy: nuclear power and Siberia

The pivot of the Soviet economic strategy is its energy program, which, Tikhonov stressed, is under Brezhnev's personal supervision. It is the only advanced sector energy policy, besides that of France, in which nuclear power is without question the main factor for growth.

Already in the 1981-85 period, nuclear and hydroelectric power will provide over 70 percent of the 23 percent planned increase in electricity production for the entire U.S.S.R., and 100 percent of that increase for the populous industrial areas of European Russia.

In an article published on the eve of the party congress excerpted below, Academy of Sciences President and party Central Committee member A. P. Aleksandrov described the energy program as a phased structural improvement of the power industry aimed at creating an "infinitely developing nuclear power industry."

In the first stage, the Soviet Union will reduce domestic use of oil for power generation. Today oil is burned to generate one-half of Russia's electricity, but by the year 2010 it will be phased out and used only as a raw material for the petrochemicals industry.

To compensate, the Soviets plan a sharp increase in their very successful natural gas extraction industry, centered in the abundant fields of the West Siberia growth region, and a recovery in the coal mining industry. The radical change in the structure of fossil fuel production appears in the five-year growth percentages:

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	Oil	Gas	Coal
1966-70	45	54	8
1971-75	39	46	12
1976-80	23	41	2
1981-85	3-7	35-47	7-12

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One oil-replacing technology mentioned by Aleksandrov is unique to the Soviet Union: use of nuclear power plants for heat production only or for joint production of heat and electricity. Either version can replace combustion of petroleum for urban heating purposes, one of its least efficient uses.

Aleksandrov stressed that the U.S.S.R. will be able to remain a net exporter of oil to Eastern Europe and "certain other countries" for at least 30 years, and longer if special extraction technologies are employed.

But the planned *increase* in Soviet power production will come entirely from coal, with the application of advanced technologies like magnetohydrodynamics (MHD), hydroelectric and nuclear sources.

In the 11th Five-Year Plan (1981-85), the Soviets will receive the first return on one of the major investments of this century: the gigantic Atomash plant in Volgodonsk, which is the world's first "assembly line" for nuclear reactors. Under construction since 1972, Atomash is a year behind schedule, but nevertheless will complete its first reactor late this year or early in 1982 and subsequently turn out eight of its 1,000-megawatt units each year. By 1985, the contribution of nuclear power to electricity production in the Soviet Union will be 14 percent (1975: 2.5 percent; 1980: 5 percent; 1990: approximately 20 percent).

The next stage of nuclear power development outlined by Aleksandrov will be to build more fast breeder nuclear reactors (the U.S.S.R. has two in operation already; the U.S. has none), which produce more fuel than they burn, and to create fission-fusion hybrid reactors with a faster rate of producing plutonium.

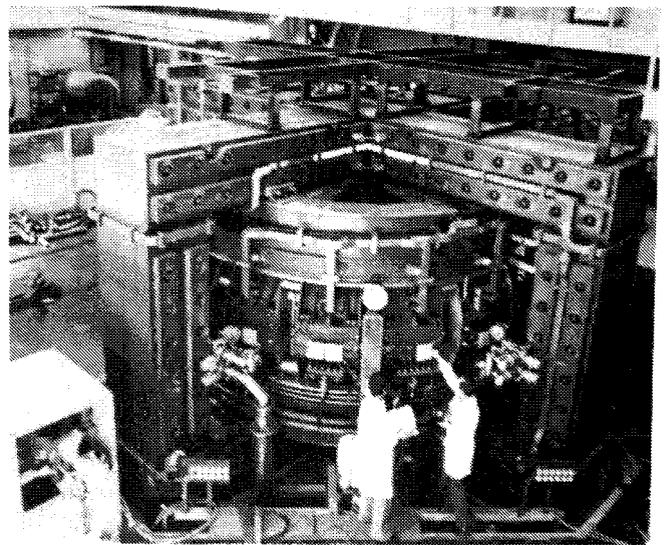
In parallel, the Soviets' thermonuclear fusion power R&D program will be intensified—with critical impact on defense technologies as well as the future economy—even as America's is on the chopping block.

## Science and industry

A flaw which could retard Soviet scientific and economic progress was evident in several reports at the party congress: a pragmatic demand that science be exclusively the handmaiden of industry. In the past, leadership demands for the proven practicality of any scientific research project have put a crimp in Soviet work at the frontiers of knowledge.

In the current state of the Soviet economy, such limitations could prove very damaging.

The watchword of Moscow's technology policy is "efficiency," and the urgency with which this word was pronounced from the party congress podium by Brezhnev, Tikhonov, and every local leader or industry minister who spoke, was obvious. The reason is that the past five years saw Russian industrial output slip from a five-year growth rate of 36 percent in 1971-75 down to 24 percent in 1976-80, a decline registered even more



*A Soviet tokamak experimental fusion installation, T-10.*

sharply in key industry sectors like steel (from 21 percent down to 5 percent, with an absolute decline in output since 1978) and cement (from 28 percent down to 2.5 percent, also with a peak in 1978).

In the same period, capital investment *exceeded* its planned growth rate of 26 percent and increased by 29 percent—not because the Soviet Union commissioned more new plants than intended, but because so many projects were not finished. The gargantuan but inefficient Soviet construction industry was devouring investments without a return.

In the next five years, the Soviets will attempt to slash capital investment to the 12-15 percent rate for the entire half-decade. As Tikhonov warned the industry officials and plant managers among the congress delegates, "We have to achieve the planned growth in national income in this five-year plan with a growth of capital investments that is less, in absolute and in relative terms, than in the previous five years," and demanded "decisive struggle against the dissipation of capital investments."

Part of the attempted solution will be to concentrate investments on "reconstruction and technological re-equipping of existing facilities," which Tikhonov said paid for themselves three times as fast as new construction did.

Relying on such technology investment policies to raise productivity can only be a short-term solution, unless there is a re-acceleration of heavy industry growth. If there is not, or if the elevation of the consumer goods sector growth rate above that of producer goods becomes permanent, the Soviet program will falter.

The Soviet planners and party officials who argue otherwise, often the same people who castigate Soviet scientists for insufficient practicality, are following in



*The world's first nuclear-powered icebreaker, produced by the Soviets in 1958 and dubbed the Lenin.*

the footsteps of Nicolai Bukharin, the Russian representative of the British school of Marxist economics whose defeat by Stalin in the 1920s had to precede the huge industrialization effort of the 1930s. To refute the need for heavy industry in Russia, Bukharin in 1928 already claimed that the existing advances in science and technology could substitute for efficiency increases in further industrial expansion.

There are indications, however, that the high-technology direction of Moscow's new five-year plan has opened the door for certain Soviet economists with a superior conception of science.

On Feb. 21, the Central Committee economic daily *Sotsialisticheskaya Industriya* carried an article arguing that a "new, capital-intensive type of socialist expanded reproduction" was on the agenda. The author, Prof. V. Lebedev, is known for a groundbreaking August 1980 article in *Pravda* (see *EIR*, Sept. 2, 1980), where he insisted that discussion of the role of science and technology in the economy must focus on what he termed "the fundamental achievements of science." The developments that count, Lebedev said, are those that create a new dimension for the economy, one not predictable by planners working within an existing technology structure.

At that time, Lebedev offered a novel definition of such breakthroughs as "intellectual credit" extended to all the industrial ministries and firms in the Soviet Union and called them "the most important part of the

intellectual wealth of the entire society." It appears that the Soviet leaders are inclined to adopt this scientific "credit policy" for the rest of the century.

When Academician Aleksandrov addressed the party congress, the first words out of his mouth were "basic research." He submitted that "it is precisely fundamental achievements that lead to the most significant transformations in technology and open up new areas of human activity."

In Tikhonov's report on the 11th Five Year Plan, another of Lebedev's proposals appeared: the creation of "scientific production associations." This applies not merely to the R&D department of a single plant or industry, but to the formation of large research centers for areas of potential breakthroughs: a "nuclear technology center" and a "biosynthesis center" were suggested by Lebedev in August.

### **With East-West trade, or without?**

Tikhonov's report formally endorsed "stable, mutually beneficial ties with the capitalist countries," including in economic relations. Soviet newspapers tell how the new five-year plan is in the hands of French and West German businessmen, under study with an eye toward new joint projects and trade.

But the Soviets are also studying how they would adjust to reduced imports from the West.

Academician V. Koptuyg, who heads the unique science and planning center in Novosibirsk, the Siberian

branch of the Academy of Sciences, recently told the West German business paper *Handelsblatt* that the promise of Western investment in Siberia had not been realized. American participation had all but evaporated, while the West German and Japanese roles had shrunk to one or two large projects. Therefore, said Koptuyug, Siberian scientists were projecting alternate development plans for implementation without Western technology.

The effect of the American trade embargo and overall contraction of East-West trade has been to spur the Soviet quest for efficiency-creating innovations.

The American grain embargo, although the Russians made up most of the margin with purchases elsewhere, helped inspire a Soviet decision to loosen private farming regulations early this year. As a result, the Soviets avoided a repeat of the mass slaughter of livestock that occurred after the 1975 crop disaster. The prospect of reduced grain imports also prompted Moscow to stress the "agro-industrial complex" model even more than intended at first, meaning that the embargo has accelerated the mechanization of Soviet agriculture.

Brezhnev called for corresponding efforts in other areas of technology, demanding study of "why we at times . . . spend a great deal of money buying from abroad the kind of equipment and technology which we are quite capable of producing ourselves, and often with higher quality." This inspired Electronics Industry Minister A. I. Shokin to read to the party congress from the American *Electronics* magazine: "Its technological base and the qualifications of its technicians enable the Soviet Union to produce integrated circuits of almost the same quality as the United States. . . . The circuits we were given probably do not reflect the Soviet Union's top technical standard. . . . The integrated circuits in use in the U.S.S.R. for its own needs may be technically more sophisticated." Shokin commented that he had "no grounds for denying these conclusions."

The Soviets' girding to proceed without East-West trade reflects their dim evaluation of the international situation as well as their concern for their own economy. They are responding not only to political signals but to Western economic collapse.

A significant policy tendency in the U.S.S.R. still welcomes Western decline and seeks further international destabilization on the principle that what's bad for the United States is good for Russia.

Others, including some leading lights of the 26th Party Congress, think otherwise. Not long after the incident at Three Mile Island, Academician Aleksandrov said he hoped the United States would pursue a vigorous nuclear power program because the absence of such an American strength would increase the danger of world war.

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## Documentation

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# Dr. Aleksandrov outlines the Soviet growth program

*In an article called "Energy Prospects," carried in the daily Izvestia on Feb. 21, physicist A. P. Aleksandrov outlined the shifting Soviet energy structure for the rest of the century. Aleksandrov is president of the U.S.S.R. Academy of Sciences and a member of the party Central Committee. The following excerpts from his article were translated by the Foreign Broadcast Information Service.*

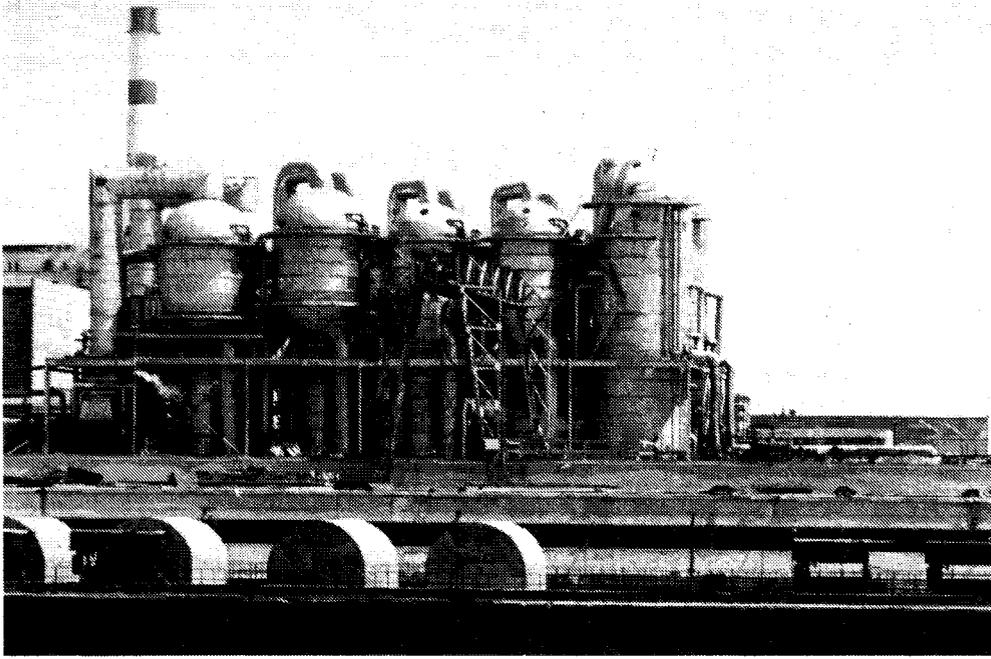
The very complex task of supplying our huge, rapidly developing national economy with energy must be resolved reliably and with a long-term view. It is not possible to resolve this task by traditional methods—that is, by increasing the extraction of oil, gas, and coal. It is necessary to substantially change the structure of their consumption and to make wide use of nontraditional energy resources.

The point is that in this century the growth of the power industry in all industrially developed countries and here in the U.S.S.R. has taken place on the basis of a sharp relative increase in the extraction and consumption of oil and, in part, of natural gas and a relative fall in the proportion of coal. Oil now accounts for about 50 percent of the country's fuel and energy balance, while coal accounts for only about 25 percent. . . .

The limited nature of reserves of oil in large-scale deposits now being exploited and the tendency for the cost of this oil to increase make it necessary, in examining long-term prospects for the power industry, to change its structure in such a way as to substantially increase the relative proportion of coal in the fuel and energy balance, to approximately maintain the proportion of natural gas, to substantially reduce the proportion of oil for fuel and in the late 20th century to go over to using oil mainly as a feedstock material for the chemical and microbiological industries.

The entire shortfall in the fuel and energy balance must be covered . . . by substantially extending the proportion of nuclear power, using thermal neutron and fast breeder reactors and, in the future, thermonuclear power. . . .

Naturally, it will also be necessary to expand the utilization of other types of energy resources—solar, geothermal, water and wind power—but it is probable



*An atomic desalination plant in Kazakhstan: applying nuclear power's development potential.*

that even in the long term all of them will account for not more than 5 percent of the country's fuel and energy balance. They will not be considered in this article, although their local significance—particularly in southern regions of the U.S.S.R.—will be relatively great.

At present oil is the most universal energy source. Petroleum and petroleum products are used in all the main spheres of consumption. Therefore it will be necessary in the future to oust oil and petroleum products from all the main spheres of consumption of energy resources, using coal and nuclear power instead.

## NUCLEAR HEATING

In many cases, however, the direct utilization of coal or nuclear power is impossible or unsuitable, as in aviation, for instance. In these cases it is necessary to obtain suitable secondary energy sources. Let us take a look at how this can be done.

It is easiest of all to resolve the task of obtaining low potential heat for heat supply in cities. In today's reactors at nuclear power stations, the primary energy released by the chain-reaction of splitting atomic nuclei is converted into heat for heating the fuel elements containing the fissionable uranium. This heat is transferred by the water in the primary system, which is pumped through the reactor and either yields steam directly—the steam then goes to the turbogenerator—or, in a steam generator, heats the water in the secondary system, which provides the steam sent to the turbogenerator.

It is possible to separate off some of the steam with suitable parameters from the turbine and channel it into

heat exchange units in the heat supply network. This is the principle of the nuclear thermal power station (ATETs), which generates both heat and electricity.

It is possible in general to channel hot water from the primary system not into the turbogenerator, but into a heat exchanger in an intermediate system. The hot water in the intermediate system is pumped through the heat exchangers of the heat supply network. This is the principle of nuclear heat supply station (AST). It should be noted that our specialists carried out this development on A. N. Kosygin's initiative. Both the first and the second solutions are economical and technically feasible and will be implemented during the next five-year plan.

In view of the fact that approximately 50 percent more primary energy sources are utilized in producing low potential heat than in producing electricity, this sphere of application of nuclear power will be of very great significance as regards savings in the next 10 years. Thus the utilization of ASTs and ATETs fully solves the problem of ousting petroleum products from the sphere of production of low potential heat.

It is considerably more difficult to find a way of replacing the light petroleum products which are burned in engines. Back in the time of World War I, however, Germany used products similar to gasoline which were obtained by distilling volatile lignite products. This process has been known for a long time—at the end of the last century that is how "lighting gas" for illuminating cities was obtained. Today in a number of countries, including our own, a substantial further improvement in the process is under way: new catalysts and techniques make it possible to process coal at substantially lower temperatures and pressures and increase the yield of

useful liquid products. Obviously the continuing increase in prices for petroleum products will make synthetic gasoline and motor fuels competitive in comparison with light petroleum products in the next five years. The commercial production of synthetic motor fuels will, it seems, be organized in our country in the regions of major coalfields during the 11th and 12th Five Year Plans [1981-1990—ed.] Naturally, the power for these processes will be supplied by burning some of the coal or by nuclear power.

Thus here too petroleum products can be phased out by chemical and technological processing of coal and by its interaction with water and vapor or hydrogen. Various types of organic waste, instead of coal, could be converted into gaseous or liquid fuel in a similar way.

Let us move on to the utilization of energy sources in metallurgy and the chemicals industry. It is difficult and disadvantageous to use atomic power stations (AES) as flexible capacities. The larger capital expenditures on them compared with conventional power stations and the small fuel component in the cost of electricity mean that it is economically expedient to use them on a permanent, "base" load system. Moreover, intermittent load systems inevitably reduce the reliable life of AES because of metal fatigue phenomena under an intermittent load.

This applies to a still greater degree to AES using fast breeder reactors, since in addition to the points noted above, operation at reduced capacities will lead to underproduction of secondary nuclear fuel; that is, it will destroy the main purpose of the reactor as a breeder of nuclear fuel.

These circumstances could restrict the relative "weight" of nuclear plants in energy systems, which is extremely undesirable.

There is only one way to avoid such restrictions—the use of some kind of low-inertia energy storage system, for instance, the use of hydraulic accumulators or the production of some kind of energy source or end product. For instance, the production of hydrogen on the downward curve of the graph of the load of an energy system, by channeling surplus energy from an AES into the production of hydrogen from water, constitutes a possible form of storage. This hydrogen, burned in a gas turbine, can be used to cover peak loads. It can be used in metallurgy for heating and as a reducing agent for oxide ores. It can also be used in obtaining ammonia or in other chemical production techniques, or finally, in the power-engineering processing of coal in order to obtain synthetic hydrocarbons. Processes of this kind are being developed, and it is already clear in principle that they could be very useful, since, in addition to yielding necessary products, they eliminate an important shortcoming of nuclear power engineering—the disadvantages of using it in flexible systems.

The reasoning can be applied to the use of nuclear power to phase petroleum products and natural gas out from metallurgy and the chemical industry. By using electrochemical and plasma technologies and by utilizing selective methods of excitation of the necessary energy levels in molecules and atoms, it is possible to combine several chemical processes with the use of nuclear power. This potential will be extended when high-temperature reactors, which are now at the development stage, come into use.

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## 30-YEAR OIL PHASEOUT

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Thus, we can see that the use of coal and nuclear power, taking into account the possibility of producing secondary energy sources, can cover all spheres of consumption of primary energy sources. Of course, this requires large-scale research and development of economically feasible techniques. That is why the assimilation of this process will probably be gradually extended, even after the end of our century. However, it is extremely important that no "power impasse" threatens us. It is, of course, clear that such a restructuring will take a long time—approximately 30 years. Will traditional energy resources be enough over that time for the rate of growth in the power industry which our country needs? And, moreover, is it possible to create a structure for the nuclear power industry which will enable it to be used virtually indefinitely from the viewpoint of resources and environmental pollution?

We should first of all dwell on oil. Does our country have sufficient oil resources to supply all our needs and a suitable volume of oil exports to the socialist community countries and certain other countries over the period of change in the structure of energy consumption—that is, for approximately 30 years? Will these resources supply oil for long-term utilization—for many decades—in those spheres of consumption where it proves irreplaceable? "Predictions" are often made in the foreign press to the effect that in 10 years' time the Soviet Union will be forced to purchase oil abroad. These reports have only one aim—the desire to cast doubt on the stability of our country's economy. In reality our country has sufficient oil and gas resources not only to satisfy domestic needs, but also to continue energy exports on a useful scale.

At the same time, it must be said that we are not exploiting our oil resources economically enough at present; in a number of areas of use, we use up considerably more oil than necessary. And we are not yet extracting oil fully enough from the deposits being worked. We must make considerably wider use of methods which increase the level of recovery of oil. Here it is necessary to create a pricing system that makes additional oil recovery using intensive extraction methods profitable.

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## POWER WITHOUT LIMITS

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A second major reserve is to increase the recovery of condensate when exploiting the gasfields. Thus, for instance, in Urengoy, on Yamal Island, and in the Caspian Depression, it is possible to extract a significant quantity of condensate from great depths, and this must be done. A major reserve for saving oil is the possibility of refining it more thoroughly into light petroleum products; this modernization must be carried out in the 11th and 12th Five-Year Plan periods in general. The implementation of these measures and the substitution of coal, gas, and nuclear power for oil used for fixed energy supply are the next stages in restructuring the fuel and energy complex.

It should be added that our country still has considerable areas which are promising for oil and gas. . . . In this connection, it must be mentioned that scientific studies by physicists, geologists, and instrument-makers have led in recent years to a significant increase in the efficiency of geophysical prospecting methods. It is evidently expedient to carry out a geophysical survey of likely oil- and gas-bearing regions in the European part of the country and in western and eastern Siberia, as well as at a number of places on the ocean shelves. This will result in a great saving on exploratory drilling operations.

Of course, we must direct considerable attention to stepping up the use of other types of fuel—bituminous shales, for instance—in the power industry (and power and chemical industry).

Although their caloric value is low, an Estonian collective of power engineers has developed methods for the steady, full combustion of these shales. This experience should be extended to other major shale regions—in Kazakhstan, the Volga area and the Ukraine. It is particularly important that the highly stable combustion of shale powder gives rise to hopes for the possible creation of power stations with increased flexibility.

A substantial contribution can also be made to the power industry by using waste heat as well as organic waste from cities, industry, and agriculture. For instance, urban organic waste could supply more than 10 percent of the city's heat requirements and waste from livestock raising, when converted into methane gas by microbiological processes, could fully supply heat requirements in the sector.

With oil-saving measures and more efficient utilization of oil, and taking other resources into account, it will be possible to extend the time taken to restructure the fuel and energy complex to 40 to 50 years, which will appreciably lessen the strain in the transition period.

However, even this longer period of change in the structure of the power industry cannot allow a postponement of the commencement of work on creating a nuclear power industry suitable for the long term and on developing the means of using such energy in all spheres of consumption of traditional energy sources.

The point is that the power industry has a high degree of inertia—its highly capital-intensive and materials-intensive nature as well as the length of time taken to develop new, economically acceptable techniques make it necessary to begin the development of all aspects of the new energy structure now. The main task is to create a nuclear power industry structure such that the industry will be supplied with fuel indefinitely. The thermal neutron reactors now being used can utilize about 1 percent of the raw uranium. And they cannot provide for the nuclear power industry in the long term. Science has found a radical method—it is possible to create fast breeder reactors which make it possible to utilize uranium reserves more fully.

Commercial reactors of this type have been created in our country. One of them, the BN-350, has been in operation for a long time, and the BN-600 was started up in 1980. There is still complex work ahead, however, on increasing the speed of production of plutonium and its return to the fuel cycle, since only then will it be possible to move toward a nuclear power industry providing itself with fuel for an unlimited time and developing at the pace the country needs.

The possibility is not excluded that it will be difficult to ensure the necessary rate of growth in the power industry in the distant future by producing plutonium in fast breeder reactors and through the extraction of natural uranium. In this event science is also preparing a solution: the merging of the nuclei of light elements—thermonuclear fusion—is accompanied by the release of neutrons. Some of them could be captured by uranium-238 to yield plutonium.

The possible speed of production of plutonium in these hybrid fission-fusion reactors is very great and will ensure any necessary rate of development of the nuclear power industry. As yet there are no such reactors, but they will be created by the end of the century. They will most likely be created sooner than pure fusion reactors. Therefore, in a couple of centuries' time, when the coal shortage begins to make itself felt, nuclear power of all kinds will be able to supply all spheres of energy consumption for an indefinite period. Thus the structure of the infinitely developing nuclear power industry will be as follows: thermal neutron reactors will be joined by fast breeder reactors, and they may be joined by hybrid reactors. In parallel, large capacity fusion reactors will be created.

Thus the future development of the power industry will not be restricted by a shortage of energy resources if the appropriate reorganization of its structure is carried out in good time. This is entirely realistic in our country.

# The new Soviet Central Committee and Politburo

The 26th Soviet Communist Party Congress made no changes in the 14-member ruling Politburo or its 8 alternate members, despite the high average age of the full members: 70 years. But advances by career associates and even family members of General Secretary Leonid Brezhnev, below the Politburo level, demonstrated the control Brezhnev continues to exert over the party.

The Politburo is the executive of the larger national party leadership group, the Central Committee (CC). Future Politburo members will most probably be drawn from the Central Committee. The turnover in the CC, which went up to 319 members from 256, reflects policy priorities associated with the new members' jobs.

Brezhnev's foreign policy aide, A. Aleksandrov-Agentov, was promoted to full member of the CC. Two more of his personal aides, A. I. Blatov and V. I. Golikov, became CC alternates, as did his doctor.

Yuri Brezhnev, the First Deputy Foreign Trade Minister and son of the general secretary, joined the CC as an alternate. The party chief in Brezhnev's home city of Dnepropetrovsk, vaulted to full CC membership, one of a few municipal party officials on the CC.

Brezhnev's gains encompassed the state security organizations as well. The only CC promotions among officers of the KGB, the security agency whose foreign affairs sections have often sabotaged Brezhnev's foreign policy, were First Deputy Chairman S. K. Tsvigun and two deputy chairmen, G. K. Tsinev and V. M. Chebrikof, known as Brezhnev's watchdogs in the KGB. All three rose to full CC status. From the Interior Ministry (police), First Deputy Chairman Yu. M. Churbanov, Brezhnev's son-in-law, became a CC alternate.

## Industry promotions

Eleven officials heading or working in a national industrial ministry came onto the CC and 12 became alternates, most of them taking the seat of a retired or deceased predecessor, with important exceptions.

Not only did Minister of the Defense Industry P. V. Finogenov take the CC seat of his deceased predecessor, but First Deputy Defense Industry Minister L. A. Voronin became a full member as well. The party official for the defense industry, CC department chief I.D. Serbin, died on the eve of the party congress and

was immediately replaced as a CC alternate member by his deputy, I. F. Dmitriyev. The CC contingent from Gosplan, the state central planning organization, was increased by two men, and Gosbank (state bank) chief V. S. Alkhimov became an alternate.

Other Central Committee additions from government who were not merely filling a vacated seat included the chiefs of vital energy industries: the ministers of Power Machine Building and of the Natural Gas Industry, as well as the Automotive Industry minister, became full CC members. The minister of Fertilizers, heading a new government division, is a CC alternate.

## Party apparat boosted

The addition of 11 military officers, among them two admirals and several important military district commanders (those for Central Asia and the Transbaikalian District near the Chinese border, for instance), maintained the military's CC representation at 7 percent of the combined CC and alternate membership.

Most of the promotions from regional party organizations were to replace their predecessors. The appointment of several new CC members and alternates from the provincial and municipal party organizations of Leningrad, however, pointed to a possible growth in stature for Grigorii Romanov, the Leningrad party organization First Secretary. At 56 the second-youngest full member of the Politburo, Romanov is bound to figure in the eventual leadership succession.

There was also an apparent decision to raise the authority of the Central Committee's own apparat, especially the sections dealing with the national economy, to increase central control of the economy through the party. There was a net gain of 17 CC members and alternates from within the CC apparat, bringing this contingent to over 10 percent of the total CC membership. Among those promoted were nine department chiefs and deputy chiefs who had served since the 1960s without CC status, including officials from the departments of construction, transport and communications, heavy industry, and other departments.

## IMEMO, International Section

Despite the assertion of Brezhnev's control over the congress and over policy, the source of the destabilization track of Soviet foreign policy remains well-ensconced in the Central Committee. V. V. Zagladin and G. I. Chernyayev, subordinates of CC Secretary Boris Ponomarev in the CC International Department for relations with communists in the West and the Third World, rose to full CC membership. So did think-tankers G. A. Arbatov and N. N. Inozemtsev, who respectively head the U.S.A.-Canada Institute and the Institute for World Economy and International Relations (IMEMO).

## Washington plays with Asian insurgencies

by Daniel Sneider

Is the Reagan administration contemplating backing a wave of Kissinger-style insurgencies in Asia, indeed throughout the Third World? This question was raised when CIA Director William Casey flew into Tokyo on March 7 for a semisecret visit, his presence only revealed when he met with Japanese Prime Minister Zenko Suzuki two days later.

According to informed sources in Washington, Casey was chairing a meeting of agency station chiefs from the East Asian region, chiefly to assess both the turbulent situation in China and a proposal to back an anti-Vietnamese Cambodian insurgent "united front" under the nominal leadership of former Prince Sihanouk.

While Casey was in Japan, the Reagan administration began to issue signals that they were considering a British-sponsored plan to step up military aid to the Afghan rebels and to the Pakistani military dictatorship of General Zia Ul-Haq, which backs the rebels. The more than week-old hijacking of a Pakistani Airlines plane by persons claiming to represent anti-Zia activists is being built up, accompanied by the usual charges of Soviet involvement, as a cause célèbre to help justify moves on the Pakistan-Afghan front.

Not unconnected are reports from Washington of efforts to revive U.S. military and political backing for South African-backed UNITA insurgents in Angola.

A closer analysis of these developments, particularly in light of the defense budget just announced by the administration, lends credibility to the idea that a Third World policy based on backing local war/insurgency operations against the Soviet Union and Soviet-linked

regimes in the Third World is being formulated. The defense budget (see Economics) contains almost nothing in the way of basic research and development for new weapons systems, merely replacing some outmoded existing systems and concentrating on a tactical armed force whose purpose could only be deployment into Third World "half-war" situations.

The idea that America's basic scientific and technological capacity can be allowed, even encouraged, to devolve and that U.S. national security can be protected by a multiple "rapid deployment force" was a basic approach of the previous administration. The continuation of this policy under the new administration is surprising to many. However, it is coherent with the continuation of the Global 2000 policy, also inherited from the Carter administration, which openly advocated the reduction of global population levels by some 2 billion by the end of the century. And it is coherent with Global 2000's current repackaging in "national security" terms, as reported in our National section.

### Protecting the front-line states

The policy of fostering multiple war and insurgency situations in the Third World is translated into geopolitics in the context of "resource war" and aiding "front-line" states against Soviet aggression.

High on the list of front-line countries designated for stepped-up U.S. military and political backing are Pakistan and Thailand. Pakistan has acquired this role due to its use as a staging ground for the Afghan rebels and the Soviet intervention into Afghanistan. Thailand

is the base of operations for the Chinese-run Pol Pot Khmer Rouge insurgents who were driven out of Kampuchea (Cambodia) by the Vietnamese and their Kampuchean allies after the Khmer Rouge had murdered 3 million of the population.

It is interesting, then, that one of few bits of information to come out so far on the Casey visit was the report that in his meeting with the Japanese premier, he had urged increased Japanese economic aid to both Thailand and Pakistan.

Japanese officials also reported that Casey said that "the future of Cambodia" should be a subject of discussion when the Japanese foreign minister visits Washington later this month. It was officially stated by the U.S. embassy that Casey discussed China and Southeast Asia with both the Japanese and with U.S. Ambassador to Japan, Mike Mansfield.

The "future of Cambodia" is an obvious code for the moves now afoot to revive the anti-Vietnamese insurgency by forming a new "united front" which would install Prince Sihanouk again as a figurehead for the murderous Khmer Rouge. This effort to revive the legitimacy of the Pol Pot regime and its military usefulness against the Vietnamese is mainly Chinese-sponsored, but for any real effect it will need backing from the United States and countries in the region.

Sihanouk is presently conducting talks with Pol Pot's right-hand man Khieu Samphan, the "premier" of "Democratic Kampuchea," as the deposed regime is still called. The outcome of those talks is difficult to predict, as has been indicated in a stream of interviews issuing from Sihanouk in North Korea, where he lives under the protection of Kim Il Sung. Sihanouk's main concern is whether this "united front" could end up like the last one the Chinese sponsored, which found him a captive houseguest of the Pol Pot regime while they butchered almost half the population, including a number of his own family.

The State Department spokesman, replying to a question about possible U.S. support for such a front,

told reporters that the administration will make a judgment after the front is formed, based on "the form" it takes—meaning how deeply the bloody hands of the Pol Potists are concealed—and on "the views of our allies in the area," which leaves room to use backing from Japan and pro-Peking regimes in Thailand and Singapore to justify U.S. support.

Washington's ambassador to Thailand, Morton Abramowitz, was reported meeting with one other prospective "front" participant, former Premier Son Sann, the only other major Khmer insurgent leader not tied to Pol Pot, to sound out his views.

### On the Afghan front

A much more intense, and credible, lobbying effort has been mounted around the Afghan-Pakistan front. One product of those efforts was displayed on ABC-TV on March 9 when President Reagan stated that he would "consider" arms aid to the Afghan rebels, whom he pointedly called "freedom fighters."

While the President ducked the question of Soviet response, Moscow was quick to reply the following day with a *Pravda* commentary which predictably took the response as proof of Soviet (and non-Soviet) charges that the United States has been supplying weapons all along to an effort to "interfere" in the affairs of Afghanistan, an effort they say led to the presence of Soviet forces.

The headquarters of the Afghan rebel lobby is in London, where they have been playing the "Great Game" on the Afghan frontier for more than 200 years. Prime Minister Margaret Thatcher's visit to Washington this month reportedly had Afghanistan as one item on the agenda, with London pushing for a general military buildup in the Persian Gulf region, where Pakistan is seen as a key strong point. The Afghan rebel cause serves as a basis for a strengthened military alliance with the unpopular and unstable Zia regime in Pakistan, which will balk at any upgrading of existing weapons supplies to the rebels unless Pakistan is guar-



*Soviet helicopter downed by Afghan tribalists.*

anted some security against likely Soviet response.

The *London Express* reported that Thatcher urged Reagan to convert a 1959 executive agreement on mutual security between the U.S. and Pakistan into a formal treaty, a standing demand of the Zia regime. British Minister of State for Foreign Affairs Peter Blacker returned recently from a visit to Pakistan to declare that his government and the junta there had a "similarity of views" on Afghanistan, and that Britain was ready to provide arms to Pakistan and to help the rebels more "if the U.S. leads the way."

London has sponsored a public relations campaign around this which included a visit to Washington, just preceding Thatcher's, by Afghan rebel leader Sayid Gailani, who also stopped off in Saudi Arabia and Egypt (the main source of weapons for the rebels) on the way. Gailani was wined and dined around Washington, taken up to the Hill to impress congressmen, and down to the State Department for meetings with Assistant Secretary for Near East and South Asian Affairs Velioles.

Gailani was shepherded around town by "hawk" luminaries like former Defense Intelligence Agency head Daniel Graham and some cronies from the American Security Council. But the real controller of the show, and of Gailani, is Lord Bethell, a top man in British intelligence with experience in the region as well as a controller of Polish and Soviet "dissident" groups. Gailani's usefulness is that he styles himself a "moderate religious leader," more urbane than the Khomeini types found among the rebels.

His allegiances to London, where his family lives in what sources describe as a "posh apartment," date back to his father, in the pay of the British Secret Intelligence Service during the days of the British Raj in India.

Lord Bethell, who accompanied his Afghan friend on the visit, claimed on March 1 in a *London Times* article written during the visit, that the Reagan administration was "quietly and slowly . . . moving towards openly supplying equipment" to the rebels. Bethell admitted that the actual aim is to draw Reagan into a pact with General Zia's regime: "Pakistan, of course," he wrote, "is the problem. . . . That is why [U.S.] Ambassador Arthur Hummel has been recalled from Pakistan. A package, to which Saudi Arabia would contribute, is being put together and an offer to Pakistan should be made soon."

### **The problem of General Zia**

The Zia "problem" highlights the fact that the emergent Third World insurgency/counterinsurgency policy of the administration, and of Haig and Weinberger in particular, is not in any way a policy to stabilize

areas of conflict in the developing sector. In the cases of both Cambodia and Pakistan-Afghanistan, the principal impact of such policies is to heighten destabilizations, thereby creating precisely the conditions that further the goal of Global 2000 genocide among Third World populations.

In the Pakistan case, the Zia regime is highly unstable because of its brutal and unpopular nature. It came to power in a 1977 coup which ousted the democratically elected regime of Prime Minister Zulfikar Ali Bhutto and then subsequent to that, executed the popular leader. An American decision to rush backing to Zia, beyond the considerable support already given, is likely to increase the unpopularity of the regime and the turbulence caused by its eventual fall. Most important, it will worsen relations between India and Pakistan, generating a conflict in which China, which is allied to Pakistan, and the Soviet Union, which maintains friendly ties to India, could ultimately become involved. The result may suit the depopulation fanatics, but not U.S. national interest.

The ongoing hijacking incident underlines the argument we are making. The regime, since early to mid-February, has been facing a rising tide of public protest (see *EIR*, March 10), spearheaded by the Pakistan Peoples Party, founded by Bhutto and now headed by his widow and daughter. The PPP is leading a nine-party alliance that covers a wide spectrum of almost all political parties united to end the military regime and restore constitutional rule. The all too timely ("too good to be true" was one Pakistani official's private response) hijacking has been used by the regime to launch a new wave of political repression, with widespread arrests, including those of Mrs. Bhutto, her daughter, and 120 other leaders and organizers.

The line emerging from the regime, and ultimately from Pakistani military intelligence (whose ties to their British trainers are still fresh), is to link the Bhutto family to the terrorists, in particular one of the Bhutto sons, Murtaza, who has been active in antiregime activity in exile outside the country. The hijackers claim to be members of a hitherto unknown organization called Al-Zulfikar, named after the late premier, which the regime was quick to label the "armed-struggle wing" of the Pakistan Peoples Party.

The junta also directed a shotgun scattering of charges against the Karmal regime in Afghanistan for its handling of the hijacking situation when the plane landed there. The charges, including accusations that weapons were put aboard at that time, were clearly intended to implicate the Afghan government in the incident. More accurate are reports from Pakistani sources in London that the hijackers are agents provocateurs run by military intelligence.

# Giscard attacks U.K. monetarism

by Vivian Zoakos

French President Valéry Giscard d'Estaing this week launched a blistering attack on British monetarism. Breaking all protocol for dealing with the head of state of a fellow European Community member, the French president said the British economy—already floundering under James Callaghan—has become “even worse” under Prime Minister Margaret Thatcher’s two-year monetarist rule.

Giscard’s statement came in response to a question about the French Socialist Party economic program of denationalization, decentralization, and “free enterprise.” He replied that it would be a “disaster, just as it has been in England.” What is happening in the United States and Britain, he continued, is the result of “monetarist theory, a disease that started in England . . . an extraordinarily dangerous philosophy.”

Giscard did not identify monetarism with the Reagan White House, saying it is not Reagan’s but Thatcher’s policy. However, the French president did not hesitate to demand that the U.S. Federal Reserve cease its current imposition of Thatcherite monetarism. He said it is “imperative” that the Fed change its policy. “These policies virtually destroyed Great Britain.”

The French president’s statements, made over French television, are a first dramatic indication that the honeymoon is over between Europe and the Reagan White House.

Paul-Marie de la Gorce, a well-known spokesman for the views of the Elysée, wrote in his column in *Le Figaro* March 11 that Europe has already granted President Reagan the necessary “time to adjust” to his new job. “Now we have to speak up on the differences between ourselves and Washington as a way of urging the new administration to adopt those priorities which continental Europeans—in distinct opposition to Thatcher’s Britain—have long stood for.

What these priorities might be were succinctly defined by President Giscard in the course of his television address. They are:

- Maintaining living standards. No monetarist budget slashing and setting of artificially high interest rates for the presumed purpose of fighting inflation.
- Total energy independence.

- Ensuring that France achieves 100 percent supply of energy needs through nuclear reactors as rapidly as possible.

- “Most importantly,” concluded Giscard, maintaining world peace.

Giscard’s statement demonstrates the reasoning behind French and West German support for the peace initiative launched last week by Soviet President Leonid Brezhnev in the course of the Soviet Party Congress.

Paul-Marie de la Gorce, voicing a conclusion often alluded to by Giscard, summed up in his column that policy toward the developing sector defines the crucial difference between Europeans and the U.S. The independent European Middle East peace initiative, and the poor treatment given to Reagan’s envoys in Europe last month when they attempted to explain American policy toward El Salvador, are each indications of the radical differences existing on either side of the Atlantic.

Underlying these case-by-case differences is a difference in fundamental approach to economics and foreign relations. France, together with West Germany, opposes the monetarism of the Federal Reserve and the confrontationist foreign policy of the State Department under Alexander Haig.

It is for these reasons, which have nothing to do with current mythologies of European self-Finlandization, that France and Germany are pressuring the United States to respond favorably and promptly to the peace offer made by Soviet President Brezhnev.

Brezhnev did not limit himself to offers made from the podium at the Soviet congress. These offers were reiterated in a series of personal letters sent to 20 governments, including each member of NATO. If the Italian case is exemplary, the letters also contained additional offers for economic deals.

Chancellor Schmidt’s immediate response, aired over German radio, was to welcome the Soviet proposals and say the controversial stationing of strategic Euromissiles now need not be “inevitable.” His foreign minister, Hans-Dietrich Genscher, flew to Washington to lobby with the Reagan administration to respond rapidly and positively to Brezhnev’s proposal of a U.S.-Soviet summit at the earliest date. It was the European pressure which forced Haig to dub the Brezhnev offer “very interesting,” and it was the Franco-German pressure that led the State Department to announce a likely U.S.-Soviet summit for sometime in June. A related announcement, also made in the course of the Genscher visit, was that the four-power economic summit will be held shortly before the Reagan-Brezhnev summit.

If Giscard’s “gloves off” statement on March 10 is any indication, the Europeans will be dictating terms to Reagan at that summit, creating the preconditions for a positive outcome to the Reagan-Brezhnev discussions.

# Andreotti to forge a 'unity government'?

by Umberto Pascali

In a statement issued during the first week of March, the general secretary of the European Labor Party of Italy, Fiorella Operto, called on former Prime Minister Giulio Andreotti to come into the open to present a clear and concrete program of economic development for Italy. In 1976, Christian Democratic party leader Andreotti stepped into a crisis situation in Italy to establish a stable government of national unity.

Stressing the depth of political, economic and social crisis now prevailing in Italy, Operto pointed to the "heavy lira" reform proposed by Lyndon H. LaRouche in his book, *A 'Gaullist' Solution for Italy's Monetary Crisis*, as the type of measure required. LaRouche proposes a "heavy lira" currency reform aimed at immediately drying up Italy's huge black market, coupled with a package of tax and investment policies that would reward capital investment in high-technology industrial and agricultural infrastructure.

The Mezzogiorno, Italy's underdeveloped southern region, is exploding. In Naples, elements controlled by the Socialist Party and by the neofascist Movimento Sociale Italiano (MSI) succeeded in organizing strata of the population cruelly hit by the recent earthquake and launching them into violent riots.

The most important heavy industrial sectors—steel, chemicals, and construction—are drastically cutting back production and laying off while unions are being asked to accept cuts in the cost-of-living escalator and in social services.

Behind this destructive policy is the request advanced by one of the top spokesman of the old Venetian financial oligarchy, Luigi Visentini, to "privatize" the nation's central bank, the Banca d'Italia. Visentini, who is president of the Italian Republican Party, presented a proposal in parliament to reform the central bank statute so as to virtually eliminate the requirement that the bank serve the public interest. Already practically independent of control by the government and parliament, under Visentini's proposal the Banca d'Italia would become a private banking institution of the Venetian and Genoese oligarchy, but with extraordinary powers of financial investigation.

## Visentini's reform

Visentini and his allies have presented their attempted usurpation of financial power in the guise of a reform of the central bank. Recently, the leadership of the Banca d'Italia was accused of having made illegal allocations to the SIR chemical industry group, which is linked to Socialist Party leader Giacomo Mancini.

SIR president Rovelli was reported to have financed proterrorist groups, while a high officer of the bank was arrested for a short period, and bank governor Paolo Baffi was hit with an arrest warrant and suffered the suspension of his passport.

After this scandal, the Visentini group was joined by economists of the Socialist Party in a proposal to reform the central bank statute as follows. The bank leadership would be given the right to obtain any requested information on any industry or bank, but they would not be obliged to inform the competent authorities should they discover malfeasance. In other words, the central bank would *officially* be granted discretionary control over the entire Italian economy.

How the oligarchically controlled central bank would use its power is shown by its current policy of austerity, high interest rates and industrial triage. Treasury Minister Nino Andreatta cynically defends his drastic credit cuts by saying it was not he, but the Banca d'Italia that determined the policy. Presenting this stark situation, European Labor Party leader Fiorella Operto concluded her statement challenging former Christian Democratic Prime Minister Andreotti to issue a call for the re-establishment of a national unity government, similar to the one he led from 1976 to 1979. The starting point, she said, must be the convocation of a conference to discuss the plan for economic recovery with participation of representatives from industry, union leaders, the Christian Democratic Party and the Italian Communist Party. The Communist Party's influence over Italy's labor movement and its political power in many regions makes it an essential element of a unity government. Without an alliance between Andreotti and Communist Party head Berlinguer, Italy is, as the oligarchy claims, ungovernable.

European Labor Party leader Operto's appeal coincided with Andreotti's reemergence on the political scene after a long period of silence. In an interview with the leading Italian daily *Corriere della Sera* March 5, the former prime minister revealed that he has just finished a book on his experience as head of Italy's 1976-79 national unity government, which stresses the validity of that policy.

Commenting on the obstacles to re-establishing such an alliance, Andreotti said, "There is a 'knot' nobody can overlook: without an agreement with the opposition [PCI] none of the big problems can be solved."

# 'Zimbabwe solution' posed for El Salvador

by Gretchen Small

A behind-the-scenes look at Secretary of State Alexander Haig's policy toward El Salvador and Central America, as it emerged during the past few weeks, was a shocker for Americans who expected a change from the new administration toward the region. While Haig expostulated about tough military action, two State Department envoys, sent expressly by Haig, were meeting with the Socialist International leadership in Sweden and Panama to map out a strategy toward Salvador, promising full U.S. cooperation with the agencies involved in fomenting the crisis in the first place.

The Socialist International had just modified its tactics toward the region, and called for Socialist International head Willy Brandt to meet with President Reagan to mediate a solution to the crisis, a decision taken at an emergency meeting of the Latin American branch of the organization convened in Panama at the beginning of the month to discuss El Salvador. In December, Willy Brandt went before American TV to defend the International's policy of arming and financing the opposition forces for their "final offensive"!

The following day, Sen. Ted Kennedy joined the new mediation bandwagon. In a noon release, Kennedy called on the administration to follow the British model for crises—the so-called Zimbabwe solution. An in-place truce must be declared in El Salvador, Kennedy's statement read, and an "all parties conference" convened on the model of the "Lancaster House discussions" that led to the British-run settlement of the Rhodesian crisis.

A British-modeled "Zimbabwe solution" run by the Socialist International—the deployment-level agency behind the guerrillas in El Salvador—is *not* designed as a peace-keeping solution. A real settlement would require the injection of well-planned economic aid to El Salvador and to the entire region, to establish a base for industrial development. Willy Brandt, the chairman of the World Bank subgroup called the Brandt Commission, not only opposed industrial development for the Third World as an "attack" on "natural lifestyles," but explicitly advocates a global depopulation strategy.

Behind Haig's Carter-style duplicity in foreign policy are new maneuvers to bolster the "centrist" image of the

junta in preparation for a new round of bloodbaths, this time unleashed from the military and right-wing ultras. Sources close to the Salvadorean situation are predicting resumption of full-scale fighting there between now and May, triggered by a stepped-up right-wing offensive by the forces around Major Roberto D'Abuisson.

## Haig's Socialist allies

Brandt's grandstand play as peace-maker in fact was quickly arranged, with Haig's help, in response to signs that an effort by Chancellor Helmut Schmidt's West German government to negotiate a real settlement might catch hold. Spokesmen for the Bonn government had stepped forward to offer their auspices for negotiating a political solution when Haig's demands for a military solution and cold war confrontation over El Salvador had met with near universal hostility in Europe and Latin America.

But when Bonn stepped forward, Haig's emissaries twisted arms, sources in Bonn reported, and both opposition leader Guillermo Ungo and junta leader José Duarte came out against Bonn's proposed talks. When Brandt's offer was made three days later, they both quickly reversed themselves, and decided to talk!

Haig made it clear just whom he would talk with. General Vernon Walters, Haig's envoy to Latin America who had stopped in four Latin American countries to deliver the message that the United States foresaw a "temporary military solution" to El Salvador's problems, arrived in Panama in early March to meet with the Social Democrats. Emerging from his "cordial talks" with Peña Gomez from the Dominican Republic and Venezuela's Carlos Andrés Pérez, both supporters of the left in El Salvador, Walters told the press that he had conveyed to the Socialists the administration's interest in negotiations.

Herman Cohen, the State Department envoy to Sweden, told the Swedish socialists at the time of Walters's arrival that "if their attempt to mediate can open a dialogue between the democratic forces in El Salvador, then of course it's good," the Swedish press reported. Piere Schori, the Swedish Socialists' Latin American coordinator, called Cohen's remarks a "statement that I regard as a clear success for us."

In honor of the talks' "success," Schori canceled his scheduled appearance at the Social Democrats' demonstration outside the American embassy that night!

Neither Walters nor Cohen's remarks were given much attention in the U.S. media—busy playing up the hardline talk coming out of Washington for American consumption. But Haig's deal with the Socialists, run simultaneously as he increased U.S. military involvement in the no-win conflict, seems to give the lie to his pretensions to be achieving peace in the area.

# Mexico City's antiterror crackdown

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*The cleanout of a nest of insurgents in a squatters' settlement has major political implications, reports Dolia Pettingell.*

Six thousand Mexican police and security personnel swept into the most renowned terrorist stronghold in Mexico City March 2, a squatters' settlement known as the October 2 camp. Before the police left 24 hours later, over 100 terrorists and gunmen were in jail, many of the 700 families relocated, and the rest of the homes were razed to the ground.

The crushing action was the government's answer to a surge of violence and terror in recent weeks, coordinated at the top by the Mexican Communist Party (PCM), the Society of Jesus, and the mayor of Mexico City. According to high-level sources, the raid was personally ordered by President José López Portillo as a warning that the government will not tolerate terrorist attempts to disrupt the government.

The terrorists arrested included top gangster Francisco de la Cruz, the peasant leader of the camp who has pending against him over 100 criminal charges ranging from robbery to homicide. The police confiscated over 60 firearms, bullets, Molotov cocktails, blank death certificates, a printing machine, and copies of the outlaw 23rd of September League's terrorist publication *Madera*. The police also found a stolen police car and uniforms for impersonations. The 700 families are being relocated in government-built housing in another district.

As one Mexico City newspaper put it, de la Cruz had managed to get away previously with such an overt terrorist logistical display because he had an "influential political godfather" backing him.

The influential figure whom the paper failed to name is the mayor of Mexico City, Carlos Hank González. López Portillo's antiterrorist operation has thrown Hank on the defensive. An "Aquarian" who for the past four years has ruled the second largest city of the world as an experiment in "community control" brainwashing tactics, Hank saw the October 2 camp as the most advanced test tube under his control.

Hank's behind-the-scenes connection to the October 2 terrorist training center came glaringly to light immediately after the raid. The head of the Mexican Socialist Workers Party (PST), Rafael Aguilar Talamantes, went to the mayor March 9 to intercede for de la Cruz, who had been working with this increasingly left-provocateur

party and had run for governor in the state of Oaxaca on the PST ticket a year ago. Hank told Aguilar that he had had nothing to do with the raid and that he had "no complaints to make" about de la Cruz. Aguilar told the press that Hank had agreed to his request not to raze de la Cruz's house—a bunker disguised as a hut built over an underground shelter—and instead to turn it over to the PST to serve as a headquarters to receive and process complaints about how the relocation was carried out!

Many in Mexico celebrated the bust-up of a terrorist center that had become a nightmare for Mexico City inhabitants. The camp was organized along paramilitary lines starting in the mid-1970s, some 15 years after de la Cruz had arrived from a small peasant town in Oaxaca. At the time of the raid the daily *El Herald* described the camp as an attempt to set up a "liberated zone" and create a virtual "state within a state." Government security forces report that guerrillas from at least four Latin American countries—Venezuela, Nicaragua, Uruguay, and Argentina—were in training in de la Cruz's camp for different periods over the past three years. Simultaneous raids shut down satellite operations established by de la Cruz in the states of Oaxaca, Tamaulipas, and Morelos.

When French "schismatic" Archbishop Marcel Lefèbvre visited Mexico in late January, de la Cruz not only invited him to visit the October 2 camp but offered him the protection of his goon squads. Though nominally on opposite sides of the political spectrum, de la Cruz and Lefèbvre share ultimate controllers at the highest level of international terrorism. Lefèbvre is sponsored by the Rome-based "black nobility" who have been exposed in the Italian courts as protectors and deployers of the Red Brigades.

Hank González's partners in the current destabilization drive, however, were not at all happy. Humberto Musacchio, managing editor of the openly pornographic cultural monthly of the Mexican Communist Party *El Machete*, charged that de la Cruz's only crime was to fight for "decent housing." The Jesuit-controlled leftist daily *Uno mas Uno* poured out a stream of as many as six articles a day for several days after the sweep. "The October 2 affair was an operation against the poor, not against corrupt leaders or common criminals," claimed the paper amid a barrage of charges that the cleanup was

a "violation of human rights" and an instance of "state repression."

### **Oaxaca: a terrorist time bomb**

The warning delivered by López Portillo in Mexico City had as its special target the rising destabilization moves in the southern states of Mexico, Oaxaca, and Chiapas, among others.

The operation against de la Cruz's camp took place the day after a Mexican Communist Party front called the Cocei had wrested control of the municipal government in Juchitan, Oaxaca.

Besides massive vote fraud, the PCM-Cocei electoral alliance used terrorist intimidation to force the 70,000 inhabitants to accept the imposition of their candidate for mayor. Faced with open threats of a bloodbath, the electoral authorities were forced to concede that the PCM-Cocei candidate had "won" by a margin of 208 votes over the candidate of the ruling PRI party.

The town has particular importance because it is at one of the strategic crossroads of the country. Directly to the north, across 100 miles of the easily traversed Tehuantepec Peninsula, lie the major Mexican oil fields and refining complexes of Veracruz, Tabasco, and northern Chiapas. From its same Pan-American Highway location, it lies along the main route to Guatemala and is seen as a doorway into the Central American violence. The state of Chiapas, just a few miles down the road, directly borders Guatemala, and has been the

target of a "violence spillover" that is intended to move north through Juchitan into the rest of the oil region. This area of instability includes the largely Indian highlands in Chiapas, one of the centers of Jesuit organizing in the country and the scene of a bloody peasant conflict in June 1980.

Concern for the PCM-Cocei takeover of Juchitan has been reflected by influential Mexico City newspaper columnists, aware of the violent antecedents of the group. Cocei ran candidates for Juchitan mayor in two previous elections. In 1974, after losing the elections, Cocei carried out a "hit" against the house of the winning PRI candidate. One person was killed. In 1977, when it lost for the second time, Cocei launched a series of violent incidents to destabilize the state government which it considered the "enemy of the people." The same year Cocei set buses and stores on fire to demand the release of their jailed comrades. And in 1975 the Cocei, which had cooperated with the 23rd of September League, "broke" with it in a spectacular shootout that left almost a dozen people dead.

In a significant escalation of its capabilities, the Cocei sent a squad of 40 people to Mexico City in mid-February, where the group took over the embassies of India and Guatemala to protest what they termed "brutal and repressive tactics" on the part of the government. The action was closely coordinated by a Mexico City Jesuit clearinghouse and operatives of international "human rights" organizations.

## **New York Times defends Mexican terrorist operative**

*The terrorist October 2 camp, run by Francisco de la Cruz, and dismantled by Mexico security units last week, was an internationally promoted experiment in "radical" local-control brainwashing operations of the sort associated with the Pol Pot nightmare in Cambodia.*

*Marcel Lefèbvre, a Dark Ages ideologue of the Sorbonne, toured the camp last year in what the pro-terrorist Mexico City daily Uno mas Uno called "on-the-scene observation" of an "experiment to help the poor." This is "the only authentic socialist experiment in Latin America that I know of," Lefèbvre stated. But it was the New York Times, in a 1977 eulogy to de la Cruz by Mexico correspondent Alan Riding, which did most to build up his "social fighter" credentials.*

*Here is what the Times said:*

Mr. Francisco de la Cruz is clearly the undisputed popular leader of his community, though its real strength comes from the full participation in the assemblies and communities that govern the settlement. Through communal work the squatters have built a health clinic, a kindergarten, a kitchen for volunteer laborers, a cement-block cooperative, a mechanic's shed and an editing room for a monthly bulletin.

Mr. de la Cruz . . . says he is "guided from the left" but his ideology appears to be closer to the "natural socialism" of his poorly educated followers, whose views have been shaped by hardship. "It means helping each other," a mother of six said when asked the meaning of socialism. . . .

In a country where both government and opposition political parties are dominated from above, Mr. de la Cruz dreams of a grass-roots political movement springing from the unorganized rural and urban poor. "When we have finished here, I would like to go back to the countryside and organize a peasant movement there."

## Muslim Brotherhood-Israeli ties

*Speculation increases on the odd alliance between Menachem Begin and extremist Israeli Arab Muslims.*

Since the ascendancy to power of Ayatollah Khomeini in Iran, *EIR* has created considerable controversy with its claim that a faction of Israel's intelligence services has been aiding and abetting the Muslim Brotherhood terrorist organization that runs Khomeini.

Now, however, revelations are appearing in the French and West German press which not only confirm *EIR's* claim, but show that the governing party around Prime Minister Menachem Begin is encouraging the Brotherhood's expansion within Israeli's own pre-1967 borders among Israeli's Arab citizenry.

The groundbreaking exposé in this respect was a piece in the March 4 daily *Die Welt* of West Germany. The newspaper's Jerusalem correspondent revealed the shocking statistic that no less than 15-20 percent of the youth among Israel's 600,000 Arabs are avid supporters of a fanatical group that calls itself "Sons of the Village," and which is committed to dismantling the state of Israel and its replacement by a theocratic Muslim state modeled on the Khomeini dictatorship.

*Die Welt's* correspondent attributed this phenomenon to the even more shocking reality that Israel is virtually the only country in the Middle East in which the Brotherhood is allowed to operate legally! Activists of the Brotherhood-linked "Sons of the Village" group

have been allowed to preach and organize freely among the Arab population, much to the dismay of both traditional Arab leaders tied to the Israeli Labour Party and members of the Arab-majority Israeli Communist Party.

*Die Welt* further reported that the "Sons" activists have gotten access to extensive arms supplies from official Israeli army caches. The supplies, the West German paper indicated, have been acquired through underworld transactions.

*Die Welt's* revelations have been buttressed by news reports from Shalom Cohen, Israel correspondent for the French *Le Matin* newspaper. According to Cohen, Israeli television over the past months has frequently shown bearded "Sons" activists in long robes preaching to Arab audiences against the evils of modernity.

In allowing these filmclips to go through, the Begin government could be under no illusion that the "Sons" were anything but Brotherhood-run terrorists. Citing Israeli intelligence sources, the New York-based *Jewish Week* reported that the "Sons" are an outgrowth of an extreme fundamentalist group called Al-Tahrir, which operated in the 1950s and 1960s in Jordan and Iraq and was responsible for numerous assassinations against government officials.

Given its track record of cultivating the Sons of the Village, the Begin government's recent highly

publicized "crackdown" against well-armed "Sons" cells can hardly be taken at face value. Informed Israeli sources, in fact, see the crackdown as putting into operation a planned race riot scenario between Israeli Arabs and Jews that is aimed at accomplishing both electoral and strategic purposes for the Begin mafia.

If Jewish-Arab relations in Israel and in the West Bank territory can be exploded, extremists in Begin's camp calculate, a hysterical national atmosphere can be created in the weeks leading up to the June 30 national elections. This mood could seriously undermine the Israeli Labour Party's now almost assured capability of winning a majority of voters in the election campaign.

At the same time, manipulated unrest could create the conditions for the expulsion of masses of Arabs from the West Bank settlements and/or pre-1967 Israel, partly under the excuse of relieving "demographic pressure" in Israel, which is itself undergoing economic devolution.

The shock waves of such expulsions would also have serious destabilizing effects on neighboring Jordan, thus possibly "relieving" any future Israeli government of having to negotiate with Jordan's King Hussein.

Hence, Begin is building up the Sons/Tahrir crowd as a counterweight both to the Labour Party's Arab supporters and to the Arab-majority Israeli Communist Party (Rakah). Despite its KGB-"Comintern" ties, Rakah supports the existence of Israel as a state. Begin's Muslim fanatics don't, and are therefore much more useful for his plans.

## Who's on top of U.S.-Mexico relations?

*A few hints have emerged from the Reagan crew, but as yet there is no defined policy.*

**T**here's no question Reagan made the right move at the right time when he met with Mexican President José López Portillo on the border Jan. 5. It immediately set a tone worlds apart from the acrimony of the Carter era and cleared the way for a substantive improvement in relations. But now, more than midway to the first in-depth summit April 26-27, the specifics of a new policy are slow in coming together.

An encouraging sign is that Reagan seems determined to run U.S.-Mexico policy as a personal concern coordinated by the White House, not the State Department. My *EIR* colleagues in Washington report that State Department officials who could be expected to be involved in the preparations for the April Tijuana/San Diego meeting are shrugging their shoulders and referring all questions to the White House and to Richard Allen's office at the National Security Council.

The strong likelihood that Reagan will appoint long-time actor-friend John Gavin as the new ambassador to Mexico is another indication of keeping things under a White House wing. Though some of the Mexican press ridiculed the probable appointment last week, some of the sharper columnists here stressed the importance of having someone in the post who had the direct ear of the President. This is something Carter's ambassadors—Patrick Lucey and Julian Nava—could hardly claim.

But symptomatic of the slowness in pulling the Reagan operation together is the report that current ambassador Nava may stay on until early April, and that it is not known how soon after that his replacement could take up duties. This essentially means that the key U.S. embassy channel will be in limbo from now through the late-April summit itself. Reagan gave a first indication of where he wants to move when he told CBS's Walter Cronkite in early March that he would like to keep the border open to Mexicans seeking U.S. jobs.

As reported in the press here, he called on Americans to "remember that Mexico is our neighbor and friend and that it has a very high rate of unemployment. If we close the border we will in that way obstruct the only escape valve, which we call illegal immigration. If we close off that escape valve we could destabilize Mexico, and in any case it's not in our own interests."

Reagan said he was interested in the proposals of a group of governors from the Southwest, referring to the program of Texas Gov. Bill Clements, who is calling for a "guest worker" program for legalized temporary stays.

This was a sharp slap in the face to the Hesburgh commission on immigration, which had handed its final report to the White House four days before. The Hesburgh panel rejected a guest worker-type program. Spokesmen for the left

parties here immediately branded the Reagan statements as "another effort to pressure Mexico to give up its oil."

But Fidel Velázquez, the long-time head of the CTM labor confederation and one of the men most directly shaping the current presidential succession fight, sounded a different note. "Reagan's tone has relaxed a little and he's closer to Mexican reality."

This reaction is particularly significant because Velázquez has worked closely with the Labor Ministry task force in charge of Mexico's side of immigration.

Reagan made a misstep, however, with his joint call with Trudeau in Ottawa for a "tripartite" U.S.-Mexico-Canadian summit meeting. This is sure to run into heavy flak from the Mexican side, where the overtones of the hated North American Common Market are overwhelming. A lot of the good will engendered by the Jan. 5 meeting could go up in smoke.

Most serious, however, is the silence from Reagan or any of his chief advisers on the plank of U.S.-Mexico relations which will cement the relationship: a massive "oil-for-technology" accord.

This policy gap is being picked up by *EIR* founder Lyndon LaRouche, Jr., who made the oil-for-technology framework the focus of a widely heralded presentation to the annual Economics Symposium of the Monterrey Technological Institute last week. After a further 10 days of talks in Mexico, LaRouche will report directly to policy-makers in Washington March 26, as the keynote speaker in the *EIR*-sponsored conference, "U.S., Mexico, Central America."

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# International Intelligence

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## ***East-West conflict set in southern Africa***

The Soviet and Cuban-allied countries of Angola and Mozambique are key targets in a setup being prepared for the Reagan administration. With respect to Angola, the State Department is planning to recommend that the five-year-old ban on covert or overt U.S. assistance to the Angolan countergang UNITA be repealed. This would clear the way for the United States to begin officially supporting South African military operations against Angola, in which troops are disguised as Angolan UNITA rebels fighting the Angolan government. UNITA as an organized force has been virtually eliminated by the Angolans.

A pro-Khomeini Socialist International destabilization expert, Richard Falk of Princeton University, says Angola is the next area destined for the El Salvador treatment.

"If the destabilization and counter-insurgency operations work in El Salvador, Angola will be next. Angola will be the next country that they [the Reagan administration] will try to destabilize."

In Mozambique, four American diplomats were expelled last month and charged with being CIA agents, following a South African military assault into Mozambique in late January targeting an anti-South African group. In response to the raid four Soviet naval vessels docked in a Mozambique port Feb. 19.

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## ***Socialists involved in Colombia terror***

One day after the March 7 murder of American missionary Chester Allen Bitterman by the Colombian M-19 terrorists, Colombian military police arrested the mediator in the Bitterman kidnapping, Rev. Alfredo Torres Pachón. Torres, the secretary general of the Latin American Council of Churches (CLAI),

had regularly convoked press conferences in his office during the negotiations for Bitterman's release, where M-19 members would conduct telephone interviews with the press. The CLAI is the Latin American affiliate of the World Council of Churches, which was founded by the Socialist International.

The involvement of the M-19, which has a professed admiration for Austria's social democracy, with the World Council of Churches gives the lie to Alexander Haig's charges that the Soviet Union is the "mother" of all terrorism.

The Jan. 19 Bitterman kidnapping has produced increasing tensions within the M-19, whose leadership denounced the kidnapping as the work of a split. The leaders are seeking government approval for M-19 to emerge as a legitimate political party affiliated with the Socialist International.

In a clandestine communiqué just released to the press, the M-19 leadership confirmed that a split has taken place in the group, and denounced the assassins of Bitterman.

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## ***Colombians debate marijuana reform***

A bill to legalize production, trade, and consumption of marijuana will be submitted to the Colombian Congress on July 20 for a vote, according to the country's leading daily, *El Espectador*.

A front-page article on March 4 said the bill will be prepared and submitted by the President of the Congress José Ignacio Díaz-Granados, with the advice and assistance of Ernesto Samper Pizano, a leading prodrug lobbyist in Colombia. Samper Pizano, an executive member of the International Cannabis Alliance for Reform (ICAR), views the United States as the principal market for Colombia's legalized marijuana exports.

According to Samper, the bill already has the support of the Bogotá stock market, the national agricultural producers'

association, the national industrialists' association, and several provincial legislatures.

*El Espectador* reports, however, that the government of President Turbay is not only opposed to the decrim bill, but will counter it with proposed legislation enabling investigations into illegal drug money flows in Colombia.

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## ***New border war in Central America?***

Repeated threats against Nicaragua from Honduran military officers in the past week have placed the two countries on the brink of war.

The director of public relations for the Honduran army, Julio Amando Pavón, declared on television in early March that "the danger of war could be inevitable."

"The Honduran population will act as they did in 1969," said Pavón, when they fought foreign aggression in the so-called soccer war with El Salvador. Meantime, Honduran President Gen. Policarpo Paz stated during military ceremonies that "if the time comes in which we have to raise ourselves to the sound of battle it will be a song to the better glory of our Fatherland."

Border incidents have occurred in past months between the radical Nicaraguan government and the anticommunist Hondurans. Pavón's reference to the 1969 war with El Salvador is indicative of the real issues underlying current tensions. The 1969 "soccer war" is, to this day, referred to as the region's "first population war."

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## ***Emissaries urge Japan to shore up China***

The Haig faction of the Reagan administration made a major deployment in

early March to shore up the Chinese regime of Deng Xiaoping. There is growing concern in Haig's circle that increasing economic and political chaos are endangering the "China Card."

CIA Director William Casey, on an emergency trip to Tokyo, March 6, met with Prime Minister Zenko Suzuki and is believed to have requested that Japan use economic aid to shore up the Chinese regime, as well as those of Thailand and Pakistan. He also set up more detailed discussions of this subject for Foreign Minister Masayoshi Ito's visit to Washington March 21-26.

David Abshire, formerly head of the Reagan transition team unit on foreign policy, met with Suzuki and Ito on a March 1-11 trip and urged Japan to play a greater role in "the international division of labor on defense and security." This refers not only to increased defense spending by Japan but also economic and diplomatic measures in support of the China card and Haig's Indian Ocean strategies.

Following the Tokyo visit, Abshire, who is chairman of the Georgetown University Center for Strategic and International Studies (CSIS), visited Peking March 12-15. He reportedly met with Deng to get a first-hand appraisal of the political and economic situation.

### **Arthur Burns hails China investment cuts**

Arthur Burns, who was in China just prior to the drastic 45 percent cut in capital investment in early March, hailed the measures as "an effective anti-inflation" tactic. When an interviewer asked the former Federal Reserve chairman whether the cuts wouldn't exacerbate existing bottlenecks in energy and transport, Burns replied, "No. In fact, by investing less they will have less need for energy and transport." Burns also revealed that the Chinese officials made specific note of the parallel between their strategy and those of U.S. budget chief

David Stockman and had asked Burns for more information about the latter's efforts.

### **Chinese ZPG fosters female infanticide**

In one small town in southern China, "eight female babies were found dead, abandoned in front of the local [Communist] party headquarters or the local medical center. Most had been suffocated," reported the region's leading daily, *Nan Fang Ribao*, in an article on China's population control program. The paper explained that the program forbids parents to have more than one child. If the first baby is a girl, parents fear they will have no heir or caretaker in their old age and have begun killing the infant girls in attempts to secure a male as their mandated only child.

The Chinese paper comments that the "stop at one" rule must be obeyed, but that "equality of the sexes" forbids the female infanticide.

Throughout Chinese history, the rise and fall of new dynasties was accompanied by the deaths of millions through war, brigandage, famine, and infanticide. Female infanticide is especially prominent during such social cataclysms, to preclude new generations of child-bearers. As recently as the famine during the 1958-60 Great Leap Forward, some peasant parents not only killed their babies, but also consumed the corpses. Famine, under the Dengist austerity regime, is once again raging in southern China.

Promoters of the Global 2000 genocide program, including Gen. Maxwell Taylor, have in the past lauded China's population programs. In 1971, the Population Crisis Committee led by Taylor, General Westmoreland, and the late Gen. William Draper, declared, "Given scarce resources, the whole world should adopt Mao Tse-tung's concept for China of stable, replacement-only population policies. This should be the policy for the next 30 years."

## Briefly

● **PAKISTAN** is getting ready to explode a nuclear device near the Indian border, says the Soviet army daily *Red Star*. Two uranium enrichment facilities are reportedly in operation "thanks to the indulgence of Western states." Moscow also points to Chinese aid for the Pakistan nuclear program.

● **KARL CARSTENS**, the West German president, ruffled some feathers on a recent visit to India when he referred to "genuine non-alignment" in a speech there. The phrase was an invention of the previous Desai government and aimed at Mrs. Gandhi—now back in power. One Indian paper hit the Christian Democratic politician for trying to sour BRD-India relations and noted that he is no friend of Chancellor Schmidt.

● **SOMALIA** made an international appeal on March 8 for nearly half a million tons of food to meet projected shortfalls for 1981 in that drought-stricken country. Omar Giama, deputy minister of national planning, told diplomats and foreign aid officials that "already the stocks of certain essential food commodities have a reserve numbered in days." He stated that a continued lack of rain or an increase in the flow of refugees from Ethiopia would worsen what he said was an already critical condition.

● **TUDEH**, Iran's communist party, is currently working with the right-wing fundamentalist Islamic Republican Party to overthrow social-democratic Prime Minister Bani-Sadr. The Tudeh is a creation of British intelligence's Arab Bureau chief St.-John Philby, the father of KGB Gen. Kim Philby, who maintains contact with his father's 1920s creation. Bani-Sadr has denounced the alliance between the "Soviet agents" and the IRP.

# Fusion, NASA cuts spark urgent 'science alert'

by Marsha Freeman

If the Congress of the United States does not reverse the severe science and energy budget cuts proposed by the Reagan administration for the fiscal year 1982 budget, the nation's frontier research and development programs will be gutted and directed American science education all but dismantled.

As released on March 10, the Office of Management and Budget is proposing \$604 million in cuts in next year's budget for the National Aeronautics and Space Administration; a \$65 million cut, about 20 percent, in the proposed funding for the magnetic fusion effort of the Department of Energy—repudiating the Fusion Energy Engineering Act of 1980; and the elimination of the science education directorate of the National Science Foundation.

Given the relationship of basic science, R&D, and forced-march technological development to cost-cheapening advances in industrial and agricultural productivity throughout the economy—a relationship well documented during the NASA moonshot program and the Manhattan Project—the science cuts would mean a potential disaster for U.S. economic performance.

The proposed cuts have already stirred opposition in Congress and the scientific community. The Fusion Energy Foundation, a 15,000-member organization whose educational efforts were widely credited with shaping the climate for passage of the Fusion Engineering Act, has declared a "national science alert" of its 15,000 members, and issued a statement March 3 denouncing the cuts in the sharpest terms. "The Soviet Union, at last week's Party Congress, took a five-year science strategy com-

pletely opposite . . . resolving to rapidly expand its space exploration, its fusion power program, and widen its growing lead over the United States in science manpower," the Fusion Energy Foundation pointed out in its alert.

In at least two aspects of the budget proposals, the budget-balancers at the OMB are violating the law. The Fusion Engineering Act, passed by an overwhelming majority of the House and Senate last fall and signed into law by President Carter on Oct. 7, 1980, requires the DOE to pursue a 20-year fusion effort, including the operation of a Fusion Engineering Device by 1990. The act authorizes a 25 percent increase in the 1982 budget, to a level of \$525 million, and a doubling of the budget, in real dollars, within the next seven years.

In testimony in the House and Senate over the past two weeks, DOE representative Dr. N. Douglas Pewitt repeatedly stated that "this administration is not going to commit" itself to the engineering device and that another review of the fusion program would take place—despite two recent reviews of the program by the DOE and Congress which have concurred that the program is ready for full-scale development.

Pewitt, a Carter holdover and former official at the OMB, described the fusion bill as a "permissive piece of legislation" during congressional hearings and stated that he has tried to explain to Energy Secretary James Edwards, who has publicly urged an accelerated fusion effort, that fusion will take longer than he thinks!

Pewitt stated before the House Subcommittee on Appropriations that there "is no need for a crash pro-

gram in fusion because we have so many other energy sources," and that "crash programs waste a lot of money."

At the official DOE budget briefing March 10, Ray Romatowski, acting undersecretary of the DOE, responded to my question on the DOE's stated attempt to disobey the law by stating that "a lot of legislation has been passed by Congress in the last few years and some of those statutes are incompatible with our budget requests. We will recommend changes in the statutes during 1982."

The goals of the Fusion Act were strongly supported on Capitol Hill because Congress recognized fusion as a critical, unlimited, safe, clean energy source needed as soon as possible to meet the world's energy needs. The move to junk the law is not sitting well with legislators.

### **Congressional objections**

Representative Barry Goldwater, Jr. (R-Calif.) on the House Science and Technology Committee reminded Pewitt that the commercial development of fusion would cost \$2 billion more in real dollars if the program were stretched out. Representative Manuel Lujan (R-N.M.) asked Pewitt if he could try to "force himself" to take the additional money for fusion that the OMB wanted to give the program.

Senator Mark Hatfield (R-Ore.), the chairman of the Energy and Water Development subcommittee for Senate Appropriations quizzed Pewitt during hearings on March 4. "Last year you indicated a change in direction for the fusion program from basic research toward engineering development. There was a comprehensive program review by a scientific group headed by Dr. Sol Buchsbaum of Bell Labs. The conclusion was that the program is ready for engineering and the initiation of a Fusion Engineering Device. Do the administration's views concur with the Buchsbaum report? I assume you represent the administration's views."

Pewitt said he did not disagree with the technical evaluation, but that no commitment would be made to build a Fusion Engineering Device. Hatfield stated for the record that "at a press conference on Feb. 26, DOE Secretary Edwards indicated strong support for fusion and asked a rhetorical question, 'Why haven't we moved faster?' How does that square with your statements before the House Science and Technology Committee on not continuing on with the FED?" Pewitt, somewhat rattled, answered that he tried to explain to the secretary that fusion would take longer than he thought!

Senator Harrison Schmitt (R-N.M.), also on the subcommittee, stated he was "very bullish on fusion" and that he hoped the momentum could be maintained to "sustain the motivation of young people" to go into fusion research and development.

The most outspoken statements on the fusion pro-

gram came the following day at the appropriations hearings on the House side, where Rep. John T. Myers (R-Ind.) asked Pewitt point blank to provide the committee a written statement from the secretary's office saying the DOE was not going to obey the law. "Even the President can be wrong," Myers emphasized. "Just because I voted for him doesn't mean I will march in lock step with everything the President says."

During cross-examination from Congresswoman Boggs (D-La.), Pewitt revealed that important fusion experiments are slated for extinction in the proposed budget, including the shutdown of the world's pace-setting tokamak experiment, the Princeton Large Torus. Scientists in the fusion community have been shocked by those who pretend that there is no international consensus to go ahead with fusion development.

The OMB was no more warmly received by the Congress in its attempt to decimate the NASA space programs. The slated 10 percent cut of \$604 million would delete the International Solar Polar Mission, a joint project with the European Space Agency (ESA). In addition, the Galileo mission to Jupiter, the Gamma Ray Observatory, and other critical space science programs will be deferred. Flights of the European Space-lab flown on the U.S. space shuttle would be curtailed.

### **Gutting space science**

In testimony on the NASA budget, Mr. E. Quistgaard, director-general of ESA, stated that "the governments of the eleven member states of ESA and ESA itself have voiced strong objections to" the unilateral withdrawal of the U.S. from the Solar Polar Mission, with protests going all the way to Secretary of State Haig.

Quistgaard reminded the Congress that ESA has spent \$1.2 billion in cooperative projects with the United States over the past 10 years, and that hundreds of millions will be lost if these projects are deferred or canceled.

Subcommittee Chairman Rep. Ronnie Flipppo (D-La.) asked the ESA representative if there was a European fallback position on the Solar Polar Mission, in which the U.S. was supposed to build one of two spacecraft, and Mr. Quistgaard stated that the only fallback was to cancel the mission.

The disappointment in the Congress was summed up by Congressman Nelson, who joined the NASA hearings late, having just come from a meeting of the House Budget Committee.

"The Budget Committee is trying to puts the cuts in areas that won't be counterproductive," he stated. "The NASA programs have significant merit that should not suffer these cuts. There is a ray of hope. We don't want to penalize the parts of the budget that help productivity . . . like NASA, that stimulate high technology, and increase the productivity of the national economy."

# Henry Kissinger retools Global 2000 as U.S. national security doctrine

by Lonnie Wolfe

Henry Kissinger will supervise a rewriting of the Carter administration's *Global 2000 Report* in order to sell it to the Reagan White House and the American public as "national security doctrine," according to a source close to the former secretary of state at Georgetown University's Center for Strategic and International Studies (CSIS). The Global 2000 doctrine would commit the United States to a policy of reducing the world's population, as *EIR* has reported, by some 2 billion people in the next two decades: extermination on a scale a hundred times that of the Nazis.

According to the CSIS source, the decision to rewrite the report only months after it was released and endorsed by the Carter State Department came about because "the [Reagan] White House is beginning to get the idea that Global 2000 is some kind of one-world environmentalist conspiracy manufactured by Carter administration hold-overs." Reagan's electoral base "do[es] not support population control" either. But it could be put over as necessary and inevitable, the source indicated, provided that a flag-waving campaign is mounted under Henry Kissinger to convince the President that Global 2000 is the way to safeguard U.S. national security. The environmentalist echelons represented by Mike Kitch of Zero Population Growth, Inc. and Cynthia Green of the Population Crisis Committee are themselves already privately circulating the formula that Global 2000 can most readily be presented as a national security proposition.

George Fauriol, these sources report, is the man Kissinger will assign to conduct the recasting of the Global 2000 documents. While Kissinger and his controllers want to distance themselves from the environmentalists, they will work closely, as is their custom, with the top-level leadership of such groups, including the Committee for the Year 2000, formed last summer to try to ensure that Carter administration doctrine would be carried out no matter who won the 1980 election. Members of the committee include:

- **Russell Train**, former head of the federal Environmental Protection Agency and current head of the U.S. chapter of the World Wildlife Fund.
- **Cyrus Vance**, who helped initiate the Global 2000 project in 1977.
- **Elliot Richardson**, former ambassador to the Court

of St. James, who most recently negotiated the Law of the Sea treaty under United Nations auspices, along Global 2000 resource-control lines.

- **Robert O. Anderson**, chairman of the Atlantic Richfield oil major, whose Aspen Institute has funded and deployed much of international environmentalism and terrorism.

- **Walter Cronkite**, the avuncular newscaster who put environmentalism into media respectability on network television a dozen years ago.

## Weinberger and Taylor

The Kissinger-Fauriol rewrite, which will reportedly take up to six months, is supposed to proceed along the following lines, sources at Georgetown report: "There cannot be a geopolitical doctrine that is not a demographic doctrine. . . . *We can count the number of people who will die, but it is not in our power or in our interests to stop it.*" Meanwhile, Defense Secretary Caspar Weinberger, the U.S. delegation chief to the Club of Rome's 1974 World Population Conference and an advocate of zero population growth, is "redefining U.S. strategic doctrine to deal with the population crisis," a source reported. Already, the shift in deployment into limited wars wiping out huge masses of civilians is incorporated in the Weinberger defense budget proposals, masked as a new anti-Soviet capability.

The Population Crisis Committee is circulating a paper drafted by one of its board members, General (Ret.) Maxwell Taylor, the Kennedy-Johnson architect, along with the World Bank's Robert McNamara, of the Vietnam War. The paper contains a hit list of countries where "unchecked population" will supposedly produce internal crises leading to drastic population reductions. The countries include Mexico, India, Pakistan, Nigeria, Iran, Egypt, Bolivia, Indonesia, Morocco, and most of Central America. Each of them contains either a vital strategic resource, says the paper, or has a location vital to U.S. security interests. The implication is that "checking" the population is essential to guaranteeing resources and political stability.

Global 2000 spokesmen's comments to independent investigative journalists are presented below, followed by a report on Global 2000's efforts in Congress.

## What Georgetown says

*The following interview with a Georgetown University source close to Henry Kissinger took place on March 9.*

**Q:** How is the new administration responding to the increasing prominence of the Global 2000 report?

**A:** There is a general consensus that the issues raised by Global 2000 represent the policy direction the U.S. has to take. The problem is that the way things have been presented so far makes these issues—population control, strategic resources, food control, water control—seem like the property of the environmentalists and the population control people.

We are in danger of braking the momentum created by the report, and getting sidetracked into quibbling. The whole process can break up. We could have a piecemeal policy approach. This is not what anybody wants, but it could happen.

I don't think the White House will push the report hard enough to get the kind of action we need. They are beginning to think it's some kind of one-world environmentalist conspiracy manufactured by Carter holdover types.

**Q:** That seems like a serious obstacle.

**A:** We have to repackage the same ideas. The only way this will fly is as national security doctrine. Population control is a national security issue, not a humanitarian one, not an environmental issue. What we are going to do is what Kissinger and others have suggested. We'll take the Global 2000 report and go through it point by point, and deal with each question as national security. Once we have a product, we can move it through a network in the administration, and set up a *new* outside task force. This will put things into another orbit; we can mobilize the whole national security community.

**Q:** Can you be more specific?

**A:** Many people, including Henry Kissinger and myself, think not much can be done in the short run. Some people will die, hundreds of millions maybe, because people didn't do their demographic homework.

There cannot be a geopolitical doctrine that is not a demographic doctrine. Right now we are forced into becoming damage officers of sorts.

**Q:** You mean triage?

**A:** No, I mean that we can determine how many people will die, but it is not in our power, or in our interest, necessarily, to stop it. We can make difficult but critical

decisions now about preventing things from being worse later down the line.

**Q:** But how does this relate to national security in terms most Americans could understand?

**A:** There is a connection between current plans for a strategic redefinition and the population crisis. De facto, by emphasizing the RDF [Rapid Deployment Force] and so forth, we are acknowledging that population problems in the developing sector will become political and military questions in short order. The problem is that in all but a few cases, the individuals involved with shaping policy do not see this as the cause.

Weinberger is different, I think; he has been directly aware of population problems. The simple fact is that the policy is a direct response to population problems. That is why we're talking about brushfire wars. Some people confuse the ideas by believing we're dealing with East-West problems. You can say that to sell the idea, but it isn't really the case. This is a North-South issue. We have to clearly explain the relationship between security, population, and resource control; that is the new geopolitics.

**Q:** After you've redrafted the point-by-point national security version of 2000, then what?

**A:** It won't be easy, but we will start a new selling job to the administration and the Hill. Vance and [Russell] Train moved too fast and didn't distance themselves from the environmentalists. The idea is not to make these ideas the possession of any one group, especially one that is not well received in the White House.

**Q:** What does Haig think?

**A:** He has been briefed, and is certainly not negative. Caspar Weinberger is on board. So is Jim Buckley. Haig may downgrade the Oceans Bureau [under which the Office of Population Affairs is grouped], but they didn't have much clout anyhow. They did a great deal for Global 2000, but now it has to be kicked upstairs to a more national security-oriented arena like I&R [the intelligence and research division of the State Department] or Political and Military Affairs [under former *New York Times* correspondent Richard Burt, a Kissinger liaison].

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## What Maxwell Taylor says

*Retired General Maxwell Taylor's military methods were displayed during his tenure as overseer of the U.S. military involvement in Vietnam, where he carried out the "body count" concept.*

*General Taylor has been deeply involved in population control and in the 1960s helped organize the Population Crisis Committee. Before being named Special Military Representative by President John F. Kennedy, he was the*

president of Lincoln Center for the Performing Arts in New York.

*In a recent interview made available to EIR, General Taylor elaborated on his views:*

**Q:** In your recent *Washington Post* article, you talk of the need to orient toward security threats outside traditional areas of concern.

**A:** There is a much lower chance of war breaking out in Central Europe at this time. The main threats will come in the Third World, with western Africa and Southeast Asia being particularly likely to explode. One of our problems is that the army and the other services still tend to think about refighting World War II, whereas the real situation is quite different. That's why I'm advocating a thorough merger of military and foreign policy.

**Q:** Why do you think the Third World will be the major focus of instability?

**A:** One of the key reasons is excessive population growth in these areas. The world has gotten itself in the position where it's in for terrible problems. There are disastrous conditions in some of the smaller Third World countries, where the governments are weak and resources are vanishing.

**Q:** Why can't the U.S. and other industrialized nations help ameliorate these conditions?

**A:** Self-interest! We can't help everyone! There's no guarantee we'll be able to feed ourselves 10 or 20 years from now, much less other countries. What we must do is identify those countries that contain special resources vital to us and extend them some kind of protection. We should sign special economic treaties that would stipulate that we would provide certain kinds of aid in exchange for a guaranteed share of the resources we need. We have to have binding, long-term agreements of this kind. As for the other countries, well, what can I say? They'll have to fend for themselves.

**Q:** Since you see overpopulation leading to war, do you see war as a form of population control?

**A:** That's not a very delicate way of putting it . . . but in effect it's true. As these devastated countries begin to overrun their borders desperately trying to seek food, war will clearly ensue, and people will be killing each other en masse for access to food supplies. We certainly can't permit people to overrun our border. . . . Just look at Mexico. Millions of immigrants have entered our country illegally, although, of course, we haven't had a war with Mexico. Bangladesh is another example. Masses of people fled into India during the war there.

**Q:** Are you familiar with the *Global 2000 Report*, and if so, what do you think of it?

**A:** Certainly I'm aware of it. It's a very thoughtful book and well worth study.

**Q:** Could you elaborate on your contention that military and foreign policy should be merged?

**A:** We still think of military policy as war, and somehow different from foreign policy. This is entirely wrong. Clausewitz was right on target when he said that war is simply a continuation of foreign policy by other means. We must close the gap between military and foreign policy, and I have hopes that this administration will accomplish that.

**Q:** Do you think Secretary of State Haig shares your views on this?

**A:** I've been personally close to Haig for a long time. In fact, I gave him his diploma at West Point, I certainly hope he shares my views.

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## What the PCC's Green says

*The following interview with Cynthia Green, provided by an independent journalist, took place March 9. Green is a spokesman for the Population Crisis Committee, and a former planner for Zero Population Growth, Inc.*

**Q:** In your view, how does the population question relate to foreign policy?

**A:** We have been saying for some time that the population crisis would create serious national security problems for the U.S. and the West. The instability we see in places like El Salvador can in a large way be traced to failures of population policy. . . . Look at the teeming cities of the Third World and the slums in Italy. The demographic profiles of these countries are horrendous. More than half their populations, in some cases, are below the age of 20. This means you have idle youth all over the Third World waiting to be turned into terrorists and revolutionaries. The U.S. defense budget has to be geared to deal with these problems, and that is what Weinberger seems to be doing.

We are facing some very difficult foreign policy choices. We face the necessity for reducing population one way or another. There are humane ways to do it, through birth control or sterilization. When those things fail, there are inhumane ways. The humane ways very likely will not be enough. . . .

These next 10 years are crucial. We can keep population down if we take advantage of natural calamities and wars. Even if they wipe out millions it will not be enough if we don't prevent them from rising again. It will be hard to make people tolerate this, but they really won't have a choice.

# Congressmen plan hearings to impose population control

by Lonnie Wolfe

The Congress of the United States will soon hold hearings—unless they are stopped—on legislation that would make zero growth of the American population into the goal of domestic policy. The sponsors of the Population Policy Act of 1981 acknowledge that their primary concern is not the passage of their bill, but the use of the congressional hearings to induce Americans to accept a policy of population reduction—by any means necessary.

Sponsored by Rep. Richard Ottinger of New York, the Population Act calls for the United States to commit itself to “zero population growth.” The bill is now scheduled for hearings in April before the Subcommittee of Census and Population of the House Post Office and Civil Service Committee.



The bill calls for the creation of an Office of Population Policy within the Executive Office of the President. It states that its purpose is to “declare a national policy of coordinated planning for the nation’s population change and to establish a goal of eventual population stabilization in the United States as the keystone of population policy.”

States Mike Kitch of Zero Population Growth, Inc., one of the private organizations pushing the bill: “We have to make people accept some difficult choices as inevitable. Global 2000 says that if they want the good life, we are going to have fewer people alive in the year 2000 than anyone dreamed possible.”

## The Washington nerve center

The Ottinger bill was prepared in consultation with the State Department, formulators of the Global 2000 policy report and its implementation plan, *A Global Future, Time to Act*. The functioning machine that exists within the U.S. government that has been quietly carrying out the Global 2000 mass-murder policy has its nerve center in the State Department’s Bureau of Oceans, International Environmental and Scientific Affairs. Within the bureau, which was set up by Henry Kissinger in 1975, is the Office of Population Affairs (OPA). “The quickest way to reduce population is through famine,

like in Africa, or disease, like the Black Death,” said Thomas Ferguson of the OPA this month.

The Ottinger bill would upgrade this bureaucracy, and expand its purview to the United States. HR 907 specifically charges the new Office of Population Affairs with responsibility for updating the Global 2000 report and recommending policy to force global population stabilization.

Richard Ottinger, a self-professed liberal and environmentalist, has been described by David Barnhizer of the Natural Resources Defense Council as “one of our key assets in the U.S. Congress.” Barnhizer is an aide to Russell Train, former head of the U.S. Environmental Protection Agency and the U.S. director of the World Wildlife Fund, an agency that includes Prince Bernhard of the Netherlands and Prince Philip of Great Britain and other members of the European nobility. Barnhizer is the executive director of the U.S.-based Committee for the Year 2000, a group founded to make sure that Global 2000 is implemented. Its members include Train, former Secretary of State Cyrus Vance, former U.S. Ambassador to Britain Elliot Richardson, and Arco chairman Robert O. Anderson.

Another associate of Barnhizer, Donald Lesh, the U.S. director of the Club of Rome, also called Ottinger “an important asset.” Lesh, a former National Security Council staffer under Henry Kissinger, worked with Barnhizer in putting together a grouping of environmental and population groups tentatively called the “Citizens’ Committee for Global 2000.”

Among the leaders of this group is Roy Morgan of Zero Population Growth, Inc., an outfit supported by former Attorney General and Khomeini backer Ramsey Clark. ZPG helped Ottinger’s staff draft HR 907.

## ‘Making our work easier’

As Barnhizer told a reporter recently, “We would like to get this bill passed. But if we don’t, we want to guarantee that it provides us with a forum to bring the Global 2000 ideas before the American public.” The people in the State Department who are carrying out policies of planned genocide against targeted populations, as in El Salvador, say that such discussion “makes

our work a little easier . . . less out of left field, so to speak.”

Three days after the bill was introduced, this network provided Ottinger, a member of ZPG’s board of advisers, with a podium. The congressman told a leadership conference sponsored by the Audubon Society that Global 2000 “reminds us of the scale and urgency of the problems we have created for ourselves. . . . No problem is more fundamental than the continuing growth of the world’s population. As the comic strip character Pogo once said, ‘We have met the enemy and he is us.’ The Global 2000 report sees our swelling numbers as an accelerating, vicious spiral, one which depletes our resources and corrodes the environment at a rate which is endangering the complex and fragile systems on which life itself depends.” The conference called for full backing of Global 2000 and HR 907.

Ottinger and his backers have made several efforts to pass similar legislation. In the past, the bill was killed each time by Rep. Jack Brooks, the Texan who heads the government Operations Committee.



But this year, Ottinger’s office cleverly decided to introduce the legislation as a rider on a census-related bill, steering it away from Brooks’s wastebasket.

It has found favorable hearing with population subcommittee chairman Robert Garcia of the South Bronx, who is a co-sponsor. He plans to use the Ottinger bill to hold hearings on the Global 2000 report itself.

Liberal Republican Pete McCloskey of California, is also a co-sponsor of the bill. McCloskey told a reporter that he wanted to make sure that Congress debates the Global 2000 issues. McCloskey is the co-chairman of the Congressional Environmental Study Conference (see *EIR*, March 3).



Liberal congressman James Scheuer of New York presented the new rationale for Global 2000 at hearings Feb. 27 of the Subcommittee on International Economic Policy of the Senate Foreign Relations Committee. Scheuer told Senators Charles

Mathias, the Republican committee chairman from Maryland, and Chris Dodd, the freshman Democrat from Connecticut, both supporters of the Global 2000 report, that the most vital strategic question facing the United States is “global overpopulation.”

Scheuer served on the special Presidential Commission on Population and the American Future established by President Nixon in 1969. That commission, headed by population reduction advocate Laurence

Rockefeller, reached the conclusion that “population growth must no longer be seen as a measure of this nation’s progress” and called for “zero population growth.” At the hearings, the New York congressman called for an end to large-scale economic development.

There is an understandable reluctance on the part of the backers of Global 2000 to come right out in public and say that they are proposing policies that will kill—by one means or another—more than 2 billion people.

The idea is to “soft-pedal” the policy, said a spokesman for the Brandt Commission-linked Overseas Development Council. “It gets problematic to say that you can’t improve the human condition. It is embarrassing to say that you can’t have improved health care and mortality because we have too many people.”

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## Documentation

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### From Richard Ottinger

*From an interview by EIR’s Barbara Dreyfuss with Rep. Richard Ottinger (D-N. Y.) on March 12.*

**EIR:** What is your concern about overpopulation?

**Ottinger:** The government is ignoring population in making policy. There are huge effects on programs, financing schools without adequate students, building hospitals in areas that are losing populations; these are wasteful. Everyone should have a population policy. We are funding foreign countries to stabilize their populations, but we don’t . . .

We have a huge problem with immigration, Mexican immigrants. Then we run into the problem of refugees, Cubans, Haitians, Indonesians. There is a tremendous problem serving the number of people coming here. It will be more serious as we ignore other countries, and stop our aid and international assistance; then people will want to come here. If Reagan does what he says on food stamps, then we will have large immigration from Puerto Rico. It is much cheaper to continue food stamps to Puerto Rico than have half a million more Puerto Ricans in New York.

**EIR:** Do you see the overpopulation question as a national security question?

**Ottinger:** Sure it is. We have a much greater demand on our food stocks and we will make God-like decisions on who lives and who doesn’t. There is not enough food to feed everyone who is starving in Latin America, Africa, Asia. We are going to have to decide if we let 1 million Africans, or Asians, or Latin Americans die. The situation is not yet at this point, but with the multiple prob-

lems in the Third World it will become critical. It can happen anytime, if there is a drought someplace or a weather condition. As the price of oil escalates, the underdeveloped countries find it more and more difficult to grow their own crops, especially as oil-based fertilizer and importing energy eat capital.

The Reagan administration answer to energy problems in the Third World is to send nuclear plants. This is interesting, since there are not even electricity grids to use the electricity from nuclear plants. But it is a serious problem that can't be ignored. . . .

**EIR:** William Paddock said in a speech two weeks ago in Washington that it is better for Third World countries to have constantly changing governments, constant destabilization, and then the population problem will be taken care of. How do you see it?

**Ottinger:** All kinds of things can happen, like the civil war in El Salvador can go in and wipe them out, and it will solve the population problem. Argentina, Chile, Brazil, when you get a bad country—and we are backing anyone who says they are against an uprising—the communists will take advantage of it, and we will be on the side of dictators, and the population problem will be solved by war. It is a miserable way to do it.

**EIR:** What are the prospects for your bill establishing an Office of Population Policy?

**Ottinger:** Congressman Garcia has assured me that hearings will be held after the budget is finished.

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## Ottinger addresses ZPG

*From Rep. Richard Ottinger's statement last month in the Congressional Record on H.R. 907; as reprinted in the ZPG Reporter, Vol. 13, No. 1. In January, Representative Ottinger received a special award from Zero Population Growth, Inc.*

Changes in the nation's population—whether they be in fertility, mortality, immigration, or distribution—affect all of us. . . . In spite of this, the federal government simply does not have the capacity to plan ahead for these changes and no systematic focus on them is presently required. This is the aim of H.R. 907. . . .

In 1938 . . . the National Resources subcommittee on Population Problems recommended in its report to President Roosevelt that . . . transition from an increasing to a stationary or decreasing population may on the whole be a benefit to the life of the nation. . . .

In 1972, the National Commission on Population Growth and the American Future recommended that organization[al] changes be undertaken to improve the federal government's capacity to develop and implement population-related programs. . . .

The President's Council on Environmental Quality (CEQ) and the U.S. Department of State last summer released the *Global 2000 Report*. . . . It concluded that a continuation of present trends would lead to a world in the year 2000 that would be "more crowded, more polluted, less stable ecologically, and more vulnerable to disruption than the world we live in now."

The followup report, *Global Future: Time to Act*, released on Jan. 14, proposed a series of concerted actions. . . . To improve the U.S. capability to respond to global resource, environmental, and population issues, the report recommended that the responsibility for developing and coordinating U.S. policy on these issues be centralized in one agency, preferably in the Executive Office of the President. . . . H.R. 907 responds to these recommendations.

Mr. Speaker . . . according to a 1976 Gallup poll, 87 percent of the public favor an end to U.S. population growth.

Ignoring population growth and changes won't stop them from reshaping our lives and our children's futures. . . . For example, it is nonsensical to use taxpayers' money to finance new school construction for communities which attention to demographics could have foretold would have excess facilities. . . . That is why I believe Congress must act now to improve our ability to forecast and respond to these changes.

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## From a population defender

*EIR recently interviewed Robert Sassone, director of the Life Amendment Political Action Committee (LAPAC), and author of several books refuting overpopulation theory.*

**EIR:** What are your views on Global 2000?

**Sassone:** We have encouraged these population people to substantiate their allegation of the great need for limiting populations and the alleged problems, and they have never done this.

**EIR:** What do you think of the Ottinger-Garcia bill to set up a permanent Global 2000 agency to monitor success toward reducing world population by 2 billion people?

**Sassone:** In the House Select Committee on Population, [Ottinger] refused to admit sufficient testimony from opponents, and was interested in creating publicity for his views. We don't feel the Ottinger bill can pass. We oppose it, but it is not our primary focus. . . . It's not that serious—it looks like it won't fly and there are more important objectives. If it did look like it was possible to pass it, then we'd do something.

Primarily, we're working toward the 1982 elections. We select districts like that of Ottinger and decide whether to run against them. LAPAC is a loosely organized

group and what we do is go into areas and educate existing groups. We've been very successful. On our Senate hit list in 1980, we were successful in nine out of ten cases.

**EIR:** Whom did you help to defeat?

**Sassone:** McGovern, Frank Church, Senator Culver and Javits in New York. Our primary objective is passage of the human life amendment and reduction of . . . abortions. The government has been acting as an agent of change in morality and of family life. We are concerned with . . . euthanasia, but this is a lesser threat at present.

**EIR:** On Feb. 17 LAPAC and others met with President Reagan and OMB head Stockman. Paul Brown of LAPAC, presented a White Paper outlining possible budget cuts targeting population control, including the Ottinger bill.

**Sassone:** Brown gave them a paper suggesting several things, primarily Planned Parenthood and Congress, they are our hit list. . . .

**EIR:** What is your evaluation of the Malthusian advocates?

**Sassone:** The thing with advocates like Ottinger is that they'd support reducing world population no matter what the population actually is. The whole population at present can be supported at better than American standards. The question is whether we see man as an animal or not—the population people see men as animals and they support killing people like cattle.

When people see El Salvador as accomplishing reduction by killing people, this is based on the fact they see men as animals. There are several hundred million malnourished in the world. We can feed them by helping them to grow food. The opponents say we've lost the battle and the population has to be cut. This is a regressive approach, opposed to people and progress.

**EIR:** How do you feel about technology export?

**Sassone:** I'm talking about selling or giving technology away, or merchandising it in places that are too poor to buy it. For example . . . you can eliminate malnutrition in the world by simply producing 10 million radios—simple radios with a stationary frequency—you could provide weather predictions, when the monsoon is coming. You can, with satellite broadcasts, start to basically educate them. You can indicate step one, step two. . . . Egypt is considered underdeveloped, yet they grow 10 times per acre more than India.

**EIR:** The difficulty in India is irrigation.

**Sassone:** We could educate them about the effects of tube wells, they've got enormous amounts of underground water that can be tapped. I'm not saying the U.S.

should go around building Aswan dams . . . but the Aswan dam in Egypt . . . has proven tremendously successful. In India you have a system very similar. The Himalayas can be drained, they have plenty of water for irrigation. They can be educated for better use of fertilizers. . . . We could double or triple food production in India.

**EIR:** The Mexican government is interested in arranging technology transfers for oil. What are your views?

**Sassone:** We should encourage them. If they can eliminate starvation, I'd cooperate. I'm not saying you can necessarily send the most advanced plow or combine, it might be better to start with simpler plows. . . . We start by analyzing what can best be used.

**EIR:** Do you think budget cuts will hit the indicated planned parenthood and other programs?

**Sassone:** I don't know yet. Global 2000 is dead. The only way they'd get it through now is by sneaking it through Congress. They've got to disguise it. A lot of the killing programs were gotten through this way by disguising them in vague sounding language.

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## From the Washington Post

*From an editorial in the March 8 issue of the Washington Post, titled "Anti-Abortion Goes International":*

That foes of abortion would be finding comfort, and policy-level jobs, in the Reagan administration was perhaps predictable. . . . What was not so widely expected, however, was that anti-abortionists would start going international—to impress their point of view upon the extensive family-planning programs that the United States conducts and supports abroad.

It isn't yet clear whether anti-abortionists can muster the strength, either in the administration or in Congress, to achieve any substantial part of what is for some of them their maximum objective. This would entail removing the United States not only from programs that "promote" abortion but also from family planning, contraceptive programs and population control efforts overall. It is clear that a guerrilla war has been begun and, further, that many of those fighting it are terribly confused. . . .

There is a view on the fringe that the "population crisis" is the artificial creation of statist and planners and that there is no real squeeze of people on resources anywhere. But it is only a view on the fringe. . . . It would be a genuine calamity for American interests if the new administration were to be misled or intimidated into turning away from requests by other nations to help them deal with what they identify as their family-planning needs.

# DOJ terror role at core of agency war

by Jeffrey Steinberg

A knockdown drag-out fight has publicly broken out between the FBI and the CIA over the question of a proposed reorganization of the intelligence communities' guidelines for domestic operations. While the battle has taken on the visible character of a bureaucratic infight over such matters as jurisdictional authority and budget allocations, strong evidence exists that a much bigger issue is at stake.

*Executive Intelligence Review*, and its subsidiary counterintelligence newsletter *Investigative Leads*, have for the past year documented the fact that sections of the Justice Department—most notably the Community Relations Service—are up to their necks in domestic terrorism and civil disorders. Such sections of the DOJ as the Community Relations Service, the Office of Special Investigations, and the FBI's counterespionage units are repositories of protégés of former Attorney General Ramsey Clark and former FBI Division Five chief Major Louis Mortimer Bloomfield.

Clark and Bloomfield worked together to execute, and then cover up, the assassination of President John F. Kennedy. Among other things, the CRS heirs of the Clark-Bloomfield apparatus have more recently sponsored the creation of the National Black United Front, a nationwide collection of black militants presently leading the efforts to orchestrate race riots against the Reagan administration. These black militant networks have been linked to the government of Ayatollah Khomeini and to Khomeini's U.S. intelligence chief and leading terrorist handler, Bahram Nahidian. It was the Community Relations Service and the FBI that played a central role in protecting the Nahidian Iranian terrorist networks within the U.S. during the height of the hostage negotiations when these networks were getting away with literal bloody murder on U.S. soil.

It is this terrorist fifth column within the Justice Department and the FBI that would be the first point of investigation for any noncomplicit intelligence service mandated to crack down on domestic terrorism and its controllers.

For reasons very much related to this issue, the FBI and the Carter administration holdovers within the Department of Justice moved swiftly this week to sabotage

the rewriting of the Executive Order guidelines governing Central Intelligence Agency, Defense Department, and National Security Agency activities within the United States. Under Jimmy Carter, a January 1978 Executive Order was issued that all but shut down CIA and related domestic efforts against terrorism, narcotics trafficking, and foreign agent activities. The director of the FBI and the attorney general were given thorough oversight authority over these other agencies' domestic activities.

When an interagency task force responded to a request from the new President to recommend revised guidelines by proposing a more balanced set of rules that would allow for CIA, DOD, and NSA domestic intelligence gathering, FBI Chief Webster, the *New York Times* editorial board, and the KGB-linked *CounterSpy* networks linked to Philip Agee geeked out in chorus. Jerry Berman, a former *CounterSpy* editor, now the director of the American Civil Liberties Union, admitted to an *EIR* interviewer this week that his office—along with the *New York Times*—had commandeered a copy of the classified interagency memo; and that the prevailing evaluation within top-level CIA circles is that the FBI did the leaking.

The *New York Times* has been building a crescendo of demands for President Reagan to strongly rebuke the reorganization proposal and continue the Carter guidelines, thereby retaining an FBI-Justice Department monopoly over domestic intelligence efforts. On March 12, the *Times* ran a frantic lead editorial titled "Son of Operation Chaos" in which they all but vowed to watergate President Reagan if he were to go with the proposed reorganization. The editorial was flanked by an equally livid op-ed column by Ken Bass III, the Carter administration's Justice Department Office of Intelligence Policy and Review chief who was the author of the Carter Executive Order that gave the FBI and Justice Department the total control.

As *EIR* goes to press, the prevailing mood in Washington, D.C. indicates that the FBI will come up on the short end of the bureaucratic fight. A number of respected law enforcement and military specialists have been placed in key executive branch posts dealing with international terrorism and international narcotics trafficking. This group is typified by Gen. Louis Guiffrida, the newly nominated director of the Federal Emergency Management Agency (FEMA).

On the CIA side, there are numerous reports of former Agency hands preparing to come out of retirement and re-enter the service as consultants and advisers. To the extent that seasoned veterans with decades of accumulated experience do return to active intelligence duty, and to the extent that the networks behind the drug-terror epidemic are the proper subject of attack, the nation cannot help but benefit.

## Major water reform legislation introduced

Senators Pete Domenici (R-N.M.) and Patrick Moynihan (D-N.Y.) have reintroduced water policy reform legislation which would drastically alter the decision-making and financial process behind major water project construction in the United States. Senator Moynihan has introduced similar legislation affecting harbor/port development.

The Domenici-Moynihan Act, the National Water Resources Policy and Development Act of 1981 (S. 621), was introduced on March 5 and is modeled on legislation introduced by both senators last year but stalled in the House of Representatives.

Rather than the current project-by-project approach, decided on a national basis by the Army Corps of Engineers, the Congress, and the states, S. 621 would establish a block-grant program to be allocated to each state on a formula based half on land area and half on population. The state would then determine how best to allocate its federal funds.

In addition, the federal government could be engaged in not more than 10 regional projects, extending beyond state boundaries, at any one time. In the first category of block grants, states and localities would have to contribute 25 percent of the funding.

Senator Domenici, acutely aware that the impending water crisis was brought about by the failure to embark upon a national program of water resource development, motivates his proposal by noting that the current system is

not working and that a state block-grant program with certain automatic trigger mechanisms could expedite many local water projects.

In a speech on the floor of the Senate on March 5 accompanying the introduction of the bill, Domenici said, "such problems are becoming even more critical as time continues to burden the current system. This nation must resolve these problems if we are to have an effective water resources program to meet the challenges of the final fifth of the century.

"We must resolve these difficulties and rebuild public confidence in the federal government and in its water resources program."

While agreeing with Senator Domenici's intentions, many in the water-resource community fear that allowing states to decide which projects are a priority would destroy national planning priorities.

One week earlier, Senator Moynihan, along with Sen. Jennings Randolph (D-W.Va.), introduced the National Harbor Improvement Act, S. 576. The legislation has three major changes, according to Moynihan: "First, the bill deals with the question of how national priorities should be set for harbor improvements. Selecting projects on a first-come, first-serve basis is hardly a responsible approach to public investment."

Moynihan proposes setting up a national council to determine which harbors should be developed based on some criteria of national interest, such as the need to expand coal exports. The legislation would lessen the role of the Army Corps

of Engineers in project decision-making.

"Second," Moynihan continued, "the bill recognizes that these harbor projects ought not be thought of as free goods. In addition to the general benefit to the nation, these projects have clearly identifiable beneficiaries who should share in the costs of the projects.

"Finally, the bill will set a two-year deadline on the completion of project feasibility studies."

## Repeal of marijuana herbicide ban introduced

Congressman Clay Shaw (R-Fla.) last week introduced legislation that would once again allow the United States to assist the efforts of other nations to eradicate their illegal domestic marijuana crops by herbicide spraying.

The bill, H.R. 2420, would overturn the ban on the use of U.S. funds for herbicide programs that has existed since legislation sponsored by Sen. Charles Percy (R-Ill.) was passed amending the Foreign Assistance Act because of the alleged "medical dangers" of paraquat. H.R. 2420 has been referred to the House Foreign Affairs Committee.

Senator Lawton Chiles (D-Fla.) has introduced similar legislation on the Senate side.

Representative Shaw said on the floor of the House March 10 that "my bill will direct the secretary of the Department of Health and Human Services to monitor and report to Congress on the health impact. . . .

"It is unrealistic for the U.S. to say we are serious about controlling drug trafficking if we prohibit other countries from using the single most effective means to accomplish large-scale destruction of marijuana crops."

The introduction of H.R. 2420 follows by days a bill introduced by Rep. Billy Lee Evans (D-Ga.) for an outright repeal of the Percy Amendment without the monitoring for medical effects.

Although "no case of herbicide poisoning by marijuana use has ever been reported to health agencies of the federal government that research such matters," according to Florida Attorney General Jim Smith in a letter to Representative Shaw placed in the *Congressional Record*, political observers note that the medical monitoring provision was expected to be useful in overcoming political opposition to the bill.

## **N**unn: more money for permanent investigations

When the full Senate debated resolutions proposed by the Senate Rules Committee for the funding of Senate committees March 3, a fight broke out over the funding of the Permanent Investigations subcommittee of the Senate Government Operations Committee. It was this subcommittee, under Sen. Sam Nunn (D-Ga.), which for the last several years has aired a barrage of charges that various trade unions, including the International Brotherhood of Teamsters, the La-

borers' International Union and the International Longshoreman's Union are "controlled by organized crime."

The Senate Rules Committee offered Senate Resolution 57, proposing to cut the budget of the Government Operations Committee by 10 percent from last year's budget. Senator William Roth (R-Del.), now the chairman of the committee, endorsed the resolution, saying that he believed the committee would still increase its activities while cutting its budget. He stressed the role the committee will play in overseeing government agencies and promoting efficiency and eradication of fraud in government.

Senator Sam Nunn (D-Ga.), now the ranking minority member of the Permanent Investigations subcommittee, strongly objected to the funding cuts.

Admitting that he was not speaking with the permission of the majority, Nunn claimed that his subcommittee could not continue the kinds of detailed investigative attacks against organized crime infiltration of labor unless its budget was greatly increased.

The Permanent Subcommittee on Investigations "has a long history, mostly under Senator McClellan . . . and the investigation of organized crime in connection with labor racketeering which took place when Bobby Kennedy was the chief counsel in the late 1950s," said Nunn. "That type of inquiry is a vital part of the investigatory role of the U.S. Senate. . . . I really do not believe that the mood of the country is such that we want to basically put a subcommittee out of business that has a historical

track record as good as this subcommittee."

## **H**ouse to investigate Abscammed members

On March 4, the House voted 390 to 1 in support of H.R. 67, which now authorizes the Committee on Standards of Official Conduct to investigate accused congressmen in the Justice Department's Abscam "sting" operation. The resolution is identical to one passed during the last Congress under which the committee investigated a number of congressmen. The only congressman convicted under Abscam remaining in the House is Rep. Raymond Lederer (D-Pa.).

Congressman Henry Gonzalez (D-Texas) was the sole voter opposed.

On the floor of the House the following day, Gonzalez made an extremely strong attack on the tactics used by the Justice Department in Abscam.

"What we should have learned, and must learn," he warned, "is that the tactics of Abscam went too far. Judges have questioned it, thoughtful editorialists have questioned it—but the issue seems too hot for us to handle here in the House—and this House is where liberty is going to be preserved or lost. . . ."

"It is one thing for a law enforcement agency to investigate crime, and another to fabricate crime. Abscam was very much a case of fabricated crime, aimed against specifically targeted legislators. This is not only troubling, it is frightening."

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# National News

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## Mont Pelerin says it runs Stockman

George C. Roche III, president of Hillsdale College in Hillsdale, Michigan, told reporters on March 11 that his institution, a semi-official affiliate of the monetarist Mont Pelerin Society, launched the career of David Stockman, director of the Office of Management and Budget.

Stockman, whom Roche described as a "Fabian socialist of the older-style von Hayek type," got his start in public life as a "congressman for the Hillsdale district."

"You have to understand," Roche explained, "that we are one of the first places people go to in this district if they want the [congressional] seat. When Dave's predecessor resigned, I was urged to run. But Dave came in to see me and we became very close friends. We knew about his radical background, but we also knew he worked with Pat Moynihan, a basic conservative, at Harvard."

Roche called Hillsdale "the informal college of the Mont Pelerin Society in the United States." He said he is close to Reagan domestic affairs adviser Martin Anderson, and had tutored Rep. Jack Kemp (R-N.Y.) in monetarism during Kemp's career as a football quarterback for the Buffalo Bills.

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## Decrim lobby backs cocaine case

The Playboy Foundation, a leading funder of the marijuana decrim lobby, has been discovered backing moves to legalize cocaine, according to the National Antidrug Coalition.

Chicago Fourth Circuit Court of Appeals Judge Richard Mills overturned a lower court conviction relating to cocaine possession in the case of the *State of Illinois v. McCarty*. The grounds for the reversal were that "cocaine is not a narcotic," and therefore the penalties

were too harsh. Although cocaine is technically not a "narcotic" it is listed as a dangerous drug under federal controlled substances regulations.

Evidence uncovered by the antidrug group reveals that the "medical expert" testimony in the trial is identical to guidelines suggested in a Playboy-funded handbook titled "Cocaine, Legal and Technical Defenses" published by the National College of Criminal Defense Lawyers and Public Defenders.

According to the handbook's introduction, the "team effort" "resulted directly from a grant by the Playboy Foundation, which would not have been made without the active interest of Burton Joseph and Margaret Standish of the foundation, and Bill Helmer and Tom Passavant of *Playboy* magazine."

The Playboy Foundation is the major funder of the National Organization for the Reform of Marijuana Laws.

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## Yippies plan 'spring offensive'

The Youth International Party (Yippies) is planning a "spring offensive" to begin with a "National Resisters Conference" on March 20-23. The conference is designed to regroup the street-level "New Left" forces and shape them into potential riot shock troops comprised of Yippies, antinuclear activists, and so-called antiracism forces.

According to New York Yippie organizer Dana Beal, the first salvo of this "spring offensive" will be a demonstration against President Reagan at a Lincoln Center, New York performance of his son.

The "National Resisters Conference" is featuring Abbie Hoffman, the Playboy Foundation's Paul Krassner, antinuclear physicist Micho Koku, and Ben Mazel, leader of the "Rock Against Racism." Mazel's speech is titled "The Battle Against the Klan and LaRouche," referring to *EIR* founder Lyndon H. LaRouche, Jr., who has consistently maintained that the New Left is a protofascist phenomenon.

Intelligence sources estimate that the U.S. deployment of Socialist International assets into what the Yipsters term a new "International Liberation Movement" is a harbinger of U.S.-based terrorist upsurge. This analysis is especially bolstered by the involvement of more professional terrorist operations, such as the American Indian Movement.

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## Republican Senate group breaks with Stockman

Republican Senators controlling the Senate Labor and Human Resources Committee chaired by Orrin Hatch of Utah broke with a policy of solid conservative-Republican support for Reagan-Stockman budget cuts and on March 10 voted down \$2 billion of an \$11 billion proposed cut affecting social welfare and education programs.

The group includes Hatch, Dan Quayle of Indiana, Paula Hawkins of Florida, Don Nickles of Oklahoma, Gordon Humphrey of New Hampshire, Jeremiah Denton of Alabama, and John East of North Carolina.

The committee voted to reduce a 20 percent cut in education programs to 12.5 percent, voted 13-3 to continue low-income fuel assistance at \$1.85 billion and voted unanimously to increase black lung benefits to miners.

Because the vote came before the final budget is presented to Congress, it could be reconsidered.

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## General strike set in Massachusetts

A group of Massachusetts public employee unions has announced a one-day general strike throughout the state to be held sometime in April. John Gallahue, the group's designated spokesman and president of the powerful Carmen's Union, told reporters that the action is endorsed by all major employee unions, including the Service Employees International Union, American Federation of

## Briefly

State, County and Municipal Employees, and the American Federation of Government Employees.

The one-day strike has been dubbed "Union Appreciation Day" and is designed to elicit public support for public employees who are now facing thousands of layoffs. These layoffs, and related wage and hiring freezes, are due to deep budget cuts mandated by "Proposition 2½," a property tax limitation referendum passed in November.

The cutbacks threaten to decimate city services and thereby depopulate urban centers. Departmental budgets in the larger Massachusetts cities will be slashed from 25 to 60 percent in June, with deeper cuts to follow in 1982.

### Employment shifts follow Global 2000 track

A startling shift taking place in the American labor force, if not altered, will produce a collapse of family formation and population growth, reveal Bureau of Labor Statistics data.

In the past year, employment of women of childbearing age rose a record 835,000, accounting entirely for that period's increase in employment. In the past month alone, the BLS reports, while "total employment rose by 230,000 . . . adult women accounted for virtually all of the over-the-month increase."

Meantime, "employment of adult men and teenagers was below the year-earlier level, by 270,000 and 400,000 respectively."

This dramatic shift in the composition of the labor force reflects a rapid shift toward a deindustrialized economy. Over 1979 and 1980, the economy lost 600,000 industrial jobs, but added 1.6 million service jobs, a massive shift toward nonproductive employment. Within this shift toward services, women were drawn into the labor force, frequently as a result of their husbands' layoffs.

Further budget cuts in aid to dependent children, child nutrition, and related programs, which will help force women onto the job market, will accelerate this

decline in the American population's capacity for family formation.

### Canadian security incident 'dry run' against Reagan?

It appears that Canadian Prime Minister Trudeau intentionally created a breach in President Reagan's security protection during Reagan's March 10-11 visit to Canada. Progressive Conservative MP Allan Lawrence submitted a widely publicized parliamentary question on March 6 condemning the then-planned precautions as excessive, whereupon Royal Canadian Mounted Police Inspector Lloyd Larose reported to the Canadian Press Agency on March 8 that Reagan's Secret Service guards would not be allowed to carry arms.

In Ottawa, although the Mounties had received death threats to Reagan prior to his visit, they allowed demonstrators to come as close as 50 feet from the President at an open-air speech. On-the-scene security personnel acknowledged that an assassination would have been "easy."

The demonstrators included the Iranian Students Association; In Struggle, whose founder, Charles Gagnon, also founded the terrorist FLQ; the Canadian Communist Party Marxist-Leninist; and the El Salvador Solidarity Committee, among whose participants are the Communist Workers Party, the American Indian Movement, and the Yippies.

Interviewed on March 12, Cam Mackie, a Trudeau adviser and founder of the Company of Young Canadians (an Institute for Policy Studies-linked group that earlier funded the Weathermen), ranted about the Reagan visit, openly siding with the demonstrators.

In a related development, the *New York Times* reported March 11 that White House Counselor Ed Meese called an emergency cabinet meeting to blast Haig's State Department for not having adequately briefed the President before his trip to Ottawa.

● **BAHRAM NAHIDIAN**, the Iranian rug merchant based in Washington who is the ringleader of pro-Khomeini Muslim fundamentalist terrorism in the United States, is reported to be planning a series of violent demonstrations and assassination hits against anti-Khomeini Iranian emigrés over the March 21 Iranian New Year holiday. Iranian nationals opposed to Khomeini rule in Iran will be gathering at hotels in Washington and other major cities across the country to celebrate the New Year, and Nahidian is rumored to have told his followers to prepare for "suicide missions."

● **JOSEPH HENDRIE** was called upon, in a surprise move by the Reagan administration, to take back his old job at the Nuclear Regulatory Commission, pending a permanent appointment. Hendrie, who had left the NRC because of controversy over his handling of the Three Mile Island affair, was asked to take the job back when problems developed over the appointment of Memphis businessman Thomas Roberts to the NRC post. Sources report that two top Senate Republicans met with President Reagan to oppose the Roberts nomination, indicating that Roberts's only qualification for the job that is vital to the future of America's nuclear industry, seemed to be that he was a top campaign official for George Bush.

● **ALEXANDER HAIG** is hardly the most popular man at Foggy Bottom. "There are a lot of people over here who don't like Haig," said a State Department source. "It's not just because his policies stink. Look at all that body jewelry he wears. It's a disgrace to have a secretary of state strutting around like that."

## Northwest's power supply in jeopardy

*A strong BPA chief is needed to reverse the Carter antidevelopment policies.*

**T**he post of administrator for the Bonneville Power Administration (BPA) is the patronage "plum" of the chairman of the Senate Energy Committee. Under Carter, that chairman was Henry Jackson of Washington State. Now, under the Reagan White House, the new chairman is pronuclear Republican James McClure of Idaho. His chairmanship could be the single most important ingredient in reversing a disastrous course of events that jeopardizes strategically vital sections of our aluminum and aerospace industries, located in the Pacific Northwest.

One of the more unfortunate final acts of the last Congress was passage of a bill first introduced by Jackson in 1978, the Pacific Northwest Electric Power Planning and Conservation Act, passed on Dec 5.

The bill was amended by pro-environmentalist congressmen like Jim Weaver of Oregon to produce a time-bomb that could choke future energy growth in the Northwest region served by the BPA.

The BPA was established by an Act of Congress in 1937 to harness the Columbia River system for land reclamation, flood control, and electric power generation through hydroelectric dams. The Army Corps of Engineers and the old Bureau of Reclamation created one of the largest multiple-use river systems in the world. BPA was directed to build and operate transmission lines to deliver power from the dams and to market the electricity

at rates just high enough to repay the federal investment in a reasonable time period.

Harnessing the immense hydroelectric power of the Columbia River drew major aluminum producers into the region during World War II with cheap electricity and ample water for process use. Major aerospace industries like Boeing, heavily dependent on aluminum, followed. Now, more than one-third of the nation's aluminum is produced here, thanks to the BPA.

In the 1960s, a U.S.-Canada treaty was signed for cooperative use of dams built by Canada on the upper river. Three dams have been completed, with additional power downstream sufficient to supply Seattle for more than 15 years.

But as early as the 1970s, the demand for power began to outstrip even this extended hydroelectric capacity. Bonneville Power Administration and the region's utilities produced the Hydro-Thermal Power Plan for development of nuclear- and coal-generated power to avert a shortfall conservatively estimated at 2,000-4,000 megawatts.

BPA and the utilities agreed on a plan to meld the lower-cost hydropower with the higher-cost nuclear and coal plants being built, to lower rates and secure supply.

BPA also guarantees the utilities lower bond interest by being a guaranteed power purchaser.

Under this plan, Portland General Electric build the Trojan nuclear power plant, and Washington

Public Power Supply System is building three nuclear plants besides the Hanford nuclear reactor turbine.

But an Internal Revenue Service ruling, issued shortly after the plan was introduced, jeopardized it by denying utilities tax-exempt status for their bonds because power was being sold to BPA, a federal body. Then the Environmental Protection Agency got a federal court injunction that required the BPA to complete an "environmental impact statement of BPA's role in the region" before it could undertake nuclear and coal project management.

This has kept certain long-term BPA customers in supply uncertainty since 1973. And by 1976, BPA projections showed they could no longer guarantee their load growth could be met even for preference customers beyond 1983.

An eleventh-hour amendment to the 1980 act (Section 4(e)(1), puts the BPA on the least efficient track by setting an order of priorities: conservation first; nuclear last. In addition, the amendment calls for "public" involvement in estimating load-growth forecasts and in any BPA decision to acquire an energy resource over 50 megawatts!

All of this leaves crucial judgmental decisions up to the BPA administrator. A wishy-washy, soft-headed conciliator could unwittingly set the stage for economic disaster in this vital region.

This is why it is crucial that Sen. James McClure insist on a BPA administrator committed to using nuclear energy as the preferred way to "produce" our way out of the energy crisis. We have to watch this one with more than passive interest.