

# EIR

Executive Intelligence Review

March 2, 1982

\$10.00

The case of Colombia's M-19 terrorists  
'Get Hart off the Armed Services Committee'  
Block's starvation budget for U.S. farms

**The tinderbox in the Balkans:  
will it ignite a third world war?**



**TAKE OFF**  
to explore  
the frontiers  
of science!

**Subscribe to**

*The*  
**Young  
Scientist**

Published five times a year by the Fusion Energy Foundation, each issue of *The Young Scientist* magazine tells readers about the scientists, experiments, and discoveries on the frontiers of science today—and yesterday. Why are the Saturn results important? How does genetic engineering work? Who discovered radiation?

**The Young Scientist** answers questions like this in every issue—and has puzzles and experiments, interviews, news, and photographic tours of the nation's leading scientific labs, museums, and high-technology industries. Designed for readers 10 years old and up, **The Young Scientist** is part of the Fusion Energy Foundation's nationwide campaign to reverse the collapse of American science education.

**Yes, I want to subscribe to The Young Scientist.**

Enclosed is \$8 for 5 issues.  
Please charge my \$8 subscription to  
 MasterCard  Visa  Diners

Card no. \_\_\_\_\_

Expiration date \_\_\_\_\_

Signature of cardholder \_\_\_\_\_

Name of subscriber \_\_\_\_\_ Age \_\_\_\_\_

Address \_\_\_\_\_

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

Make checks payable to Fusion Energy Foundation,  
Suite 1711, 250 West 57th Street, New York, N.Y. 10019

For additional subscriptions, please use separate sheet. Teachers:  
Please inquire about special bulk rates.

Credit: NASA

Founder and Contributing Editor:

*Lyndon H. LaRouche, Jr.*

Editor-in-chief: *Criton Zoakos*

Editors: *Nora Hamerman,*

*Robyn Quijano*

Managing Editor: *Susan Johnson*

Art Director: *Martha Zoller*

Contributing Editors: *Uwe Parpart,*

*Christopher White, Nancy Spannaus*

Special Services: *Peter Ennis*

INTELLIGENCE DIRECTORS:

Africa: *Douglas DeGroot*

Agriculture: *Susan Brady*

Asia: *Daniel Sneider*

Counterintelligence: *Jeffrey Steinberg*

Economics: *David Goldman*

European Economics: *Laurent*

*Murawiec*

Energy: *William Engdahl*

Europe: *Vivian Freyre Zoakos*

Latin America: *Dennis Small*

Law: *Edward Spannaus*

Middle East: *Robert Dreyfuss*

Military Strategy: *Steven Bardwell*

Science and Technology:

*Marsha Freeman*

Soviet Sector: *Rachel Douglas*

United States: *Graham Lowry*

INTERNATIONAL BUREAUS:

Bogota: *Carlos Cota Meza*

Bonn: *George Gregory, Rainer Apel*

Chicago: *Paul Greenberg*

Copenhagen: *Vincent Robson*

Houston: *Harley Schlanger,*

*Nicholas F. Benton*

Los Angeles: *Theodore Andromidas*

Mexico City: *Josefina Menendez*

Milan: *Stefania Sacchi, Marco Fanini*

Monterrey: *M. Luisa de Castro*

New Delhi: *Paul Zykojsky*

Paris: *Katherine Kanter,*

*Sophie Tanapura*

Rome: *Leonardo Servadio*

Stockholm: *Clifford Gaddy*

United Nations: *Nancy Coker*

Washington D.C.: *Richard Cohen,*

*Laura Chasen, Susan Kokinda*

Wiesbaden: *Philip Golub, Mary Lalevé,*

*Thierry Lalevé, Barbara Spahn*

Executive Intelligence Review

(ISSN 0273-6314)

*is published weekly (50 issues) except for the second*

*week of July and first week of January by*

*New Solidarity International Press Service*

*304 W. 58th Street, New York, N. Y. 10019.*

**In Europe:** Executive Intelligence Review,

Nachrichten Agentur GmbH,

Postfach 2308, D. 6200 Wiesbaden Tel: 30-70-35

Executive Directors: Anno Hellenbroich,

Michael Liebig

**In Mexico:** EIR,

Francisco Díaz Covarrubias 54 A-3

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

**Japan subscription sales:**

O.T.O. Research Corporation

Takeuchi Bldg.

1-34-12 Takatanobaba

Shinjuku-Ku, Tokyo 160

Tel: (03) 208-7821

Copyright © 1981 New Solidarity

International Press Service

All rights reserved. Reproduction in whole or

in part without permission strictly prohibited.

Second-class postage paid at New York,

New York and at additional mailing offices.

Subscription by mail for the U.S.:

3 months—\$125, 6 months—\$225,

1 year—\$396, Single issue—\$10

Academic library rate: \$245 per year

# EIR

## From the Managing Editor

Any student of history has a sense that the ethnic feuds, territorial changes, and multiple coups d'état in the Balkan region over the centuries make no particular sense on their own terms. The Swiss, Venetian, and British strategists who first used the Ottoman Empire against Russia's potential industrial expansion, and then carved it into micro-states, have bequeathed to the 1980s a terribly fragile situation.

As a result of the way in which the Balkan states were formed by the Versailles Treaty and the 1945 Allied arrangements, they cannot withstand ethnic rearrangements. But ethnic nationalisms are being stirred up; and the collapse of any of these states, such as Yugoslavia, could instantly draw the United States and the Soviet Union into conflict. Our Special Report, written by Editor-in-Chief Criton Zoakos, a specialist on the region, analyzes this conflict potential, first presenting the history of the Balkans, then outlining the current dangers.

*Susan Johnson*

# EIR Contents

## Departments

### 10 Science & Technology

NASA's programs are intact, for now.

### 12 Labor

A two-tiered workforce.

### 16 Energy Insider

The battle for a nuclear Northwest.

### 47 Report from Paris

The Francisci aftermath.

### 48 Middle East Report

C'est Lavie.

### 49 Dateline Mexico

A nuclear test center for Sonora.

### 64 Editorial

Volcker's international fallout.

## Economics

### 4 Will Europe be forced to break with the U.S.?

A reluctant Schmidt government may take self-defense measures against Volcker; other Europeans look to a fullblown 'third way.'

### 6 Three-fifths of GNP does not exist

A new method of deflating the official U.S. Gross National Product.

### 7 Currency Rates

### 8 A starvation budget for American farms

The Agriculture Department is going along with "free-market" cutbacks.

### 11 Domestic Credit

A bear-market shakeout?

### 13 Banking

Who's destroying American banking?

### 14 Gold

Gnomic advice for America.

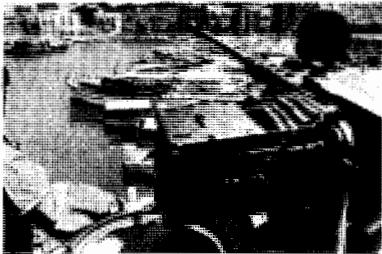
### 15 International Credit

A Third World credit crunch.

### 17 World Trade

### 18 Business Briefs

## Special Report



Turkish soldiers in the Cypriot port of Kyrenia during the 1974 hostilities on the island.

### 20 How the Balkan card is played

The "Sarajevo" potential exists today: examining its origins in four centuries of Anglo-Venetian efforts to use the Ottoman Empire against Russia.

### 27 The pieces on the Balkan chessboard

### 28 Ethnic passions in the Balkans can trigger international crisis

The 1982 flashpoints, with emphasis on Yugoslavia, Albania, Greece, and Turkey.

### 31 A chronology of current conflicts

## International

### 32 Syrian revolt may undo secret pact with Israel

There is more to the upheaval against Syria's Assad than a Muslim Brotherhood insurgency.

### 34 'Fire Thomas Enders and Deane Hinton'

A National Democratic Policy Committee statement on Central America.

### 36 NATO implicated in Italian terror case

### 38 Organized crime and terrorism: mapping the Latin American links

A six-page report on connections among Colombia's drug traffickers, Mexico's left-wing terrorist supporters, and controllers in Italy.

### 44 Scandal aimed at Schmidt's labor base

A report from West Germany on the Neue Heimat affair.

### 45 Apel: 'Don't play into Moscow's hands'

A report on the February Wehrkunde military meeting.

### 46 Haig's courtship wins apparent success

A report on Brazil's Africa policy.

### 50 International Intelligence

## National

### 52 'Get Hart off the Armed Services Committee'

By Lyndon H. LaRouche, Jr. Why a U.S. conventional-arms buildup would be foolish, and what kind of advanced weaponry and economic recovery are required for defense.

### 57 Sen. Williams vows to keep up his fight

After the New Jersey Democrat's sentencing in the Abscam frame-up.

### 58 Federal judge warns of FBI 'Gestapo' as court upholds Abscam convictions

Excerpts from the majority opinion reversing the successful appeal of two Abscam convictions, and from the powerful dissenting opinion by Circuit Judge Ruggiero Aldisert.

### 61 Organized crime buys electoral district

In New Jersey, this is intended to be Phase Two as the remaining honest legislators like Senator Williams are booted out.

### 62 National News

## Will Europe be forced to break with the U.S.?

by Richard Freeman

The Finance Ministers of the 10-nation European Community met in Brussels Feb. 15, to discuss the monetary problems triggered by the high interest rates of the U.S. Federal Reserve. The EC decided to send Belgian Prime Minister Wilfried Martens and Belgian Finance Minister Willy le Clerq to meet U.S. President Reagan in Washington, D.C. on Feb. 17 to urge Reagan, on behalf of the entire EC, to lower U.S. interest rates. German Finance Minister Hans Matthöfer stated that the purpose of the European deployment to Washington was "to prevent the U.S. and European economies from drifting further apart."

While for West German Chancellor Helmut Schmidt, preventing an economic and political break between the United States and Europe is one of the first principles of statecraft in this dangerous period, it was clear at the EC meeting that this is not a shared principle. In fact, led by French Prime Minister Mitterrand and Finance Minister Jacques Delors, there are now members of the European Community who would like to see Europe "decouple from the United States," and consider the European Monetary System as a central vehicle for accomplishing this purpose. The view of this camp is, "If the United States plans to slit its own throat, we will form a third entity, separate from the United States and the Soviet Union, and choose the course of a third way." This would mean decoupling the European currencies from the dollar, and letting the dollar drift, especially if it is hit by a currency crisis, as is widely expected.

The deployment of Belgium's Martens to Washington was impelled by the growing recognition that with

interest rates in the U.S. rising again, the European economies were being doubly devastated by the impossibility of long-term investment in industry, and the general drain of liquidity out of Europe into high-yield returns offered in dollar-denominated paper.

### Challenge to the United States

The day Martens and le Clerq arrived in Washington, Schmidt granted an interview to the *New York Times* saying that "Europe is in greater danger than the Americans have understood so far" because of U.S. high interest rates.

"Right now the richest economy in the world is at the same time the greatest importer of capital. This is an unhealthy state. Some of the capital we don't even need—it's being put into New York because of the high interest rates. The high interest rates not only harm the United States, they harm the rest of the world even more."

Schmidt delivered a warning of a kind he has been giving in his own country for some months: he drew the consequences of the depression that could bring democracy to an end as it did in the 1930s. "The fabric of the economy and the society is endangered by the deepest recession since the middle 1930s. What I fear is economic and social, and therefore political, unrest," he said.

Italian Finance Minister Beniamino Andreatta had told the ministers in Brussels that "the continued U.S. tight-money policy is simply throttling us. The sense of internal U.S. uncertainty and heightened tensions have only created further difficulties in international trade."

Andreatta said that the sharp dollar appreciation because of high interest rates is disrupting world trade and must be stopped. "Both parts of the Atlantic," he said, "must attempt to bring exchange rates to sane and stable levels. If not, we will, despite high prime rates, have both recession and inflation at the same time."

The Italian lira has become of great concern in Rome. Despite heavy Bank of Italy intervention over the last six weeks, the dollar has risen from 1,193 lira to the dollar on Jan. 4 to 1,271—the highest parity since World War II. Other European currencies are being battered, and the Japanese yen has fallen to 240 yen to the dollar.

In January, Chancellor Schmidt called a meeting in Versailles of the Finance Ministers of the big Five Nations: Germany, the United States, Japan, France, and Great Britain. Four of the nations agreed to plan for lowering interest rates. Treasury Secretary Donald Regan made the United States the odd man out by refusing to even nominally endorse this agreement. The German central bank took the occasion to lower the lombard rate (which is a notch above the discount rate) by 0.5 percent to 10 percent. Other European nations cut their central-bank lending rates somewhat as well.

The Feb. 17 *Neue Zürcher Zeitung* commented that "the German central bank appears calm. . . more concerned with interest-rate disarmament than with the devaluation of the deutschemark." Thus, Germany plans to stick to its policy of lowered interest rates, regardless of short-term capital outflows.

### **The Anglo-Belgian strategy**

However, two camps emerged in Brussels. One was led by France's Delors and, not too far in the background, by the Bank for International Settlements (BIS), the "central bank for central banks" which since 1930 has acted as a headquarters for the subterranean European oligarchs who want to crush the United States and split it from Europe financially and politically. The other camp was led by Chancellor Schmidt, who recognizes that if the U.S. economy goes down, Europe will too.

Delors led the talks in Brussels about "expanding the capacity of the European Monetary System [EMS]" and increasing the functioning of the European Currency Unit (ECU) for intra-European functioning. As originally established in March 1978, by West German Chancellor Helmut Schmidt and French President Giscard d'Estaing, the EMS set up a plan for exchange-rate stabilization that linked the European currencies together and constituted a support operation for the dollar against the wishes of the U.S. Carter administration, which avowedly sought to wreck the dollar and the world reserve currency.

But Giscard is gone. Instead, British and Swiss

financiers whose ideologue is Belgian royal household economist Robert Triffin plan to make the EMS a vehicle of "European integration" along "post-industrial" lines. Under this policy, the EMS "breaks free from the dollar."

A similar notion was advanced last September by the BIS, which made "exchange-rate stability" a paramount issue, with the unstated intention of turning Europe into a separate currency and trade zone, during a general world monetary disintegration.

A source close to the International Monetary Fund (IMF), which has similar designs, reported Feb. 17 that one means of severing Europe from the United States is for Europe to apply exchange controls, an idea that was also advanced by former British Prime Minister Edward Heath in the lead editorial of the Feb. 14 London *Sunday Times* as a "ringed fence" keeping the U.S. dollar and the U.S. budget deficit out of Europe.

According to this IMF source, "One suggestion is a two-tier system like France has now. European banks would lend to domestic industry, or to other European countries, or to countries with whom they have trade, but they would be restricted from lending to anyone else on the international markets.

"Thus each country, say England, would effectively have two banking systems, one for domestic and related industry and another for international business. Each banking industry would be segregated from the other. The international industry could take deposits, but not make loans to outsiders. This would prevent the United States from going to Europe and trying to finance its budget deficit from the savings of Europe."

This source added that another track the Europeans might take is to have the respective European nations refuse to purchase American goods for national projects, such as refusing to buy American computers for use in European postal systems. This, the source noted, is already starting in France, and would show Washington that Europe is serious about lower interest rates.

The other prong of this strategy is to use the breakdown in world capital markets to put the Third World, and all of world trade, through a controlled credit cut-off.

Peter Montagnon, Euromarkets correspondent for the London *Financial Times*, developed that perspective Feb. 17: "To put it bluntly, the world is coming when commercial and central bankers alike feel that deficit countries will no longer be able automatically to turn to the international credit markets as their first port of call."

With the disappearance of the Arab OPEC surplus, and the expectation that in fact OPEC may be a substantial net borrower in 1982, the petrodollar recycling mechanism is gone. If the international banks shut off their lending, OPEC will not fill the gap.

# Three-fifths of GNP does not exist

by Leif Johnson

The 10 percent drop in U.S. manufacturing output since last August has finally convinced some Americans that they had better learn how an economy is run. No simple solutions like working harder, cutting costs, or better management, are going to sustain either individual enterprises or the economy.

One useful tool is the Gross National Product figure—or more accurately, a *modified* Gross National Product accounting that identifies the real product contained in the official GNP figure. *EIR* has compared the non-product costs with actual product costs in the official GNP figures, that is, the fictitious costs borne by sectors of the economy. We have taken the GNP, which is a national income account, and spent it to see what it would buy. Instead of using the nominal value or the official value of GNP, we have determined the real value in terms of real goods and services bought by the stated amount of GNP.

By deflating the third-quarter 1981 GNP figure by the fictitious costs contained in it—those that do not reflect the actual costs of production of the products purchased—we have found that the real GNP was only two-fifths the official figure of nearly \$3 trillion.

For example, compare the cost of buying a house in 1970 with the cost in 1980. Both houses are basically the same; thus the product received is the same.

But in 1970 the homebuyer paid an average price of \$23,000 while the average price in 1981 was \$80,000. When standard interest costs to the buyer are included the total 1970 price is \$30,590, but the 1981 price is \$192,800, an increase of six-fold.

Granted, production expenses have risen in that period; the cost of labor may have doubled, and the cost of materials may have even tripled, but what accounts for the six-fold escalation? The major fictitious cost—the cost that doesn't stem from production itself—is, as everyone knows, usury in the credit markets. To finance \$60,000 at 16 percent for the 1981 home purchase, the buyer is paying \$172,000.

Usury is not a product at all. But usury is an included component of the official GNP calculations. This accounts for the otherwise singular fact that although industrial production has declined 10 percent since August 1981, the official GNP continues to rise. Similarly, during the 1974-75 deep recession, when industrial production declined 9 percent, -GNP, when adjusted for inflation, declined by only 1 percent. Somehow, somewhere, 8 percent was added to the Gross National Product which in

In the chart, the major income categories used in the GNP calculation are listed. We take the first category, employee compensation, and break it down into what that money is spent for: food, housing, transportation, clothing, medical care, other items, and taxes. From each of these categories we take out fictitious costs contained in the purchase. However, we must first subtract from the total employee compensation portion of GNP the amount spent on drugs, prostitution, gambling, pornography, and the destruction of personal property connected with criminal activity. These are all costs to the "consumer," including the undetermined billions spent on official lotteries, number rackets, and similar theft from the population, but there is no product.

The annual expenditure on drugs, pornography, and destruction wrought by crime is estimated at \$300 billion. We deduct that amount from the official employee compensation of \$1,790 billion, leaving \$1,490 as spendable employee income.

Now we find the real value of what the buyer purchases, beginning with food, which takes about 20 percent of the family budget. We calculate that the consumer buys only about 50 percent of real value for his food dollar, the rest being fictitious cost. The reader can understand how this is calculated by examining, for

## Official and actual GNP, third quarter 1981

(billions of dollars)

Category of GNP income	Official GNP	Actual GNP
I. Employee compensation . . . . .	\$1,790	\$715
II. Proprietors' income . . . . .	137	75
III. Rental income (individuals)	34	14
IV. Net interest . . . . .	220	0
V. Corporate profits . . . . .	196	78
VI. Indirect business taxes . . . . .	270	135
VII. Capital consumption . . . . .	327	131
<b>GROSS NATIONAL PRODUCT . . . . .</b>	<b>\$2,965</b>	<b>\$1,148</b>

Source: Official GNP statistics from U.S. Commerce Department, Survey of Current Business, December 1981.

example, the cost of oranges. The grower is paid 4 cents apiece, a sum that must cover all his production costs, plus profit, if any. Transportation and final distribution and handling add another six cents; but the orange sells for 20 cents, or approximately twice the real cost of production.

For housing, the consumer is paying even more fictitious costs, as we demonstrated above. The real value component of housing is approximately 40 percent. Since the family spends about a quarter of its budget for housing, we multiply that quarter of total employee compensation times 40 percent (0.4) to get the portion of real value derived from that nominal expenditure.

Similar, transportation represents at best 50 percent of real value for the consumer. The \$8,000 family auto carries another \$3,300 worth of interest; the production cost of gasoline is 40-50 cents per gallon, but the consumer cost is \$1.30 to \$1.50.

Clothing, which absorbs 8 percent of the family budget and is relatively cheap, nonetheless contains a calculated 50 percent fictitious cost that covers mob-enforced loan sharking and factoring and the gross inefficiency of the production process.

For the last category, taxes (federal, state, and local plus Social Security), which claim about 24 percent of the family income, we take a rough estimate that only 50 percent of that expenditure represents real product—actual services to the citizenry. About 12 percent of government cost is interest payments, and a major portion of education and other social and other services is the cost of the rentier-financier interests both using the government for their own immediate profit and to control the remainder of the population.

Adding the percentages of real values for the employee compensation, we find that real GNP is about 48 percent of official GNP. Thus real employee compensation GNP is \$715 billion rather than the official \$1,490 billion.

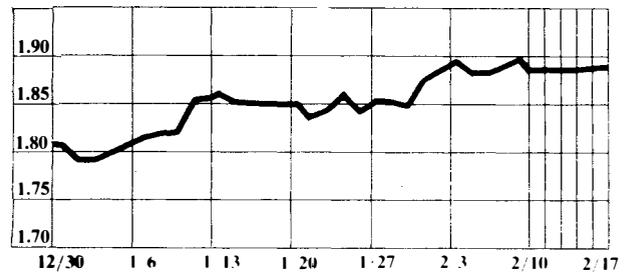
We deflate the value of capital consumption (investment in capital goods) by 60 percent, although one might expect that this is the one category with high real value. We measure the real value of capital investment by comparing the effect on productivity of U.S. investment with Japanese investment. We find that on average, U.S. investment is only 40 percent as efficient as Japanese investment.

We have constructed an index of *real* Gross National Product which we can compare with the official figure to indicate the amount of fictitious “value” in the economy. This fictitious cost, paid by the consumer or manufacturer, is what we generally call inflation. The widening gap between producer costs (real GNP) and price of the products represents the inflation potential in the economy.

## Currency Rates

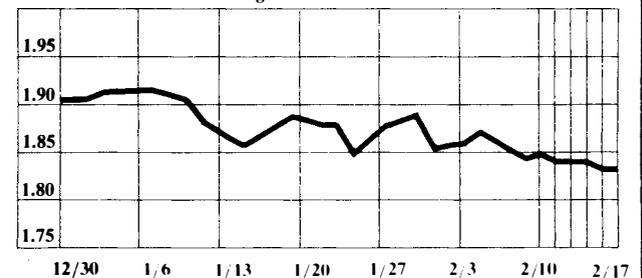
### The dollar in Swiss francs

New York late afternoon fixing



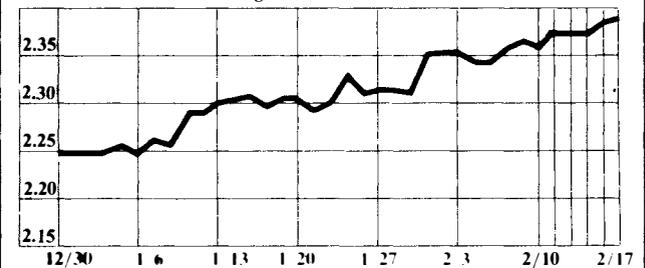
### The British pound in dollars

New York late afternoon fixing



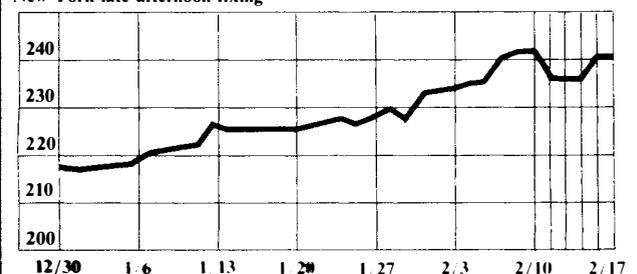
### The dollar in deutschemarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing



# A starvation budget for American farms

by Susan Brady, Agriculture Editor

If accepted, the proposed 1983 budget for the U.S. Department of Agriculture (USDA), based on the "free-market" austerity established by David Stockman's Office of Management and Budget at the outset of the Reagan administration will hurl the American farm sector closer to the collapse with which it is already being threatened by the worst cash-flow crisis since 1932.

As proposed by Agriculture Secretary John Block and his department, the budget outlines a 20 percent reduction in USDA outlays featuring the following:

- A \$3.5 billion reduction in Farmers Home Administration (FmHA) lending including total elimination of the Business and Industry loan program, slashing of the Rural Housing loan program by three-quarters, and severe cuts in the Community Development, Emergency Disaster, and Farm ownership programs.

- A \$1 billion reduction in FY 1982 loan guarantee authority for the Rural Electric Administration (REA), by rescission, and a further \$500 million reduction for FY 1983, in addition to a \$400 million reduction in insured loan programs for rural-electric and telephone-service development.

- A 75 percent reduction, from \$220 million to \$56 million, in funding authority for the Agricultural Conservation Program and a \$92 million cutback in Soil Conservation Service programs including elimination of new construction starts for watershed projects, termination of the Resources Conservation and Development program, and a reduction of new contracts under the Great Plains Conservation program.

- A \$50 million reduction in the Animal and Plant Health Inspection Service programs including elimination of the grasshopper-control program and virtual elimination of the gypsy moth, imported fire ant and other pest-control programs, as well as transfer of the brucellosis-eradication program to the private sector.

- A \$1.7 billion reduction in the Food Stamp Program resulting from changes in eligibility-benefit levels and management streamlining and an additional \$1 bil-

lion budget saving in the transfer of two special programs and the Elderly Feeding Program to the Department of Health and Human Services. In addition, both the Special Milk Program and the Summer Feeding Program will be terminated altogether, for a saving of \$88 million.

- The levy of "users' fees" will raise USDA revenues of approximately \$12 million in the Food Safety and Inspection Service.

There are only two areas of the budget which enjoy a net increase in funding: agricultural research and export-market development. But one must hasten to add here that in the case of agricultural research the 4 percent increase in funding is rendered a net reduction by inflation. Furthermore, the funds are concentrated in the basic research programs to the detriment of the Extension Service, the conveyor belt for new techniques to the producers, which suffers a \$2 million budget reduction.

Like the research budget, the \$39 million increase in Foreign Agriculture Service and PL-480 food aid funding must be seen as a gesture consistent with Secretary Block's often-stated commitment to accelerated research and technological breakthroughs for high-technology agriculture and to increased agricultural profitability through expanded farm exports.

President Reagan, it might be recalled, won widespread farmer support with the improbable promise of "100 percent of parity in the marketplace." In the real world, \$39 million will not help FAS or PL-480 make even a dent in the greatest potential markets the American producer has, namely, the vast developing-sector market now strangled by International Monetary Fund and World Bank zero-growth dogma.

## Two ironies

Overall, the USDA budget outline is guided by the "free-market" fraud which is the pretext for the worst horrors of "Reaganomics." The extent of fantasy involved in promoting this fraud is highlighted in one of the biggest single budget-savings claimed by USDA—a projected drop in Commodity Credit Corporation loan outlays from \$6.3 billion in fiscal 1982 to \$1.8 billion in 1983. The CCC extends "price-support" loans to producers with their crop as collateral, to allow farmers to delay marketing their crop when markets are depressed.

The irony is this. Markets have collapsed over the past year under the burden of super-bumper crops and world trade slowed by general economic stagnation. Since the beginning of 1981 corn prices have dropped 25 percent, and in the past several months the demand for price support loans from the CCC has skyrocketed beyond the agency's lending ceiling. An emergency measure rushed through the Congress last week has funneled \$5 billion to CCC to tide them over until FY 1983. Furthermore, another bumper winter wheat harvest is in sight. What all this points to is greater-than-

ever pressure on the CCC's loan programs—exactly the opposite of the USDA budget projections! To give USDA the benefit of the doubt, we shall not here assume that elimination of many of the pest-control programs is a calculated move to facilitate the destruction of more than half of next year's food production.

There is a further irony here, which colors the USDA budget writers with a kind of black humor unbefitting the department. The projected CCC program savings are not even "outlays" in the first place—they are crop loans, extended at interest rates that now reflect the cost of Treasury borrowing, and are paid back in full, with interest, at term!

But this kind of foolishness is dangerous. The effect of the budget proposals for FmHA and REA demonstrate this clearly. The federal repudiation of responsibility for soil and water conservation, under the ruse of prioritizing "target areas" for program areas and a transfer of these activities to the states belies Secretary Block's stated commitments in this critical area of building soil fertility.

FmHA and REA are two crucial institutions on which the existence of rural America depends. Not only the "lender of last resort" to American farm producers, FmHA has taken prime federal responsibility for the development of the kind of housing, water supply, and other rural infrastructure, and community business construction and land development which is the base that supports American agriculture. FmHA's Community Development Programs, slated for elimination, included loan programs for water and waste-disposal development, community facilities, rural fire protection, as well as business and industrial programs. FmHA's rural-development programs, moreover, are not duplicated in any other agency, such as, for instance, the Small Business Administration.

### **Necessary programs**

The FmHA housing and community-development programs can in no way be considered "extraneous" to American agriculture's concerns, as the USDA pretends. The \$135 million increase in FmHA's Farm Operating Loan program, moreover, is hardly convincing evidence of USDA's claims to be restoring farmers to first priority. Farm-ownership loans will be chopped by \$100 million—at a time when one of the most serious problems is the financial impossibility for young farmers to buy their own operations.

Along the same lines, the Economic Emergency Loan program operated by the FmHA since 1978 and extended, albeit "at the discretion of the Secretary," in the 1981 Farm Bill under terrific pressure from producers, has not been budgeted at all! The program has an expenditure authority for \$600 million, and it is virtually certain that the Secretary will be forced to open it up in

the face of threatened mass farm bankruptcies.

The Rural Electric Administration is the essential counterpart to the FmHA helping to provide light and power to rural America. The REA acts as a "broker" to provide loan financing to more than 1,000 cooperatives in 46 states formed to purchase and distribute electric power to the sparsely settled areas of the country deemed "uneconomical" to service by the large, investor-owned utilities. REA "brokers" loans through the Federal Financing Bank, the U.S. Treasury office created in 1973 to coordinate federal borrowings, and pays FFB a premium of one-eighth of 1 percent for the service. FFB obtains the funds from the money market at preferred rates, and it is advanced to the particular co-op on a work-order basis only. As the USDA budget itself shows, the entire \$6 billion REA loan program entails a total net outlay of a mere \$90- to-\$100 million in interest subsidies.

Overlaid on the administration's Heritage Foundation-scripted antipathy to the REA co-operatives is the delusion fostered by Federal Reserve Chairman Paul Volcker that federal government borrowing causes high interest rates and inflation.

Undersecretary of Agriculture for Rural Development Frank Naylor, responsible for both FmHA and REA, obsessively repeats to anyone who will listen the lie that the REA lending programs are being slashed to take pressure off the credit markets. Surely Mr. Naylor is aware that if the Rural Electric Co-ops don't raise money through the Federal Financing Bank that they will have to go into the market themselves for the same amount to keep up with the natural 2-3 percent a year growth in rural power demand. Unless, of course, Mr. Naylor has foreseen that the co-ops could only do this at a potentially prohibitive cost, and therefore anticipates that they will simply roll over and die—along with rural America and American agriculture.

The immediate overall effect of the budget proposals is to undermine the foundations of American agriculture at a time when the farm economy itself is in the worst financial crisis since the 1930s, after two years in a row of declining net income and the prospect of a third. Production costs, lead by usurious interest rates, have continued to soar. Land values, whose steady increase has provided the nominal asset base for new farm credit, have begun to stagnate and decline in some areas. More than a third of American farmers have mortgaged every last bit of equity they have.

All along, as farm policies, dictated increasingly by the grain trading companies, forced producers to operate below the cost of production, it is precisely the farm programs defined by agencies like the FmHA and REA, among others, that have kept the fabric of rural America intact and guaranteed the continued "miracle" of American agriculture.

# NASA's programs are intact, for now

by Marsha Freeman,  
Science & Technology Editor

The fiscal year 1983 administration request of \$6.613 billion for the National Aeronautics and Space Administration was the only budget victory for pro-growth and pro-science forces in the nation. After a fierce battle with the Office of Management and Budget, which had threatened to cut the budget down to \$5 billion, the space agency managed to keep its current science programs intact and even start on advanced program planning in the Space Shuttle effort. However, the very fact that the NASA budget was not cut to the bone this year makes it all the more vulnerable. In the face of economic disaster due to ever-increasing interest rates and a massive budget deficit, NASA is vulnerable because it is what remains to be cut.

In a budget press briefing Feb. 6, NASA Administrator James Beggs revealed that he had to appeal the OMB cuts three times to the White House budget council before he finally agreed to the \$6.6 billion budget. The original NASA request was for \$7.6 billion.

### Congressional concerns

During two days of hearings on the FY83 request Feb. 9 and 10, members of the Space Science and Applications subcommittee of the House Committee on Science and Technology expressed concern about the programs that have been cut by the administration.

The fact that 12 members of the subcommittee, including the Chairman of the full committee, Don Fuqua (D-Fl.), were present for the hearings shows their concern for the nation's space program. Subcommittee Chairman Flippo raised the question of the "militarization" of NASA. His concern was the elimination of civilian technology development programs *in place of* aeronautics and space-related technology used by the military. At issue are the programmatic decisions, including the choice of a Shuttle upper stage needed to launch planetary payloads from space, and the possibility that the NASA Jet Propulsion Laboratory would take on work for the Department of Defense. Defending

the civilian technology goals of the space agency, Flippo stated that, "Only through a strong economy and successful competition in the international marketplace can we sustain a strong defense program."

Of the \$6.6 billion FY83 budget, \$3.467 billion is allocated for Space Shuttle research and development. The main quarrel of the Congressmen and their Senate counterparts is the continued lack of funding for a fifth orbiter for the Shuttle fleet.

### Planetary problems

One of the major concerns of the science committee was OMB's stated goal of shutting down NASA's planetary program. Presidential Science Adviser Dr. George Keyworth stated in December hearings that there might not be enough money to do the Galileo mission. The agency's request to begin the Venus Orbiting Imaging Radar (VOIR) mission was denied by the OMB and no other planetary missions are planned for a start in this budget.

Administrator Beggs, and his deputy, physicist Dr. Hans Mark, explained that scientific review committees were studying the possibilities for flying future planetary missions with less expensive, more specific spacecraft.

The proposed modification of NASA's Centaur liquid hydrogen rocket so it would fit in the Shuttle payload bay is not included in the FY83 budget. The Centaur is needed as an upper stage to launch planetary spacecraft, like Galileo, from the Shuttle when in low-Earth orbit. The budget opts for using an upper stage developed by the Air Force which has only one half the capacity of the modified Centaur design. Using this upper stage, it would take thirty extra months for the spacecraft to reach Jupiter, because it would not be boosted from the Shuttle at as high a velocity, at the added mission cost of \$170 million.

### Looking to the future

The one bright spot in the future programs is a budget increase from \$8.8 million to \$11.9 million in the advanced programs for the Shuttle. Funding will be used to continue studies at the Marshall Space Flight Center and Johnson Center in manned and unmanned space stations and platforms in space for the 1990s.

Administrative assistant Philip Culbertson told the press Feb. 6 that if NASA got the go-ahead from the White House, designs studies could be done next year for a program beginning in 1984. Administrator Beggs has stated repeatedly that the next goal for the manned space program should be projects leading to a permanent U.S. manned presence in space. Once the Space Shuttle completes its next two test flights in the coming five months, NASA must start planning the uses for its transportation system.

## A bear-market shakeout?

*Prepare for a huge downward skid in the U.S. stock market, because of profit and dividend shrinkage.*

In the first six months of 1981, with President Reagan newly arrived in office, and predictions that the U.S. economy was "impervious" to effects of the high interest rates of Fed Chairman Paul Volcker, the Dow Jones industrial stock average was on easy street. Confidence was high, and investors from around the world were pouring money into the stock exchange. The Dow opened the year around 960, quickly went above 1000 and stayed there for six months. In June, after some ups and downs, the Dow was at 1012 and most Wall Street analysts saw this as the floor from which the Dow would leap off toward another plateau.

But starting in August of last year, the economy entered the second phase of a double dip recession, because of the high interest rates of Volcker. By September, the Dow reflected this fact and had crashed below 900, and while it flirted with the 900 level in December, it closed out the year in the 870 to 880 range.

The prospect for the rest of 1982 looks grim. Leading economist Lyndon H. LaRouche predicted this week that the Dow could lose between 100 and 200 points in 1982, and that under a worst-case condition, involving mass bankruptcies along the line of the 1930s depression, it could plunge to the 200 mark. What would justify such a dire prediction?

The coming bear market is de-

finied by one ingredient: high interest rates, which wipe out manufacturing, agriculture, and construction activity, and must correspondingly slash profits. And because most people buy stocks to earn dividends, stocks become unattractive.

When combined profits of U.S. corporations hit \$145 billion in the fourth quarter of 1981, they had fallen to their lowest level since the third quarter of 1978. Moreover, on an "inflation-adjusted" basis, they plunged even further. At the start of the first quarter of 1980, they were \$140 billion. By the end of the fourth quarter of 1981, they were down to \$96.4 billion, a fall of 31.4 percent.

There is nothing to indicate that the profit picture will get better, and much to indicate that it will get worse.

The auto industry, despite rebates of \$1,000 or more per car, announced that auto sales for the first 10 days of February fell by 7 percent. Consumers are scared stiff of what they see happening to the economy, and even heavy discounts cannot lure them to buy cars. Recognizing this fact, the General Motors Corporation announced Feb. 15 that it is closing two plants in California, its Southgate and Fremont plants, for an "indefinite" period. These plants produced, respectively, the front-wheel drive A- and J-cars, which were supposed to save the auto industry.

Kaiser Steel, the nation's ninth largest steelmaker, announced Feb. 8 an extraordinary \$563 million loss for the fourth quarter of 1981, while the U.S. steel industry has been skidding along at 60 percent of capacity for the first six weeks of the year.

International Harvester has announced that it will close *all* of its U.S. farm machinery production for two months starting March 8, while John Deere, another farm implement maker, announced Feb. 9 that it is laying off 2,000 workers and closing three plants in the Midwest.

This is not an environment in which to expect growing profits. Moreover, over the last two years, the nation's corporations maintained artificially high dividend pay-outs in order to keep the confidence of the common investor, and will not be able to continue that level of pay-out. According to a study done by Manufacturers Hanover Trust, in 1981 corporate cash dividend pay-outs totalled \$65 billion, which was \$15 billion higher than in 1979, even though in 1979 after-tax profits were \$20 billion greater.

As a result, the ratio which divides dividends by after-tax profits rose to 42 percent in 1981, the highest level since 1971. In other words, 42 cents of every after-tax dollar in profits was paid out in dividends. If the same level of cash dividend pay-outs were made in 1982 as in 1981—that is \$65 billion—but if profits in 1982 fall by even 10 percent, the cash pay-out ratio will be a staggering 50 percent.

Corporations cannot maintain this. But if they cut dividends, there goes the value of their stock. This is what is most likely to happen.

## A two-tiered workforce

*The Ford-UAW contract revives a distinction pioneered by the Nazis: between skilled workers and 'spares.'*

**B**efore the Nazi era, skilled workers in the great industrial plants of Germany's Ruhr were provided with homes and other amenities, and, under the sensible system introduced by the Krupps, were largely kept employed even during periodic depressions. With a generally expanding industry, the ranks of skilled workers were enlarged, drawing in young workers, much as Japanese industry does today.

Under the Hitler-Schacht economy of the 1930s, the production system was overturned. The skilled workers remained, and were generally protected from the Gestapo, the Labor Service, and the draft, because Hitler needed skilled labor; but ordinary factory workers would no longer move upward in skill and income.

Those workers were subject to constant recycling, and were instantly replaced if they did not perform properly—in the 1940s, this usually meant being shipped to the Eastern Front. Eventually, the lower tier of the labor force had ground up so many German workers that it began to draw upon "foreign workers." That, in the end, turned into the use of slave labor.

As the United States presently plans an armaments build-up, Ford Motors has turned to the Hitler-Speer wartime system: a two-tiered workforce, in which the older, more skilled employees are maintained while the lower-tier employees are used and discarded at need.

The new Ford-UAW contract, unanimously ratified by the 26-member International Executive Board of the UAW on Feb. 14, established that system for the first time in the United States. It creates a top tier of "permanent employees," the men who have 15 years or more seniority, and a bottom tier of newly hired workers and those with less than 15 years' seniority.

In the upper tier, if the worker is laid off, he will collect half pay for his lifetime from the company. This is less than the former Supplemental Unemployment Benefits, which brought the combined SUB and unemployment compensation up to 85 percent of the employee's regular wage, but the SUB benefits have been exhausted by the three-year collapse in Detroit.

The company has further promised to install a pilot program in two unspecified plants that will provide lifetime employment for 80 percent of the workers in those plants.

Both the company and the union refuse to say how many workers have 15 years' seniority, but it is estimated to be as many as 70,000 of a total of 195,000 workers employed by Ford in 1978, a peak year.

This is not to say that the upper tier will be well treated. According to the provisions of the agreement, six paid holidays will be abolished, the annual 3 percent wage increase will be eliminated through 1984,

and the cost-of-living supplement will be frozen for the next nine months.

UAW chief Doug Fraser's claim that "it was beyond our means" to do more for the 54,000 laid-off workers is an indication of the fate of the lower-tier workers. In the immediate future, they will simply not be employed. However, if Ford is used to gear up for arms production, the laid-off workers and/or new hires will be taken in.

In a complete break from standard labor practice, the Ford-UAW pact allows the company to pay substandard wages—15 percent less—for as long as 18 months. The usual practice is 10 percent less for a 30-to 60-day probationary period.

The National Master Freight Agreement between the Teamsters union and the trucking industry, which is usually a national pacesetter for labor, was negotiated in January with a similar category of substandard new employees for the first 12 months.

Far from being critical of the auto industry for its replanned shrinkage to approximately half of 1978 production (it is now producing at one-third of 1978 levels), the UAW leadership is mightily pleased by the plan worked out with Ford.

Doug Fraser was notably enthusiastic. "We have started down a new road," Fraser told reporters after the pact was announced. "We have reached the point in the auto industry that workers will be treated in a more humane way in recessions than they have in the past."

If the future of the United States follows the course of Germany in the 1930s and 1940s, Doug Fraser's claim that the pact will be historical may prove entirely correct.

## Who's destroying American banking?

*Part IV: C. Todd Conover, Comptroller of the Currency, is out to eliminate all government regulation.*

The U.S. Comptroller of the Currency, C. Todd Conover, who is responsible for most regulation of the U.S. banking system, has announced that his office is getting out of that business. By the end of 1982 there will be no government bank regulation in America.

That is the only conclusion I can draw from the "Strategic Plan" for the 1980s issued by Mr. Conover for the Office of the Comptroller of the Currency (OCC) last month.

The 32-page plan is a blueprint for allowing the traditional banking system to be shut down, as a deliberate act of policy. It will be replaced by a totally unregulated "financial services market," Mr. Conover's document states, made up of "non-banks" like Wall St.'s giant Merrill Lynch, former home of Conover's boss, Treasury Secretary Don Regan, and of "financial supermarkets" like Prudential Insurance with its banking and stock-brokerage subsidiaries. David Rockefeller's Chase Manhattan and other giant banks are already becoming "supermarkets." But most of America's 20,000 smaller banks and S&Ls won't make it.

Comptroller Conover says this clearly on page 11 in the "Mission Statement" for his office. The criterion of action for the OCC will no longer be the preservation of U.S. banks, it declares. Rather, the Comptroller's "mission" will shift toward providing the "free marketplace" with whatever financial ser-

vices it demands.

"The national interest requires that there be a . . . financial system that makes available to the public the widest variety of financial services in a competitive marketplace," the "Mission Statement" reads. To serve the "free market" (i.e. Wall Street,) the Comptroller must "achieve the appropriate balance between promoting and assuring the safety and soundness of the *national banking component* of the financial system" on the one hand, "and promoting the competitiveness of the *financial services market place* [emphasis added]."

By "appropriate balance," the rest of the plan makes clear, Conover means creating the perfect financial system for a "post-industrial society," where credit will not be available from traditional banks for industry and housing, but only for the service and computer sectors.

The plan clearly states that thousands of lowly banks and S&Ls will be allowed to go bankrupt, if the end result benefits the "freedom" of Merrill, Lynch et al. "The OCC must balance concern for *individual bank survival* with the responsibility for . . . a competitive, efficient, and stable financial services market place," the plan states on page 3. This "can be achieved in a system that has an *acceptable number of failures* but avoids a collapse of a large member of the system or of a large number of smaller institutions."

"The interests of users of financial services are the primary concern of OCC—of *even more important than the preservation of the national banking system*, the mission concludes.

"If it should develop that individual banks might be harmed by removal of legal barriers to competition that would enhance service to the public, the OCC should support increased competition."

"If it should develop that the public would obtain superior financial services through *other institutions*, OCC should support their ability to compete [emphasis added]."

To get this "post industrial, post-banking system," the "Goals" section of the plan concretely proposes:

- Review the National Bank Act and other statutes governing financial institutions in order to rewrite the bank laws to allow "non-banks" to perform all banking activities, and to help Chase Manhattan and other giant banks become "non-banks."

- Exercise the OCC regulatory authority . . . to allow big banks to be bought up by, or to buy, non-banks and thus become "supermarkets." Cited is the acquisition of Marine Midland Bank by one of the central banks for drug money, the Hongkong and Shanghai Bank.

In particular, the plan envisions that "deposits rate ceilings will be phased out," i.e., no more usury limits, and "geographic barriers to competition will perhaps be completely eliminated," i.e., repeal of the McFadden Act, Douglas Amendment, and other regulations which now protect the 20,000 regional banks from buy-outs by the financial giants.

## Gnomic advice for America

*There can be, say the Swiss, no gold standard to the rescue—except as savage deflation.*

**T**he Swiss are going out of their way to reinforce the idea, conveyed by American monetarists, that the United States will never participate in a world gold standard.

The U.S. Gold Commission, appointed last year by President Reagan to investigate whether gold had a chance for use in the U.S. monetary system, returned by a vote of 15 to 2 at its Feb. 12 meeting a verdict against the gold standard. Except for the recommendation that the U.S. Treasury mint a new gold coin, the Gold Commission slammed the door on a U.S. return to gold.

Furthermore, the annual report of the President's Council of Economic Advisers, which was released Feb 10, did not merely reject gold, but painted a picture of an extreme deflation that would result from the adoption of the gold standard. While at first this might be attributed to the monetarist, anti-gold proclivities of CEA Chairman Murray Weidenbaum, something else is actually afoot.

The CEA section on gold, Montresor has learned, was written by one Signor Michele Fratiani, the newly appointed international economist of the CEA, a former professor at the Jesuit-controlled University of Louvain, and more important, a member of the secretive Siena group of Italian and Swiss bankers and oligarchs. Fratiani is reflecting the outlook of the Swiss, who want to impress upon

dull-witted Americans that gold is not an instrument for controlling inflation and promoting economic development, but of extreme deflation and economic contraction. Fratiani wrote in the published CEA annual report that, "the evidence presented indicates that previous gold standards were characterized by 1) lower average inflation and money supply growth; 2) greater fluctuations in inflation, money supply and output growth; and 3) higher unemployment rates than in the period 1946 to 1973."

Following the release of the CEA report, Rainer Gut, the Chairman of Crédit Suisse, one of the Big Three Swiss banks, flew in from Zürich to address the National Press Club in Washington, D.C. Feb 11. Gut gave a hair-raising description of the gold standard.

"Instead of the hoped-for cheapening of money and boost to growth, recessionary tendencies usually accompany the return" to gold, he said, adding that there would "be a period of stagnation that generally has accompanied a return to gold." He cited historical examples to support this view.

Gut predicted that political pressure could bring about a return to the gold standard by the United States but that it would take a decade to do so. However, Gut stated, "If the question 'Do you want a dollar as good as gold?' were put to an American public disenchanted with Reaganomics and high inter-

est rates, such a move could become a reality."

With the latter remark, Gut has made the Swiss position coherent. The Swiss—without saying so by name—are currently organizing against the proposal put forward by economist Lyndon H. LaRouche for a new world gold standard, with gold valued at \$500 per troy ounce. LaRouche's proposal would create new credit for financing the import of high-technology capital goods from the West into the Third World. This view has adherents in the U.S., as well as in Europe.

In addition, there are those in Europe, not sharing the exact Larouche view, who nonetheless have a similar notion of mobilizing world gold reserves to increase world trade levels. Such a move would most likely involve the Soviet Union, with its large gold reserves and gold production capacity and its large economy, in the scheme. The Swiss, who through the Bank for International Settlements, are pushing for the disorganization of the world monetary system, through their drafting of the high interest-rate policy of the U.S. Federal Reserve. The Swiss would like to see the world brought to the brink of disaster and strictly reorganized on their own terms. They do not want the U.S. or any other government, in the meantime, to adopt a gold standard.

However, were the leading governments of the world, in the environment of mounting economic turmoil, to move toward adopting the LaRouche proposal or some variant of a pro-economic-growth gold standard, the Swiss want to be in the position to move in and superimpose their deflationary gold standard instead.

## A Third World credit crunch

*Once-preferred major borrowers face the prospect of sharp reductions in loans from international banks.*

From December 1981 to January 1982, reports the Paris-based Organization for Economic Cooperation and Development (OECD), loans issued by international banks fell by 24 percent. The drop in bank lending, the OECD notes, is mostly traceable to a sharp reduction in borrowings by Third World countries, particularly those which are net consumers of oil.

Evidence is now mounting that this borrowing decline by Third World nations at the onset of 1982 is not a short-term development. Rather, a harsh limitation of credits to developing countries is apparently going to be imposed by international banks. The banks have been threatening to make this drastic move for two years now, ever since U.S. interest rates began their historic high levels in 1979. Evidence indicates the banks are now very serious about carrying out their threat.

A push for a cutoff of credit to the Third World is being publicized particularly by Swiss international banks.

On Feb. 15, the *Neue Zürcher Zeitung*, Switzerland's leading financial daily, targeted Mexico, the second largest net borrower in the developing sector. In an article entitled, "Mexico in Foreign Economic Dilemma" the *NZZ* states: "In the past year, the official sector alone took up \$14.9 billion in foreign credits, raising its total indebtedness to \$48 billion. . . . This dras-

tic increase in the rate of new indebtedness . . . gives representatives of foreign banking circles reason to take a more cautious view of Mexico as a debtor country." The Mexican government is planning to raise \$11 billion on international markets during 1982, *NZZ* notes. This will "raise foreign debt to \$60 billion," the Swiss bankers' journal adds, "assuming that the international banks are willing to cooperate."

Before the 1979 liftoff of U.S. interest rates, oil-producing Third World countries like Mexico, as well as Third World countries with large populations like Brazil, were ranked among the most credit-worthy borrowers with which international bankers could seek to do business.

Since then, however, these countries—through no fault of their own—have been forced to allocate up to 50 percent of all new annual borrowings simply to amortize interest-rate costs on back loans.

These Third World borrowers now faced with the dilemma of having to seek new loans, if only to pay off old debt, at the same time that a powerful faction in the international banking community, apparently spearheaded by the Swiss, are insisting that the Third World reduce its credit demand.

Current developments in Argentina, which has over \$32 billion in outstanding international debt,

provide a devastating profile of the sacrifices international banks are now demanding in exchange for loans to refinance that old debt.

As *EIR* documented in our Jan. 26 issue, Argentina is being subjected to a process of "Chileanization," that is, an intensity of domestic austerity which may destroy all remnants of parliamentary democracy in that country.

Under the regime of Economics Minister Roberto T. Alemann, who served as the Argentine representative for Union Bank of Switzerland, most publicly owned corporations are being put up for sale to private industry; a complete wage-freeze has been imposed in the government sector despite a 130 percent annual rate of inflation; and the only sector of industry which will be allowed to grow is production for export.

Industrial capacity utilization is currently 48 percent in Argentina, and unemployment is estimated to be at least 4 million. The Alemann regime has announced it will do nothing to alleviate this industrial shortfall until after the inflation crisis is cracked—whatever the cost.

In its Feb. 15 column on Mexico, the *NZZ* leaves little room to doubt that this is the kind of treatment the Swiss banks are now demanding be applied to Mexico.

The Mexican government will attempt to negotiate long-term refinancing of \$9 billion in short-term debt this year, the *NZZ* reports. Its prospects for success, the journal warns, are not great, because "the apparent policy of the international banking world has been, up until now, restricted to short maturities and higher interest rates"—a cycle which could force Mexico, like Argentina, into hyperinflation.

## The battle for a nuclear Northwest

*Why one of the nation's highest-paid lawyers has become interested in representing 'the people.'*

A surprisingly successful \$850 million bond sale Feb. 16 would seem to ensure that the Washington Public Power Supply System (WPPSS) will be able to construct three nuclear units out of an originally projected complex of five units. But it turns out, no such thing is ensured.

Merrill Lynch told me that the reason for the successful bond issue was an earlier decision to cancel units 4 and 5. Under a financial agreement with WPPSS dating from the early 1970s, the first three units are effectively government-backed through a "net-billing" arrangement with the Bonneville Power Administration, a federal agency which will purchase all power generated by the three units.

But because units 4 and 5 enjoyed no such agreement, and were farther from completion (15 and 25 percent, respectively) these became targets of opportunity for anti-nuclear forces, who not only succeeded in having them cancelled, but are now working on ways to force cancellation of 1, 2, and 3.

Oregon, Washington, and the three other states which are included in WPPSS's power grid have plenty of anti-nuclear kooks. But the man behind it all is Joseph Califano.

Califano's variegated career is tied together by an effort to undercut traditional institutions and pro-growth constituencies. He created the 1960s War on Poverty, and was

involved with McGeorge Bundy and Cyrus Vance in the "counterinsurgency" projects that triggered the riots of that decade. Califano also encouraged the use of the Civil Rights Act of 1964 to break up political machines, tried to reorganize the Commerce, Agriculture, and Labor Departments, and helped introduce systems analysis into the federal budgeting procedure. He was instrumental in imposing the "McGovern Reforms" on the Democratic party in 1974, and went on to become Jimmy Carter's HEW Secretary.

The real problems for WPPSS began last year when a group misnamed "Don't Bankrupt Washington" was helped by Mr. Califano, one of the highest-paid lawyers in the nation, in drafting "Initiative 394," which passed on Washington's November ballot. The five-state WPPSS system must now get voter approval every time it needs to borrow to complete nuclear construction. To date, WPPSS has had to do so every three to four months.

Since this is patently unconstitutional, WPPSS bond-holders have gone to court to overturn the referendum. Joseph Califano has agreed to represent the environmentalists in defending the statute, a remarkable move indeed.

If he succeeds in preserving I-394, no bond house will ever agree to lend for construction of units 1, 2, and 3, a project then subject to "democratic" whim and hysteria

every step of the way. Moreover, he would have a precedent to utterly kill nuclear construction nationally by similar "democratic" means.

But that is only one option. Units 4 and 5 were cancelled largely through the press hysteria generated by a *Seattle Post-Intelligencer* journalist, Joel Connally, a Sierra Club member, and the lies and fabrications of an Oregon Congressman, Democrat Jim Weaver, an anti-nuclear kook-type. Rep. Weaver, who thinks WPPSS "should default on all its bonds," began touring the state a few months ago whipping up consumer fears over rate-increases in opposition to WPPSS's plan to simply "mothball" units 4 and 5 until economic conditions improved.

Then, a Weaver aide filed a lawsuit to force 4 and 5's outright cancellation—although a study commissioned by state governors showed mothballing to be the cheapest option for the 88 municipalities who formed the WPPSS umbrella-utility—costing only about \$150 million. WPPSS finally conceded to cancellation, however, leaving a \$7.38 billion debt, of which \$5.13 billion is interest (thanks to Paul Volcker)—which still must be repaid over the next 35 years.

Now, Weaver, Califano, and groups with names like the "Light Brigade" are trying to organize a "rate-payers revolt." So, if Califano can maintain I-394, he eventually bankrupts nuclear utilities. But if he can't, the obvious next step is to demand that the \$7.38 billion debt on already cancelled units 4 and 5 not be passed on to rate-payers, but be borne by the WPPSS consortium—an added obligation which will ensure no lending for construction of units 1, 2, and 3.

# World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$1.6 bn.	Turkey from West Germany	Turkey negotiating for two 400 MW nuclear plants with KWU.	Problem is financing.
\$1.4 bn.	Papau New Guinea from Australia/U.S.A./West Germany	Huge open-pit Ok Tedi mine for gold and copper being dug in the middle of New Guinea in an area with 400 inches of rain/yr. Joint venture of Broken Hill, Amoco Minerals, Metallgesellschaft, and Papua New Guinea state. Pit has top layer of 34 mn. tons of ore with 2.86 grams gold/t. Copper ore is low-grade, but owners hope copper prices will improve by time copper production begun in 1986. Till then, they are going for the gold.	Financed by Citibank-led consortium at ¼% over LIBOR.
	Iran/U.S.S.R.	Soviets have signed deals for Soviet building 800 megawatt gas-powered electric plant at Ahvez and finishing 1,260 MW plant at Isfahan. Other agreements expected on a second dam on their border for irrigation and electricity to be shared by the partners.	Iranian energy minister said goods transshipped through U.S.S.R. to Iran rose from 1 mn. tons in 1978 to 3.4 mn. tons in 1981, despite war with Iraq.
\$26 mn.	Mexico from U.S.A.	Dravo of Pittsburgh will design 3 mn. tpy iron ore pelletizing plant for \$2 bn. Las Truchas steel complex. Dravo will design, engineer, and manage procurement and construction.	Turnkey basis.
\$88 mn.	Nigeria from Brazil	Structura, S.A., of Brasilia won construction supervising contracts for 7 new cities in Niger River delta, each of which will house 50,000 people at cost of \$40 mn./city. Encol S.A., also Brazilian, will build 2 of these prefab cities. Two others are already under construction by Finnish and Israeli contractors.	Brazil has over \$1 bn./yr. service income from Nigeria.
<b>CANCELED DEALS</b>			
\$14 bn.	Nigeria from U.K. et al.	Consortium of oil companies in Nigeria's 1.6 mn. cu. ft./yr. liquefied natural gas project has liquidated itself following withdrawal of Phillips Petroleum and BP. Other companies are pressuring Nigerian govt. for more concessions in return for reviving project. World Bank-recommended consultants will specify terms of possible new deal.	Companies blaming Western Siberian gas pipeline, but market hurt more by industrial recession and slipping oil prices.
\$2 bn.	Chile from U.S.A.	Exxon has shelved development of La Disputada copper pit, "pending further studies." However, Exxon Minerals manager in Chile admitted that engineering studies were no longer being conducted at the site. Exxon paid \$112 mn. for the operating mine on site in 1978; the projected \$2 bn. expansion investment was registered and widely reported as proving investor confidence in Pinochet govt. Of \$4.4 bn. foreign investment authorized between 1973 coup and Sept. 1981, only \$1.2 bn. was actually expended, according to govt.	Chilean rules facilitate speculative holdings by companies seeking to lock up mineral reserves.

# Business Briefs

## Agriculture

### Farm co-ops get export credit

The U.S. Farm Credit System's Banks for Cooperatives can now make loans for short-term export financing to agricultural cooperatives.

This long-sought facility will benefit the cooperatives, which now control only 10 percent of grain exported. Jon Greenisen, chairman of the BCs' international services committee, says: "I don't think that the cooperatives are ever going to displace Cargill, Continental, and Bunge. That is not the objective. The objective is to give the farmers of this country an alternative source for marketing their grain on the international markets." The United States has bumper crops which are costly to store; new markets will, among other things, help eliminate this expense.

## Trade

### U.S. reciprocity bills will not be vetoed?

Administration sources have told *EIR* that they expect the administration to allow some of the trade reciprocity bills now before Congress to pass. "Unless we want to veto them, we have no choice, since some of them will most certainly get through," said one official.

The bills, aimed particularly at Japan, would allow the United States to restrict certain imports from any country deemed to be denying an open market to U.S. goods, services, or investment.

Hearings are scheduled to begin around March 25 on Sen. John Danforth's reciprocity bill, S.2094. By that time the administration will have to come up with a position. Currently the various Departments are reviewing a 37-page analysis prepared by the U.S. Trade Office. According to administration officials, the USTR papers take the view that the current GATT system should not be

replaced by an overall reciprocity system. Currently the United States treats Japan, for example, the way it treats other most-favored nations; the new system would mean treating Japan the way it treats the United States.

Sources report that the Trade Office acted as technical advisers to Danforth's office to enable him to design a bill that would not violate GATT.

## Foreign Exchange

### Behind Mexico's drastic peso devaluation

At 10:00 P.M. on Feb. 17, the Bank of Mexico, Mexico's central bank, suspended all support operations for the peso. Without support, the peso immediately plunged to approximately 38 pesos to the dollar, a 30 percent drop.

The Mexican move was a concession to intense pressure from outside interests, particularly Swiss financial command centers and the International Monetary Fund. According to sources at Wharton who helped arrange the devaluation, the decision was worked out when an IMF delegation was in Mexico in late January.

In February, capital-flight operations against the peso had intensified. Foreign bankers had simultaneously informed Mexico that devaluation was a prerequisite for Mexican access to the \$11-\$14 billion it is expected to borrow this year.

In the first two days' trading after the devaluation, the peso held to the 38 to the dollar level without great fluctuation and in the midst of what most observers termed "general calm." Many sources noted that this was different from the situation in September 1976, when Mexico last devalued.

The calm suggested that some kind of deal had been worked out ahead of time between the Mexican financial authorities and international financial centers.

The alternative to sharp devaluation, exchange controls, was debated at the highest levels up to the last moment, sources stated.

## U.S. Economy

### Industrial production plunges in January

The Federal Reserve Board announced Feb. 16 that its composite index of industrial production fell a huge 3 percent in January alone, a 36 percent-plus annualized rate. The annualized rate of decline over the three months from November through January is 28 percent, while the rate for the last six months is a 20 percent annual rate, which shows the accelerated rate of collapse.

The Department of Labor reported last week that manufacturing hours per worker fell by 2.1 hours to 36.9 hours, or greater than 5 percent, and the total number of manufacturing jobs fell by 213,000. Construction jobs dropped by a further 140,000 beyond the 1981 post-war low.

The Labor Department published figures purporting to show that unemployment did not increase in January. By the bureau's own admission, this statistic is the result of a seasonal-adjustment-index quirk.

## International Credit

### Shift in markets dooms Third World

A preliminary survey completed by *EIR*'s Wiesbaden economics staff shows that there has been a massive shift in world lending patterns. In 1981, \$103 billion was lent on the Eurodollar market. This breaks down as follows:

The Third World was shut off the market. In 1979, it borrowed net \$8.6 billion. In 1981, this fell to net \$1.5 billion. The East bloc was shut off the market. In 1979, it got 14 percent of all Eurodollar market loans. In 1981, this fell to 1 percent.

The OECD nations borrowed \$61 billion on the Eurodollar markets in 1981. But of this amount, according to the survey, \$45 billion went to the United

States, or three-quarters of the money borrowed by the advanced-sector countries and more than 40 percent of all Eurodollar funds lent in 1981. Most of it went into corporate takeovers.

### **Domestic Credit**

## **Wall Street talks about depression**

Some of Wall Street's leading economists are dropping their "recession has bottomed out" line, without noting the error in their past forecasts, or calling for the ouster of Paul Volcker, who along with their employers pre-planned the economic collapse.

Robert Parks, chief economist for Moore, Schley and Cameron, and formerly chief economist for DuPont and Blyth, Eastman Dillon, told *EIR* Feb. 16, "We are in a maxi-recession and there is a one in three chance that it will turn into a depression. The current recession is worse than 1974-75 as far as the financial sector is concerned. Look at the savings and loan industry. As for the non-financial sector, there is a Sahara Desert liquidity crisis. The high level of interest rates is killing the private markets."

Parks stated: "Reagan is an economic illiterate, who can't get re-elected President. He's a cowboy who draws a line in the dirt and says, 'Don't cross over that line.'" Parks pointed out that "Reagan's economic recovery program is based on encouraging savings that would end up financing industrial investment. But this is proving a failure because the funds are being diverted into building aircraft carriers and the large military build-up."

Edward Yardeni, the chief economist for E. F. Hutton, stated that he also thought there is a one in three chance of the economy going into a depression, adding that "this would involve an extended decline involving serious structural damage to the economy." He concluded: "The danger is that lenders will refuse to extend credit to their weaker customers, initiating a liquidity crisis and a string of bankruptcies. . . ."

### **Banking**

## **Swiss balk at Italy's dirty-money investigations**

In at least two incidents this February the Swiss blocked official Italian investigations into links between organized crime, terrorism, and Swiss bankers.

Officials of the Swiss-based Banco del Gottardo were accused of using the Swiss banking-secrecy law to protect millions of liras smuggled out of Italy to their bank. Banco del Gottardo is a subsidiary of Banco Ambrosiano, whose chairman, Roberto Calvi, was arrested in May 1981 for conduiting money for the secret Freemasonic lodge Propaganda-2.

Reports are that the Swiss Banking Association held a meeting on the Banco del Gottardo trial and answered that Swiss banking secrecy is sacrosanct. The Swiss banking newspaper *Neue Zürcher Zeitung* has complained that Italy has not been trying the Banco del Gottardo, but the entirety of the Swiss banking system.

Two Italian parliamentarians, Senators Bussetti and Martorelli, traveled to Switzerland in mid-February to track down an estimated \$14 million of alleged under-the-counter earnings from the Italian state-sector oil company, ENI. They traced the money to two Swiss banks, Crédit Suisse, the third largest commercial bank in Switzerland, and to one of the oldest banking houses in Geneva, Pictet & Compagnie.

Bussetti and Martorelli turned over the results of their investigations to the Geneva district attorney, Judge Harari, and asked for the names of the holders of the bank accounts. According to the Italian daily *La Repubblica*, Harari categorically refused to divulge any information and blocked all means by which the names could be discovered. He issued a ruling prohibiting any further investigations.

Bussetti and Martorelli officially notified Harari that if the investigation could not proceed on a judicial level, then it will become a matter between the Swiss and Italian governments.

## **Briefly**

● **JAPAN'S** plant and equipment exports, primarily to the developing countries and the East bloc, are expected to show a 30 percent increase to \$15-\$16 billion in the fiscal year 1981 ending March 1982. Japan's boom in plant exports centered on plants for steel, fertilizer, cement, etc., particularly in Southeast Asia, Mexico, and Brazil, as well as the Soviet Union.

● **U.S. COAL** industry leaders are pressuring the Reagan administration to sabotage the Soviet-Western European natural-gas pipeline project. At a February meeting between coal-industry representatives and the 10-agency government task force on coal policy, lobbyists said the gas supply to Western Europe would replace 90 million tons of coal imports. The coal companies are largely controlled by the major oil companies, which have promoted zero economic growth internationally.

● **USDA's** research center at Beltsville, Maryland, using the techniques of cloning through meristem tissue cultures, has produced orchards of dwarf trees that will bear fruit of normal size, enabling an increase in the number of trees per acre, shortening the growing time, and permitting mechanization from planting to picking.

● **ROBERT HUNTER**, head of the National Insurance Consumer Organization, claims in a report that the United States spent \$235 billion for insurance in 1981. This, he estimates, cost America 30 work days per employee or \$1,025 for every American man, woman, and child.

● **A WASHINGTON** lobbyist for various independent oil and gas interests tells *EIR* that "natural gas decontrol is absolutely dead" this session of Congress for a variety of political reasons.

## How the Balkan card is played

by Criton Zoakos, Editor-in-Chief

The scion of a Swiss banking family, Fred Charles Iklé, now occupying the post of Undersecretary of Defense in the U.S. government, belongs to a group of "gamemasters" who are counting on the eruption of a large-scale crisis in the Balkans. One of their principal intentions is to manage a "superpower confrontation" over the Balkans, inflict a strategic humiliation on the United States in that area, and employ the effects of such humiliation to produce a climate of national hysteria conducive to launching a "Fortress America" war mobilization along the lines of Hermann Goering's economic policies after Hjalmar Schacht was removed from the Reichsbank in 1936.

Even among the best-informed and politically sensitive citizens of the United States, there is a good amount of difficulty in grasping the current issues involved in an imminent Balkan crisis. This is mostly because of a lack of information pertaining to the history of the region, and how that history still determines, to a large extent, the capabilities and vulnerabilities of the Balkan states. There are three pertinent strategic characteristics of the region which ought to occupy the attention of students of the world strategic situation today:

First, the ethnic composition of the Balkan checkerboard of states is so fragile that none of these states, as they emerged from World War II, is capable of surviving even the slightest shift in prevailing arrangements.

Second, the Balkan ethnic tinderbox in its present form was created during the 60-year period from the Crimean War to World War II by international intelligence networks working on the strategic problem of *how to dismantle the Ottoman Empire without giving advantages to the Russian Empire.*

This formula was popularly known as the "Eastern Question," which occupied center stage of world politics from the Congress of Vienna in 1815 to World War I in 1914. It is not accidental that the Swiss (and Venetian) diplomats who dominated the Congress of Vienna succeeded in excluding any reference in that Congress's proceedings, to the only issue that had remained unresolved with the defeat of Napoleon: the Eastern Question. It is



Courtesy of the United Nations

U.N. peacekeeping force in Kyrenia, Cyprus in 1964.

also not accidental that the First World War started in the Balkans, as a result of the decision made in Geneva, Switzerland.

Third, the strategic intelligence networks which today hold the threads of political fortunes in the Balkans are the direct political heirs of those earlier British-coordinated networks in Greece, Turkey, Albania, Yugoslavia, Bulgaria, Romania, Austria, and Hungary, which orchestrated the 1853-to-1914 events: Greek bankers appointed by Switzerland; Venetian intellectuals and academics operating among Yugoslavia's, Albania's, and Bulgaria's ethnic minorities; Swiss-promoted bankers in Hungary; old Comintern apparatchiks played by British intelligence as a surrogate for old Swiss financier networks; Eastern Orthodox Church networks; Jesuit networks; and Greek shipowner influences run out of Belgravia Square in London.

The U.S. mass-circulation newspapers have withheld all news regarding the dramatic deterioration of political affairs in the Balkans over the last year. If, however, a sensible inquirer picks up a random issue of a Yugoslav, Albanian, Greek, Turkish, or Bulgarian daily, he will be shocked to discover that front-page attention is given to highly charged ethnic issues and controversies generally considered dead and buried since the end of the Second World War: Albania raising territorial claims over Yugoslavia; Bulgaria claiming ethnic ties with Yugoslav-held Macedonia; Greece raising claims at Turkey's expense; Turkey officially classifying Greek claims as *casus belli*; Hungarians in Yugoslavia's province of Vojvodina raising demands for autonomy; anxious charges of

"great-Serbian chauvinism" sweeping across the Balkans, and so forth.

A rule of thumb for Balkan politics, valid since the time of Bismarck, is that no power raises the issue of redrawing the political map of the region unless it has in mind redrawing the map of the world. During the 1853-1914 period, the map of the world was being redrawn at the expense of the Ottoman Empire and Russia. Now, Fred Iklé and his friends at the Bank for International Settlements, the Club of Rome, and elsewhere, are trying to redraw the map at the expense of the United States and the Soviet Union. Examining how their predecessors carried out the operation during the period of the "Eastern Question" sheds considerable light on how they are moving now.

### After the Congress of Vienna

The influentials who ran the Congress of Vienna were the same interests who had orchestrated the French Revolution that had toppled the French monarchy. These were the banking houses of Geneva, Switzerland and their confederates in the British East India Company around Lord Shelburne and William Pitt the Younger. Talleyrand was a hired gun for the same Genevan bankers who controlled Necker and his daughter, Madame de Staël; the two Russian Foreign Ministers, Capodistria and Nesselrode, were agents of the Genevan Madame de Staël; Castlereagh, the British plenipotentiary, was the property of the British-Swiss alliance of Shelburne-Pitt-Mallet, of the same Genevan Mallet family which controlled all the Ottoman debt through

the Banque Ottoman and which today controls the Schlumberger, Mallet, Neuflyze Bank, the owners of Murder Inc., known as Permindex.

Gathered in Vienna, this group represented the interests and perspectives of the world's allied oligarchic-financier interests as shaped by Venetian leadership during the 11th to 18th centuries. After the revocation of the Edict of Nantes, the command center of this group was reconsolidated in Switzerland, primarily Geneva. From the Peace of Westphalia onward, their greatest strategic fear was that the republican Neoplatonic forces which out of the Florentine Renaissance had come to dominate the kingdom of France, might emerge in power in England and Spain. Throughout most of the 18th century, the world was engaged in an intense struggle revolving around one single strategic issue: will the world be controlled by the oligarchic, financial interests represented by Venice, Genoa and Switzerland, the tax-farmer and rentier system, or will it be commanded by a system of national economies, identified with the mercantilist/dirigist system of Jean Baptiste Colbert and his predecessors going back to Louis XI?

When the American Revolution occurred, it was a part of this global struggle. The republicans of the American colonies were fighting primarily against the Genoese-Venetian-Swiss influences represented by the British East India Company as well as George III and Hanover. The American victory created a profound crisis in Europe among the financial oligarchs.

A little-known arrangement between Lord Shelburne and the Genevan "Committee of One Hundred," produced the French Revolution, a mob-based insurgency similar to the recent phenomenon in Iran. Robespierre's terror was British- and Swiss-intelligence controlled. The Directoire which succeeded the Terror was also Swiss-controlled, with Madame de Staël and Necker handpicking the members of the Directoire and the subsequent cabinet. Prince Talleyrand was summoned from the United States to Paris by Madame de Staël, was appointed Foreign Minister, and kept that post through the Directoire, the First Empire, the Restoration, the Hundred Days, and all the way to Napoleon's final demise and the Congress of Vienna.

During those years, the greatest concern of the Swiss-centered European financial oligarchy was to prevent the emergence of a dirigist-mercantilist coalition of major states such as the United States, Russia, Turkey, and France. The Congress of Vienna made arrangements to ensure the defeat of dirigist-mercantilist forces in Europe, in a way that would knock out France, isolate the American republicans (softening them up for a future defeat), and open up the Western Hemisphere to control under the leadership of the British East India Company as exemplified by the

alliance among George Canning, the Barings, and the Rothschilds.

The problems posed by Russia and Turkey were left for solution in post-Congress deployments. The threat to British interests of an American-Russian dirigist alliance, based on what was then called the "American System of Political Economy," existed continuously from the time of John Paul Jones's service in the Russian navy to Tsar Alexander II's direct military assistance to Lincoln's Union forces against the Confederacy, and to Russia's assistance to the American Republic's efforts to keep the British out of the West Coast. A similar potential existed for an alliance between Russia and the Ottoman Empire, each time leading factions of that empire attempted to defy their Venetian and Swiss-based manipulators and launch a reform movement with "revolutions from the top." Thus, after Vienna, the financial oligarchy set as its task to destroy the Ottoman, Russian, and Austro-Hungarian empires simultaneously. It was within this grand strategy that the Balkans became what they are today.

### **Balkan intrigue**

At the time of the Congress of Vienna, the Ottoman Empire extended, in Europe, to areas which are now the territories of Greece, Yugoslavia, Bulgaria, Albania, and most of Romania. In Asia, the Ottoman Empire extended to present-day Iraq, Syria, Lebanon, Jordan, Israel, and the Arabian Peninsula. In Africa, it comprised Egypt, Libya, and Algeria. When the dust of World War I finally settled, in 1929, the Ottoman Empire had been replaced by a Turkish Republic of comparatively miniscule size, and over a dozen new states had appeared on the map. These were either directly controlled by the British, as in the case of Egypt, Cyprus, Iraq, Transjordan, and Palestine, or were financially dependent on the British, as were Bulgaria, Greece, Serbia, and Romania, among others. The Russian Empire had been replaced by Soviet Russia with drastically reduced territory and the Austro-Hungarian "Dual Monarchy" had been replaced by Austria as a financial and intelligence adjunct of Switzerland, Hungary, and Czechoslovakia. What appeared to be British intelligence assets in Central Europe, the Balkans, and the Near East, were in fact the ancient Venetian (and to that extent Swiss) networks "on loan" to British or nominally British intelligence projects and operations.

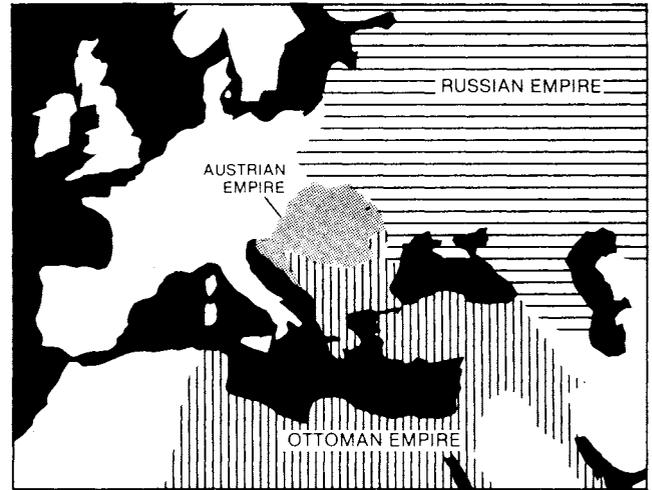
The inspirator of the grand strategy to break up the three empires, Ottoman, Russian, and Austro-Hungarian, was Venice-Switzerland; the executor was British. The principal strategic instruments that were employed were two: systematic internal subversion, and deliberate provocation of wars among the intended victims.

Subversion as a strategic instrument relied on secret



### 1740 Imperial Borders

Venetian diplomats instigated Russia's "drive to the south" to divert its westward alliance potential.



### 1815 Imperial Borders

The empires as defined by the Congress of Vienna, after which the effort to dismantle them began.

societies organized out of Switzerland and old Venetian family loyalties, spread throughout the territories of both the Ottoman Empire and Russia. Geneva, Basel, and Zürich banking families were the financial clout behind the "Young Europe" Masonic networks which Giuseppe Mazzini organized in Switzerland. Mazzini's Propaganda-1 Lodge was the force behind "Young Poland," "Young Serbia," "Young Bulgaria," "Young Turkey," and other subversive and terrorist organizations.

### Sarajevo and the Young Turks

Two exemplary cases should establish the point: the assassination of Archduke Ferdinand of Austria at Sarajevo, which launched World War I, and the "Young Turk" conspiracy, which hatched the notorious Parvus Plan for the dismemberment of the Russian Empire.

The proceedings of the little-known "Colonel Apis Trial" in April 1917 in Salonika, Greece, have conclusively demonstrated that 1) the assassination of Archduke Ferdinand in July 1914 involved the deployment of at least 10 assassins rather than two "lone-assassin" types; 2) the deploying in the city of Sarajevo had been organized by the Chief of Serbian Military Intelligence, Col. Dragutin Dimitrievic (*nom de guerre*: Apis) and his deputies Tankosic, Djuro Sarac, Danilo Illich, and Gaconovic, all members of the Serbian Masonic lodge as well as the lodge in Geneva; 3) the instructions for the assassination were conveyed from Geneva to Serbia via one Bogdan Radenkovic, a person whom the records show to be a fascinating 19th-century "James Bond" of sorts: an intimate of the notorious Alexander Helphand-Parvus, a Russian Orthodox clergyman, a Freemason,

a member of the "Black Hand" secret society in Bosnia, a secret operative in the Serbian Foreign Ministry, and bearer of great amounts of money; 4) whoever the still-unknown individuals were who gave the initial orders for the assassination from Geneva, they knew very well that the assassination of the Archduke was going to trigger a world war. They had access, through the "Colonel Apis" infiltration of the Austro-Hungarian Imperial inner circle, to the knowledge that, given the Archduke's special functions in the state's secret arrangements, his violent death would force Austria to war for "reasons of state."

The second example of Masonic-network subversion was the "Young Turk" project within the Ottoman Empire, handled directly by Venetian intelligence. After the death of Suleyman the Magnificent, the Ottoman Empire rapidly degenerated into a jaded arrangement ruled by a homosexual military elite, the janissaries, the influential eunuchs of the Imperial harem and the great favorites among the Imperial concubines. Behind them stood the string-pullers, namely the Venetian financiers and their aristocratic Byzantine allies, the great Phanariot families which maintained diplomatic and administrative control of the Empire after the Ottoman conquest, just as they had done during the previous centuries of Greek-Byzantine history.

In the late 18th century, these Venetian capabilities were reorganized around Masonic lodges. The most notorious was the Albanian-based Order of Bektashi Dervishes, who maintained control over the deployments of the janissary military elite. In 1807, the Bektashi order overthrew and assassinated Sultan Selim III, an enlightened leader close to the French and connected with American revolutionary networks.

## Toward a Russian revolution

The Scottish Rite Freemasons established control over the Ottoman Empire in connection with events around the Crimean War (1854-56). After that war, the "Young Ottoman" movement, precursor of the "Young Turks," began administering a British political program known as the Tanzimat (Reform), successively under the control of Lord Palmerston, Lord Beaconsfield (Disraeli), and Lord Salisbury. From the 1840s to the 1870s, all the grand viziers and foreign ministers of the Ottoman state were Scottish Rite Masons, most of them belonging to the Edinburgh Grand Lodge in Istanbul. The purpose of the Tanzimat reform was, as Lord Salisbury later explained, "to keep the degenerate Ottoman Empire together until the time when the revolution will overthrow the Tsar's rotten regime."

Lord Palmerston's Masonic networks were running that very revolution in Russia for which the Foreign Secretary was hoping so ardently. The revolutionary networks of Nikolai Bakunin and Alexander Herzen were controlled by the Genevan lodges, under the cover of Giuseppe Mazzini's International League of Peace and Freedom, whose initial policy controller was John

Stuart Mill, i.e. the British East India Company.

When, from 1871 onward, the Ottoman Empire under Sultan Abdulaziz attempted a rapprochement with Russia under an industrial cooperation policy, the Masonic networks both in Russia and in Istanbul moved to produce a war between the two powers, which eventually broke out in 1877 and resulted in the notorious Congress of Berlin, the diplomatic landmark which laid the basis for the First World War.

In 1876, a Masonic coup d'état overthrew and assassinated Sultan Abdulaziz. Within three months, his successor Murat and his Grand Vizier Mehmet Rustu were deposed for having declared a debt moratorium. Holder of the Ottoman debt during that time was the Banque Ottoman, predecessor of today's Bank de Paris et des Pays Bas, whose principal stockholder was the Genevan Mallet family, the same Mallet family which today owns the bankers of Permindex Murder Inc., the firm of Schlumberger, Mallet et Neuflyze.

## The Congress of Berlin

The stage-managed Russo-Turkish War of 1877 resulted in a military catastrophe for the Ottoman Empire. Russia attempted to consolidate its victory with



## 1914 Balkan National Borders

The Balkan region as it had been carved up by the Great Powers before the region was manipulated to trigger the outbreak of World War I. Not shown: the Ottoman Empire has also lost its northern African possessions, which included parts of what is now Egypt, Libya, and Tunisia.

the Treaty of San Stefano in March 1878. This treaty fulfilled the wildest dreams of the Russian Pan-Slavist movement. A Russian-puppet Bulgarian state was recognized, incorporating Macedonia and an outlet to the Mediterranean. The treaty also bestowed favors on Russian political allies in Serbia, Montenegro, and Romania. Great Britain, Germany, and Austria immediately challenged Russia's gains, convoked the Congress of Berlin in June-July of the same year, and undid all of Russia's advantages without thereby restoring any previous strength to the Ottoman State. The Balkan ethnic checkerboard emerged at the Congress of Berlin.

The former Ottoman territories in Europe were rearranged in the following fashion: the northern half of modern Bulgaria was recognized as an autonomous principality; the southern part of Bulgaria became the province of Eastern Romelia, under Ottoman suzerainty but ruled by a Christian governor selected by the Powers; Romania for the first time ever was recognized as independent, provided it would grant citizenship to its Jewish inhabitants; Serbia and Montenegro were confirmed as independent entities; and Austria was given the right to occupy Bosnia-Herzegovina. The Ottoman-ruled island of Cyprus was transferred to

Britain.

The new states were financial and legal fictions, giving the various Venetian Freemasonic networks a free hand to do as they pleased.

Despite the powerful emotions associated with various Balkan nationalisms, the national phenomenon in the Balkans is still skin-deep precisely because of the bastard manner in which it saw the light of day. The new states were primarily the bearers of state debts extended by Swiss and British banks. The purpose of those debts was to finance the raising of armies and the construction of railroads. The remainder of the Ottoman Empire was subjected to a strict financial control in the hands of the Banque Ottoman and the Ottoman Debt Administration which eventually, in 1882, took over Egypt.

Toward the end of the 19th century, when Bismarck was no longer in power, German industrial interests attempted to launch the industrial modernization of Turkey. The British-Venetian networks in the area counterattacked with a fresh series of destabilizations. Then Italian Prime Minister Francesco Crispi, a captive agent of the Propaganda-1 Masonic lodge founded by Mazzini, launched a strategy known as the Mediterra-



### 1929 Balkan National Borders

The Ottoman Empire has been replaced by the smaller nation of Turkey, the nation of Yugoslavia has been assembled out of ethnically hostile areas, and the U.S.S.R.'s borders have been pushed back. Earlier German plans to economically develop the Balkans are totally cancelled between the wars.

nean Agreements, designed to keep France, Russia, and their German industrialist allies out of the Mediterranean. As a consequence of this Crispi policy, a revival of Venetian activities across the Balkans was noted at the beginning of this century, leading to the Sarajevo events in 1914.

### **Finishing off the Ottoman Empire**

The Young Turk movement engineered a revolt in 1908, orchestrated in its last detail by the Venetian Count Volpi di Mizurata who later became the Governor of Libya. The Count was supervising the activities of a large network of secret societies, of which the Young Turks was only one. He was in control of similar networks in Bulgaria, Serbia, Montenegro, and Bosnia.

The 1908 Young Turk revolt resulted in the annexation of Bosnia-Herzegovina by Austria-Hungary, the independence of a unified Bulgaria, and the strengthening of Col. Dragutin Dimitrievic-Apis's control over Serbian military and foreign policy. This in turn created the conditions for the 1911 Italian-Turkish War over Libya, as a result of which Italy gained control not only of Libya but also of the Dodecanese Islands, 12 Aegean islands clustered around Rhodes. In the year 1912 two Balkan wars were arranged by the same Venetian-British networks under Volpi di Mizurata. The first was a war against Turkey by a coalition of Bulgaria, Serbia, Montenegro, and Greece which reduced Turkey's European territories to its present possessions, more or less. The second Balkan War of 1912 was against Bulgaria by a coalition of Serbia, Greece, and Montenegro, which limited Bulgaria's access to Macedonia and ended its access to the Aegean.

The strategic purpose of the two 1912 Balkan Wars was to aggrandize the new Balkan states at the expense of both Turkey and Austro-Hungary. During that period, the inner circles of the Austrian Imperial Court around Archduke Ferdinand had reached the conclusion that the "Dual Monarchy" of Austria-Hungary was going to expire under the pressure of Hungarian nationalist jealousies unless Austria-Hungary expanded into the Balkans. Venice checkmated that expansion with the Balkan Wars of 1912—and thus created the circumstances for 1914.

It is evident from the existing record that Volpi di Mizurata's Balkan networks at that time had also worked out a strategy for the disintegration of the Russian Empire under the rubric of the Parvus Plan. Dr. Alexander Helphand ("Parvus"), the enigmatic figure of the period about whom the Hoover Institution in Santa Monica knows perhaps more than anyone else, was in the Balkans from 1910 until the end of 1914.

During 1912 Volpi di Mizurata appointed him editor of the Young Turk daily newspaper in Istanbul. After

the outbreak of the war in August, he was given instructions to meet with the Austro-Hungarian ambassador to Istanbul, the Margrave Jean Pallavicini. A few days later, Parvus requested and was granted a meeting with the German ambassador, von Wangenheim, to whom he laid out an extensive plan—presumably inspired with the assistance of Jean Pallavicini—to disrupt and fragment Russia.

The German Foreign Ministry to this day retains the Parvus Plan in a document registered on March 9, 1915 bearing the title: *Memorandum by Dr. Helphand, A-8629/WK IIc, secr./vol. 5*. It is an extensive description of plans to deploy social-democratic organizations and nationalist movements in the Ukraine, Armenia, Georgia, and elsewhere for the purpose of fragmenting the Russian Empire. The general concept, in Parvus's words, is the "harnessing of the revolutionary energy of nationalism for the overthrow of the Czarist regime."

From the available evidence, it seems that the "harnessing of the revolutionary energy of socialism" for the same purpose was an addition to the plan insisted upon by the Margrave Pallavicini. Dr. Parvus said that the plan would cost the German Foreign Ministry over 20 million gold marks. Germany ended up paying over 50 million gold marks, including the financing of Lenin's operation. The monetary aspect of the affair was top secret. In addition to the recipients and Parvus, it was known by the Berliner Handelsbank (presently a member of the Propaganda-2 network, the successor to P-1) and an enigmatic Foreign Ministry official, one Guido von Bergen, who after the completion of the Parvus project went to serve as ambassador to the Vatican for both the Weimar Republic and the Third Reich.

If it were not for the surprising intervention of Lenin, who outwitted both the German strategists and Parvus's Venetian patrons, they would have realized their goal of using a Balkan destabilization to cause the simultaneous disintegration of three major powers. What prevented their success in World War I was Lenin's subsequent alliance with those elements of the old Russian civil service committed to the program of industrial development laid down by the pro-American Count Witte during the previous period. Had this alliance not taken place, Russia would now be on more or less the same level of industrial backwardness as Turkey and the Balkans.

The scenario-mongers at the RAND corporation and in Geneva are today attempting to replay a similar "Balkan disintegration" scenario "Take Three." They want a superpower conflict between Russia and America, hoping those nations will have the brains to "crisis-manage" it. If they proceed along these perspectives, the most likely outcome will be contrary to their calculations, and will perhaps result in nuclear calamity.

# The pieces on the Balkan chessboard

**Albania:** Under Turkish rule until 1913. In state of total anarchy from 1913 to 1921. Ruled by Council of Regency from 1922 to 1924. Republic from 1925 to 1927 under landlord president Ahmed Bey Zogu. Kingdom under King Ahmed Zogu from 1928 to 1939. Formally province of Italy from 1939 to 1944. "People's Republic" from 1945 to date. Throughout first period of independence from 1913 to 1939, Albania was controlled by Italy. For example, the head offices of the National Bank of Albania were located in Rome.

**Bulgaria:** Under Turkish rule until 1878. Northern Bulgaria became autonomous state as result of Russian-Turkish war. In 1885 united with southern region, Eastern Romelia, under Stambulov. Ferdinand of Saxe-Coburg became Prince of Bulgaria from 1887 to 1911 and King from 1911 to 1918. Entered World War I on side of the Germans, was seriously defeated. After brief period of peasant rule under Stamboliisky, monarchy was established. Joined Tripartite Pact in 1940 and Nazi occupation of Yugoslavia in 1941. Russia invaded in 1944, set up "Peoples' Republic" under Georgi Dimitrov which continues under Todor Zhivkov.

**Cyprus:** Under Turkish rule until 1914. British gained right to station troops on island in Cyprus Convention of 1878 in return for guaranteeing Asiatic Turkey against Russian attack. Annexed by Great Britain in 1914. Became Crown Colony in 1925. First serious riots of Greek population (four-fifths of total) demanding union with Greece in 1931. Riots and terrorism again very serious in 1954. Republic of Cyprus created in talks in Zürich and London in 1959, set up in 1960.

**Greece:** Greek War of Independence against the Turks broke out in 1821. Independence proclaimed in 1822, but war continued between Greeks and Turks until 1829, when Great Powers established a Kingdom of Greece. Otto of Bavaria King from 1832 to 1862. Military revolt deposed Otto and brought in Danish Prince George from 1863 to 1913. Territorial expan-

sion took in Ionian islands from Britain. Union with Crete in 1913. Followed tortuous policy in World War I until forced to join Allies in 1917. Republic proclaimed in 1924. Monarchy restored in 1935. In 1936 King George accepted military dictatorship under General Metaxas. Italians attempted invasion in 1940, overrun by Germans in 1942. Liberated by British in 1944. Guerrilla war by communists and monarchists begun against Germans in 1942; broke into civil war in 1944. Monarchists prevailed in 1949. King Constantine overthrown in 1967 by military junta. Parliamentary democracy restored in 1974.

**Romania:** Independent principality under the Turks in 1862. Full independence in 1877. Prince Charles of Hohenzollern became King Carol in 1881 until 1914. Proclaimed neutrality in 1914 but entered World War I on Allied side in 1916. Doubled size of territory after 1918. Joined Tripartite Pact with Nazis and Italy in 1941. Invaded by Soviets in 1944. "People's Republic" declared in 1947.

**Turkey:** Ottoman Empire maintained until end of World War I in 1918. Provisional government under President Kemal Atatürk established in 1920. Turkish Republic proclaimed in 1923. Sultanate officially abolished in 1922. Caliphate (Islamic religious leadership) abolished in 1924. Atatürk remained in power until his death in 1938. Republic maintained until present, with brief periods of military intervention in 1960, 1971, and 1980.

**Yugoslavia:** Kingdom formed when Croatia, Slovenia, and Bosnia-Herzegovina detached from Austria-Hungary and united with principalities of Serbia and Montenegro in 1918. Military coup in 1941 abolished regency; set up pro-Allied government under General Simovic. Nazis invaded ten days later. Military and communists under Tito formed rival resistance groups. Tito established government-in-exile in 1943. Republic declared in 1945 under Ivan Ribar. Breach with Soviets in 1948. Tito became President in 1953 until 1980. Presidency now revolves among heads of ethnic republics for one-year-terms.

# Ethnic passions in the Balkans can trigger international crisis

by Criton Zoakos, Editor-in-Chief

Relations among the Balkan nations are fast deteriorating, thanks to efforts by the drug-connected Propaganda-2 political networks and their financial controllers. The crisis might well come to a head by the end of April, when Israel is supposed to complete its withdrawal from the Sinai peninsula; there is a close relationship between the tense Middle East situation and the advancing destabilization of the Balkans.

The parameters for a superpower confrontation in that region are as follows:

- 1) The Cyprus crisis, in a status of flare-up at this time;
- 2) A military confrontation between Greece and Turkey;
- 3) Greece, militarily weaker than Turkey, seeking aid and succor from the Warsaw Pact;
- 4) NATO, through Turkey and Crete, "bottling up" the Soviet navy in the Black Sea;
- 5) The Soviets gaining access to naval facilities in the Adriatic Sea as a result of supporting the appropriate ethnic sides in the Yugoslav and Albanian ethnic crises.

Any combination of the above situations would leave no choice to either of the two superpowers other than to escalate to generalized confrontation. One must therefore ask whether the capability to create any one of these preconditions already exists or not.

In today's circumstances, a militarily weak Greece, faced by a powerful Turkey, and an ethnically endangered Yugoslavia would tend to draw together. Soviet concern for the Dardanelles would tend to impel Bulgaria on the side of Greece against Turkey. American concern for Turkey's flanks in Eastern Anatolia and Kurdistan would orient the United States and Israel against Iran, Syria, etc.

Ethnic disputes among Albania, Yugoslavia, and Bulgaria have been revived after 30 years of calm, centered around Albania's decision to continue support for the separatist movement among ethnic Albanians living in Yugoslavia's Kosovo province. The Yugoslav govern-

ment, which is also concerned about separatist tendencies among Croats and ethnic Hungarians of Vojvodina, has been complaining publicly about Bulgaria's meddling in the affairs of Yugoslavia's Macedonian minority in the South; Bulgaria has a large Macedonian population.

In Yugoslavia, Gen. Nikola Ljubicic, the Serbian-born Minister of National Defense, unveiled on Dec. 22 a new National Defense Bill to be ratified in April 1982, declaring that "the independence of our country may be endangered," and the law is needed for "better regulation of the constitutional role of the republics and autonomous provinces and other socio-political communities, as well as the rights and duties of the federal organs." The new law stipulates that any ethnic disputes (such as those in Kosovo) would be viewed as threats to the independence of Yugoslavia of the same seriousness as external aggression. Such eruptions would automatically invoke declaration of a state of war, in which the executive power passes to the supreme military commander.

Thus, by the end of the spring, Yugoslavia will be either at the throes of an ethnic civil war in which Albanians, Croats, Macedonians, Montenegrins, and Slovenians both inside and outside the communist party will be fighting off the assertive Serbians, or it will be ruled by Serbian-dominated and Army-dominated institutions refitted primarily to fight off ethnic disintegration.

As these disputes move rapidly in the direction of a crisis, a crucial turning-point for the worse was the Greek elections of October 1981, which brought to power a Berkeley, California-trained radical socialist, Andreas G. Papandreou, who holds the office of Defense Minister as well as Prime Minister. Mr. Papandreou has carried out a policy of confrontation with neighboring Turkey over a long-standing dispute regarding the Republic of Cyprus.

A military or near-military confrontation between Greece and Turkey would occur under circumstances in which Greece is militarily by far inferior to Turkey and



### The Balkans in 1982

Since World War II, these borders have not changed. Now, centrifugal tendencies in Yugoslavia, and Greek-Turkish hostilities, head the list of crises.

out of favor with official NATO policy; the Papandreou government, to compensate for this disadvantage, has adopted a policy of a quick expansion of relations with Libya, Syria, Cuba, and the Soviet bloc countries. This has resulted in commercial and maritime treaties with the U.S.S.R., according to which Greece is now 40 percent dependent upon the Soviet Union for its energy supplies, and the Soviet navy has been given conditional access to Greek ports and shipyards.

Most intelligence analysts are making the mistake of dismissing the potential for a Greek-Turkish conflict. The forces promoting such a conflict—the controllers of international terrorism and narcotics who also control the Socialist International and elements of NATO's Southern Command, as the Italian investigations into the Propaganda-2 and the Italian Socialist Party have shown—have a very compelling reason to remove Gen. Kenan Evren, the Turkish head of state. And, as every student of the region knows, the most efficient way of changing regimes in Greece or Turkey is to incite a military crisis between the two countries, preferably over the long-standing Cyprus issue.

General Evren, an officer in Turkey's Kemalist republican tradition, took power reluctantly for the avowed purpose of ridding his nation of terrorism and drug trafficking. There had been scores of "left" and "right" terror victims in Turkey, and the country was a major crossroads of the heroin traffic. Evren has thus far succeeded in practically eliminating the drug traffic; the crackdown against terrorism resulted in 200,000 arrests in 18 months, 40,000 trials, and a demand by the Public

Prosecutor for capital punishment in about 300 cases. Since the assassination attempt against the Pope, the Turkish authorities have been threatening to make a major contribution in the fight against international terrorism.

General Evren's position within the ruling military group is vulnerable, however; in the matter of relations with Greece, especially over Cyprus, he has resisted the strident chauvinism of his colleagues and subordinates. As the crisis worsens, the supporters of Col. Alparslan Türkes, the Dope, Inc.-controlled Franz-Josef Strauss of Turkey, will make political gains. In the event of all-out hostilities, the Türkes clique, invoking a national emergency, will point to Evren's moderate record and throw him out.

In Greece, Papandreou is working full time to exacerbate the Cyprus crisis (see page 30). As Prime Minister, he has given great latitude to drug-running and terrorist elements to operate in Greece. His appointee as Governor of the Bank of Greece will safeguard the secrets of drug-money laundering and weapons-traffic financing in the eastern Mediterranean. Papandreou himself has longstanding personal relations with Italian Socialist Party leaders who are connected with Propaganda-2, starting with Bettino Craxi, the party's Chairman.

During the first week of January, in his capacity as Defense Minister, Papandreou carried out sweeping changes in the top ranks of the Greek Officers Corps. All top field and general staff commands were handed over to officers whose loyalties are with the exiled King Constantine; officers with no known royalist sympathies

who were included in the new appointments are known to be closely tied to NATO's Southern Command. In short, the Socialist leader has put in place a capability which can be called into action on orders from NATO—and topple his own government if need be. In terms of power, Greece is under the full control of NATO officers who have in place the means to carry out a royalist coup. The Papandreou government is merely the public theatrical prop useful in engineering the projected strategic crisis.

If two NATO members, Greece and Turkey, engage in a military conflict, or if their policy is determined by the threat of conflict and Greece seeks the assistance of its Balkan neighbors against Turkey in a climate of ethnic upheavals, a strategic crisis will erupt. That crisis will resemble the Balkan crises of 1875, 1882, 1908, and 1912-13, and the disputes which caused the outbreak of World War I. All those crises involved the methodical manipulation of ethnic passions in the service of a great

strategic gameplan, (as documented in this Special Report) whose objective was to dismember the Ottoman Empire without giving any advantage to Russia.

After the Second World War, ethnic passions persisted, as did the old Venetian intelligence channels and family connections. The borders of the existing states are arranged so that any state can raise ethnic claims against any other; Greek schoolchildren are taught to this day that the southern half of Albania ought to be called Epirus, a Greek province. Albania can claim ethnic minorities living just outside Athens. Yugoslavia is made up of at least eight ethnic homelands: Slovenia, Croatia, Bosnia-Herzegovina, Vojvodina, Serbia, Montenegro, Kosovo, and Macedonia. Macedonia is a special mess, the Kurdistan of Europe: Greeks claim it for historical reasons, Bulgarians for ethnic reasons, and Slavs for "reasons of state." Macedonians, living in Yugoslavia, Greece, and Bulgaria, have ideas of their own; their dream of a Macedonian state has never died.

## Cyprus: the history of a British plaything

Cyprus, a British Crown colony until 1960, is a republic within the British Commonwealth. Its constitution, drafted jointly by Greece, Turkey, and Great Britain in a February 1959 Zürich conference, provides for a Greek Cypriot President and a Turkish Cypriot Vice-President, a council of Ministers of seven Greek and three Turkish Cypriots, and a House of Representatives mandated to have 70 percent Greek and 30 percent Turkish Cypriot members. Greece, Turkey, and Great Britain have the status of "guarantor powers" over the Republic of Cyprus. The Zürich constitution, needless to say, has never functioned.

The major power on the island is the presence of two British military bases which encompass 100 square miles of the island's total surface of some 3,000 square miles. Those bases are sovereign British territory. Since June 1974, there is a second major military presence on the island, a Turkish Army of Occupation which controls the northern half of Cyprus, from which it has expelled most of the Greek-Cypriot inhabitants. The central government of President Spyros Kyprianou possesses virtually no instruments for exercising state power in the face of these two comparatively overwhelming military forces. As a result, the strategically located island of Cyprus, a prized possession of the Republic of Venice for over four centuries, is an international center of espionage activities, gun-

and drug-running.

The Turkish military force on the island, led by officers loyal to the fanatic Col. Alparslan Türkeş, is a hotbed of opposition to the Turkish government of Gen. Kenan Evren and therefore has an interest in promoting an aggravation of Greek-Turkish relations. The British military bases are centers from which various types of operations are planned and could be planned to provoke ethnic strife. Israeli intelligence, which maintains a large presence on the island, has been involved in the aggravation of Greek-Turkish relations during this past December to January period. As a result, there has been a massive reinforcement of the Turkish occupation force by about 10,000 new troops. The Socialist International, which has a strong presence on the Greek-Cypriot side through the party of Dr. Vassos Lyssarides, a long-term asset of British intelligence, has been active during December and January on the side of the Greeks and against the Turks. Willy Brandt spent two weeks in Cyprus around Christmas; during January, the British Labour Party's Lord Caradon, formerly Sir Hugh Foot, held numerous demonstrations protesting the Turkish presence in northern Cyprus. Sir Hugh Foot was British Governor of Cyprus from 1957 to 1960.

In retaliation for Socialist International support for the Greek side, the Turkish Cypriot community has been mobilized by the chauvinist firebrand Rauf Denktaş, into preparing for annexation of certain historical Greek Cypriot urban centers, especially Famagusta.

# A chronology of current conflicts

## Albania

**April 1981:** The Albanian minority in Yugoslavia's Kosovo province mounts a series of bloody disturbances with demands ranging from autonomy to unification of Kosovo with Albania, at the instigation of the Tirana government. Relations between Belgrade and Tirana deteriorate rapidly. Albania's leaders consider the possibility of military action. The crisis reaches a high point during late June and early July.

**June 1981:** Albania for the first time sends a large delegation of professors from the University of Tirana, on extended visits to the Universities of Venice and Rome. In the course of the year, Italy becomes Albania's largest trading partner. During the summer and autumn, Albania announces that it seeks closer relations with Italy, Greece, Turkey, and Algeria.

**November 1981:** The Albanian Communist Party holds its Eighth Congress and ratifies the new foreign policy. A large-scale purge follows. Enver Hoxja, the 74-year-old party chief, is seriously ill and isolated from developments. His longtime collaborator, Prime Minister Mehmet Shehu, is assassinated on Dec. 17, 1981, in unexplained circumstances. Defense Minister Kantri Hasbiu, Shehu's nephew, is purged.

**January 1982:** In the first half of the month, four more ministers, including another Shehu nephew, Mako Shehu, are purged. On Jan. 5 an assassination is attempted against Enver Hoxja. On Jan. 15, Hoxja appoints a new Prime Minister, Antil Karkani, who officially reiterates that "the opening to the West" will continue. Greek and Yugoslav analysts conclude that the younger generation of leaders has adopted a policy of confrontation with Yugoslavia and open rapprochement with P-2 factions in Italy.

## Yugoslavia

**April 1981:** The most severe crisis since the end of World War II begins as a result of the Kosovo riots. The Soviet Union increases its presence in Yugoslavia in a spectacular way.

**June 1981:** A large Soviet naval task force demonstratively shows the flag in Yugoslavia's Adriatic ports. Among the visiting Soviet officers is the formidable Admiral Gorchkov. During 1981, Yugoslavia's trade

with the U.S.S.R. increases by 62 percent.

**December 1981:** After the conclusion of the Albanian Communist Party's congress, Yugoslavia's Ministry of Foreign Affairs issues a public statement Dec. 10 emphasizing that it considers three positions adopted at the congress to be "unacceptable": interference in Yugoslavia's internal affairs, encouragement of resistance among Yugoslavia's Albanian minority, and expression of territorial ambitions at Yugoslavia's expense. During the Serbian Central Committee plenum of Dec. 24, a fight breaks out with mutual recriminations between Serbs, and representatives of Kosovo and Vojvodina. On Dec. 25, Yugoslav Presidium member Milos Minic, also president of the Commission for International Affairs, gave an interview on the subject of relations with Albania and Bulgaria, stating: "The main danger from [Albania's] pursuit of this kind of policy is that the great powers can become involved in it, unless, of course, they have already become involved."

**June 1982:** The Yugoslav League of Communists will hold its Twelfth Party Congress, on constitutional changes in the relations between the central government and ethnic minorities. Augmented authority for the Serbian-dominated military is expected.

## Greece

**October 1981:** Ten days before the Albanian party congress, on Oct. 20, Socialist Andreas Papandreu takes office after an election prearranged among himself, his conservative opponents, and President Constantine Caramanlis. The managers of the scheme were Propaganda-2 and NATO influentials. An effort by traditionalist officers to obstruct Papandreu's election was quietly defused by NATO.

**November 1981:** Papandreu complains officially against Turkey on the Cyprus question.

**December 1981:** Socialist International chief Willy Brandt spent two weeks in Cyprus trying to stir up the Greek Cypriot side. Rumors circulate that the Greek military is sending reinforcements to the island. Turkish authorities in response begin actual reinforcements. Meanwhile, Papandreu takes an ostentatious "anti-NATO" stance at the Atlantic Council meeting in Brussels, stage-managed by Air Force General N. Kouris, a veteran of NATO's Allied Command in Naples; Kouris later is promoted to chief of the Air Force.

**January 1982:** The General Staff of the Army, Navy, and Air Force are all replaced mostly by generals with extensive NATO backgrounds and professional training in Britain. The field commands of the I, II, III, and IV Army Corps, of the First Greek Army, and of the Supreme Military Command of Athens and Interior, the last being the "coup d'état capability," were all handed to officers loyal to the exiled King.

## Syrian revolt may undo secret pact with Israel

by Robert Dreyfuss, Middle East Editor

For some time now, Syria's President Hafez Assad has been in a secret alliance with Israel to aid Ayatollah Khomeini's Iran. Assad has also mobilized his diplomacy to wreck Egyptian and Saudi peace initiatives, has tried to foment revolts in Jordan and Iraq, and has tightened links with Libya's Muammar Qaddafi and Arab terrorist organizations.

Now, domestically, despite his brutal use of armed force, Assad may not survive the spreading rebellion that began in the industrial city of Hama. The revolt, which has brought together dissident military officers, civilians, conservative Muslims, as well as Muslim Brotherhood extremists, threatens to topple the Damascus regime of the Assad brothers.

According to Arab intelligence sources, Assad and his several brothers, including the sadistic Rifaat Assad, chief of Syria's Special Forces, have recently made a bid to establish themselves as one of the premier organized-crime families internationally. Holding fortunes in Swiss banks, Hafez Assad and his associates have become part of the worldwide Dope, Inc. network, with offshoots extending into New York's underworld, southern France, Italy, and the Middle East.

### The Syria-Israel alliance

The Syrian rebellion that began in Hama at the beginning of February and reportedly spread to the towns of Aleppo, Homs, and Latakia could soon overthrow the Assad clique. If it does, that would eliminate the Syrian end of a secret Israeli-Syrian partnership dating back to 1970, when Moshe Dayan and the Israeli Mossad helped Assad stage the coup d'état that brought

him to power.

Inside Israel, a factional situation as to how to play the Syria card has reportedly emerged in the wake of the Hama rebellion. Some Israelis—a number of them close to Prime Minister Menachem Begin—are of the opinion that Assad is finished, and welcome Iran-style chaos overtaking Syria. "That would be the best thing for Israel," stated one Israeli source. "Let them all kill each other off in Syria. Such instability would make our position in Israel that much more secure, especially vis-à-vis the United States. Even if pro-Iraqi officers were to take power, that would not necessarily be worrisome, since they could last no more than a month or two before being overthrown themselves. Then the country would disintegrate into a thousand pieces, like Iran and Lebanon, and we in Israel would prevail."

Others are not so sanguine about prospects in the post-Assad era, and are reportedly taking measures to prop up the Assad regime. For example, Israeli Defense Minister Ariel Sharon is said to be in favor of an immediate pre-emptive strike into southern Lebanon, believing that a limited confrontation there, possibly involving Syria, would divert the Syrian population from the revolt against Assad and provide the Syrian President with a military emergency around which to rally the country.

"Within the next 10 days, Israel and Syria may agree to stage what they hope would be a limited war in Lebanon," said one source.

Among their other goals, both Israel and Syria would like to eliminate the leadership of the Palestine Liberation Organization. In Lebanon, Israel wants to

trap thousands of Palestinians in southern towns and eliminate them in a bloody massacre. Syrian intelligence has reportedly activated plans to assassinate PLO Chairman Yasser Arafat and replace him with a Syrian puppet.

### Who wants to topple Assad?

Although Assad had apparently managed to quell the rebellion in Hama as of late February by leveling parts of the city with artillery and aerial bombardment, there is an across-the-board intelligence verdict that Assad's victory is merely temporary and that the forces behind the revolt have gained the upper hand.

"Rifaat Assad's Special Forces lost 2,000 dead and wounded in Hama," said one source, "and now the whole country knows that the regime is not invincible."

The coalition opposing Assad draws upon many different factions for support, ranging from the Syrian officer corps to the Muslim Brotherhood secret society, i.e., the Islamic fundamentalist drug-and-terror network that, following the Khomeini takeover in Iran, has spread like wildfire throughout the Arab world. However, governments targeted for overthrow by the Brotherhood, including Iraq, Saudi Arabia, and Jordan, along with certain Lebanese factions, also support the rebels, and both the British and French intelligence services are deeply involved in aspects of the opposition. Israelis opposed to Begin's and Sharon's excesses may also be acting to bring a more moderate regime into power in Syria.

The crisis in Syria began in January with a reported Air Force intelligence coup attempt which was brutally crushed by Assad. At about the same time, a leading PLO official and adviser to Arafat, Isam Sartawi, told the French newspaper *Le Monde* that Abu Nidal, the Syrian-backed Palestinian terrorist and assassin, was an agent of Israel's intelligence agency Mossad!

The damaging revelation by Sartawi of the Syrian-Israeli connection in international terrorism coincided with hard evidence that Syria and Israel, along with Israel's Lebanese puppet, Major Saad Haddad, were collaborating to back the mullahs in Iran against Iraq.

Both the Sartawi revelations and the Israeli support for the Teheran-Damascus axis became political bombshells in Damascus. Assad's popularity, already at an all-time low, plummeted.

"The idea that the Muslim Brotherhood is the chief force behind the revolt in Syria is nonsense," said one informed Arab source, commenting on misleading U.S. media accounts of the Hama rebellion. "The Brotherhood is only one small part of the anti-Assad bloc."

In point of fact, the Assad regime often collaborates with the Muslim Brotherhood, Arab sources report, particularly in executing terrorist hits and in carrying out drug-and-gun-running operations.

"It's a mistake to talk of the Brotherhood as being the real motive force in Syria," commented another London-based source. "There are many moderate groups involved in Syria. These are the middle-of-the-road Sunnis who don't want Assad and who don't want the Brotherhood, but who are using the Brotherhood as a spearhead of the revolt." The Assads do not belong to the Sunnis but to a small Alawite minority in Syria, and have ruled for 12 years by pitting religious sects and minorities against each other.

Assad may not survive. Although London and Swiss narcotics financiers and certain Israelis who support Assad would like to preserve his regime, they are prepared to abandon him if it becomes clear that he cannot survive. They may then opt for a "scorched-earth" policy in Syria, turning it into another Iran or Lebanon. The lack of an apparent leadership opposed to Assad, combined with the role of Israel's Mossad next door, may very well lead to the scorched-earth scenario.

### 'The best Assad we have'

*The following are excerpts from a Feb. 15 London Times editorial defense of Syrian President Assad entitled "The Best Assad We Have." Although the editorial piously bemoans the prospects of Syria's becoming another Iran (conveniently sidestepping the fact that it was the British who largely engineered the Khomeini takeover in Iran), what shines through is Britain's fear of losing Assad, especially to an anti-Brotherhood, anti-Assad military leadership.*

There is a temptation to argue that since President Assad has adopted a radical stand in the Arab world and is in formal alliance with the Soviet Union, his departure from the scene might ease matters. In fact, the reverse is almost certainly the case. . . . The thought of another Khomeini in Damascus—albeit a Sunni rather than Shiite one—is enough to send shivers up Arab as well as Western spines. The probable alternative—a regime dedicated to the total elimination of the Brotherhood—is equally unpalatable, since it would involve ruthlessness and cruelty surpassing even that of the present regime.

This leaves President Assad clinging to power. . . . His record shows him to be a man of straightforward dealing and statesmanlike behavior; very far from the doctrinaire radical some imagine him to be. There are indications that, if circumstances allowed, President Assad might revert to the position he had gradually worked round to in 1977, before Camp David, and consider the terms of an accommodation with Israel.

## 'Fire Thomas Enders and Deane Hinton'

*This statement was released by the National Democratic Policy Committee on Feb. 16.*

Senator Jesse Helms, along with many conservative Americans in the military, intelligence, and business communities, has correctly expressed growing alarm at the worsening destabilization of Central America, and announced that he wants an immediate stop to the wave of insurrections there. But these circles are *dead wrong* in their information and intelligence evaluation of the region, and as a result are issuing misguided policy recommendations which will only aggravate America's security problems. This intelligence problem must be quickly remedied, if we are to prevent the United States from being manipulated into helping turn Central America into another decimated Cambodia.

Helms et al. have accurately protested that a "pin-stripe putsch" has occurred at the State Department, and that a crowd of "Rockefeller agents"—including Secretary of State Haig and his Latin America specialist, Thomas Enders—are dictating U.S. policy toward Latin America. They privately—and occasionally publicly—accuse this cabal of deliberately prolonging the Central American crisis, much as it did a decade ago in Vietnam, and of "handing the region to the Soviets."

There is truth to the charge. The anglophile Rockefeller family has for decades run Latin America on behalf of the drug-running banking elite that is based in London. Today David Rockefeller is making deals to turn the entire Caribbean Basin into a collection of Jamaicas—"free-trade zones" economies based on the production and export of drugs.

The policy-makers behind Rockefeller are not interested in winning the war in El Salvador against the guerrillas and similar insurgencies. They are interested in prolonging the war—with the goal of destroying the economy and of depopulating the country.

That policy of depopulation is being carried out systematically by both the right and the left in El Salvador. On the right, former Major Roberto D'Abuisson, the leader of El Salvador's ultra-right Nationalist Republican Party, argues that El Salvador must be "pacified" with a scorched-earth policy, even if that means

killing tens of thousands of his countrymen. On the left, Ruben Zamora, a social democratic leader of Salvador's FDR/FMLN insurrectionaries, recently told the press that Salvador will fall to the guerrillas unless the United States sends in 30,000 Marines. But if the U.S. does send in troops, states Zamora, "The war will become a Central American war. We will regionalize the war."

The strategy of using war to depopulate Central America is also the official policy of the United States State Department. Stated Thomas Ferguson, director of the Latin America division of the State Department's Office of Population Affairs, one year ago: "There were just too many goddamned people," in El Salvador. The civil war can help things, but it would have to be greatly expanded."

If the United States is to bring peace to Central America without losing its influence in the region, the *first step* is the immediate firing of those State Department officers who are knowingly carrying out a policy of Nazi depopulation in Central America. That includes:

Thomas Enders, Haig's Assistant Secretary of State for Inter-American Affairs. Enders made his name as Henry Kissinger's man-on-the-ground in Cambodia in the 1970s and helped hand the country over to the Khmer Rouge and the communist Chinese, who then murdered 3 million Cambodians in four years. Given his record there and in Central America, the Assistant Secretary was more properly named Thomas Embers.

Deane Hinton, Ambassador to El Salvador. Hinton received his basic training in the 1950s, working closely in Honduras with United Brands' agronomist William Paddock, who has since become the foremost promoter of genocide in Central America and Mexico.

William Draper III, the Reagan administration's appointee to the directorship of the Export-Import Bank. Draper is the son of one of the most vociferous sponsors of the racist eugenics doctrine in the United States, William Draper, Jr. From his position as Eximbank chairman, Draper III is acting to block the transfer of vital technology and credit to the Third World. His post instead should be filled by a retired general from the U.S. Army Corps of Engineers, who would more readily understand the importance of economic development to securing the political stability of strategically vital areas.

### **A policy for elections**

Elections are now slated to be held in El Salvador on March 28. Any such elections will be a fraud unless the preconditions are established by which those elections can be carried out in a democratic environment free of fear. The first step toward achieving that environment is for the United States to place itself firmly behind a policy of "No outside interference in El Salvador." In particular that means the removal of three forces: the Society of Jesus (Jesuits), the Socialist

International, and the U.S. banana/drug corporation, United Brands.

The Jesuits have for years organized for insurrection using the "Theology of Liberation" for an agent-provocateur role among an increasingly desperate population. The chairman of the Socialist International, Willy Brandt, has gone on nationwide television in the United States to flaunt the Socialists' support, both moral and material, for the insurrection in Central America. Max Fisher's United Brands Company—formerly United Fruit—has been exposed as a trainer of terrorists at its Pan-American Agricultural School in Honduras, and at the UB-financed Inter-American Center at the Jesuit Loyola University in New Orleans.

As for the charges of Soviet and Cuban involvement in running arms to the Salvadoran guerrillas, the most efficient way to pursue this point is to request the collaboration of the intelligence and security forces of Egypt, in tracing back the serial numbers on weapons captured from the left in Central America. It is likely that a large portion of these weapons will lead to Shaul Eisenberg and other Israeli arms and drugs merchants. The Israeli intelligence service, the Mossad, has for years promoted the sale of weapons to both sides of the left-right war in Central America. There are strong indications that the Mossad is eager to tie the United States down in a Central American land war, leaving

Israel with a free hand to blow up the Middle East.

President Reagan could usefully discuss with Soviet President Leonid Brezhnev the best way to achieve the goal of removing outside interferences from El Salvador. It is important that Haig be isolated completely from such negotiations, or any talks with the Cuban government, given his own ties with the Jesuits, the Socialist International, and the other backers of terrorism in Central America.

The third step in bringing calm to this ravaged region is a policy of fostering the growth of the Central American economies, in cooperation with Mexico.

Among the projects central to carrying this out is the completion and improvement of a Pan-American Highway that would run through Central America south from Mexico. Second, gas and oil pipelines parallel to the highway should be laid.

With this basic infrastructure in place, ancillary capital-intensive industries that use these inputs can be built up in each of the Central American nations—such as fertilizer, direct-reduction steel, and other industries.

The U.S. Army Corps of Engineers, especially if it has been entrusted with the Eximbank, is the qualified force to take on the simultaneous tasks of aiding the countries of Central America to develop their industrial infrastructure, while securing the area from further terror and war.

# EIR

## U.S., Canada and Mexico only

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

## Foreign Rates

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

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

3 months     6 months     1 year

Please charge my

Master Charge No. \_\_\_\_\_  Visa No. \_\_\_\_\_

Interbank No. \_\_\_\_\_ Signature \_\_\_\_\_

Expiration date \_\_\_\_\_

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

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

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

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

## NATO implicated in Italian terror case

by Vivian Freyre Zoakos, European Editor

The case against one of Italy's top trade-union leaders, Luigi Scricciolo, which exploded with his arrest of Feb. 4, is daily acquiring more devastating dimensions linking him and his collaborators to the controllers of international terrorism and drug and arms trafficking. The chief of international affairs of the UIL national labor confederation, Scricciolo was arrested on charges that he is a member of the notorious Red Brigades terrorist gang that kidnapped American NATO Gen. James Dozier last December. In the latest development, he is now expected to be charged with passing secret NATO documents to the Warsaw Pact.

The two judges in charge of the case note that they expect shortly to issue a formal indictment against Scricciolo on these grounds. General Dozier's jailer, Antonio Savasta, together with Scricciolo's own cousin Loris—himself a jailed Red Brigades member—have offered detailed accusations that Scricciolo was passing secret NATO documents to the Red Brigades leadership. Loris testified that on several occasions Luigi Scricciolo orchestrated meetings between Red Brigades members and officials of the Bulgarian Embassy in Rome where the NATO documents were turned over.

Judge De Sica, who has been in charge of the case, announced on Feb. 15 that the Scricciolo investigation was being broadened to encompass the Propaganda-2 Freemasonic scandal. The Propaganda-2 (P-2) lodge was exposed last year to be at the top of the interlinked global network that deploys terrorists and runs the world dope and arms smuggling traffic. When the scandal emerged last May, its repercussions into NATO circles were quickly squashed. The Scricciolo case has resurfaced this heretofore buried dimension of P-2.

Judge De Sica has learned that as early as 1979 Greek intelligence had sent an urgent communication to the Italian secret services documenting the likelihood that Scricciolo was a ranking member of the Red Brigades. That information was buried by the two commanders of the Italian secret services, the SISDE and the SISMI, who at that time were prominent

members of the P-2 lodge. Both were forced to quit their posts last year when their membership was revealed. The fact that both were protecting Scricciolo is being viewed by Judge De Sica as grounds to open an investigation into Scricciolo's ties with Italian military and civilian intelligence, particularly given the fact that Scricciolo had apparent access to NATO secret documents which easily might have been procured through the military intelligence branch.

It is little wonder then that the Scricciolo affair has led to a rapid attempt at coverup on the part of his associates elsewhere in the trade unions.

Within hours of his arrest, there was a flurry of telephone activity between Italy, the AFL-CIO headquarters in Paris headed by Irving Brown, and the AFL-CIO headquarters in Washington. Investigations by this magazine, corroborated by sources at the AFL-CIO headquarters, confirm that the American labor federation and its leaders not only knew Scricciolo, but collaborated with him on joint projects, including support for Solidarność in Poland.

At the time of his arrest, these sources report, there was correspondence from Scricciolo on the desk of officials of the AFL-CIO International Affairs Department, headed by Ernest Lee.

"If you call here next week," said a source at the AFL-CIO headquarters, "No one will admit to knowing him or working with him." It has also been learned that the case officer in charge of this coverup is Irving Brown, the federation's long-time European operations chief, who has flown to the United States for "emergency consultations."

### France: as bad as the 1960s

Terrorism has broken out in France on a scale not seen since the 1960s, when the Secret Army Organization went on its rampage to assassinate President Charles de Gaulle and otherwise disrupt the state. Only this time, many of those involved in the terrorism were released from their jail cells by the same government they are now attacking.

On Feb. 11, the Front for the National Liberation of Corsica (FNLC) claimed responsibility for 26 bombings on the island of Corsica and on the mainland, as well as several attacks on Foreign Legion outposts that left one dead and two injured. The FNLC proclaimed the end of a "truce" it had put into effect after the election of the Socialist government, announcing that it was unsatisfied with the government's halfway measure giving Corsica a special semi-autonomous status. Five days later, another 17 FNLC bombs were set off.

The Corsican terrorists were among the leading beneficiaries of the government's broad amnesty of terrorists after Mitterrand's inauguration. At least 20 Corsicans, many of them members of the FNLC who

had been tried for bombings and kidnappings, were freed from jail last June.

Another group went into action the same week. The little-known anarchist "Bakunin group," which is also calling itself "Bukunin-Gdansk-El Salvador," bombed the offices of several foreign companies working for the United States and Latin America.

The extreme right-wing *parti des Forces Nouvelles* (PFN) was on the streets Feb. 13. Two gangs of 30 men each, armed with crowbars, smashed the windows of the Ministry of Transport (currently occupied by a member of the French Communist Party) and the Ministry of Solidarity (one of the Mitterrand government's Aquarian Age concoctions). The PFN announced later that this was only the beginning of a campaign to get the Communists thrown out of the government (there are four Communist ministers), which campaign culminated Feb. 17 in a rally in Paris.

All the above incidents reflect the intensifying warfare between rival intelligence-drug-terror networks since last year's elections (see *Report from Paris*).

### **Haig friend interrogated on P-2**

The Propaganda-2 investigating committee of the Italian parliament interrogated Francesco Pazienza, a close associate of Licio Gelli, the former head of the P-2 lodge, and friend of U.S. Secretary of State Alexander Haig, for several hours on Feb. 11. Pazienza is also a relative of Gen. Giuseppe Santovito, the former head of the Italian military secret service SISMI, and a P-2 member.

Pazienza's task was to organize, in conjunction with Haig's adviser Michael Ledeen, the expansion of the power of the Socialist Party in Italy. Pazienza was forced to acknowledge his close friendship with Haig to the investigating committee. He admitted that when Christian Democratic Party Secretary Flaminio Piccoli went to the United States in 1981, Pazienza organized a brief meeting between Piccoli and Haig. "Haig was leaving for Camp David, but he agreed to delay his departure for a few hours in behalf of an old friendship," Pazienza stated.

The fact that the close relationships between himself and the P-2 network are re-surfacing has frightened Haig into a reckless effort to cover up many incriminating documents. The Italian press reports that he sent Ledeen on an urgent errand to Uruguay, to buy for \$15,000 the documents that the police had confiscated from Gelli's Montevideo villa. Ledeen claims that it was only "his interest in history" that inspired the purchase, but there are many indications that the Uruguay dossiers contain evidence of Haig's involvement with P-2.

The Italian parliament member Bassanini posed the question to the government of whether "opportune steps" will be taken to have Ledeen and the U.S. State

Department deliver the documents to an Italian magistrate investigating P-2, given how extremely important those documents are to the entire investigation.

### **"Billygate" scandal resurfacing**

The Billygate scandal has re-emerged in Italy as Italian investigators continue to explore the full ramifications of terrorism and its deployers at the highest levels. On Feb. 9, the newspaper *La Repubblica* published quotes from a dossier authored in 1975 by Bernardino Andreola, the noted terrorist who provided the police with information proving that Michele Papa, Billy Carter's Sicilian liaison to Libya, is a core member of the terrorist and arms-smuggling apparatus.

As Andreola documents in his 1975 testimony given to the police following his capture, the Sicilian-Arab Friendship Society, headed by the attorney Michele Papa, was from the outset the core of a terrorist recruitment operation. The organization also functioned as one of the central coordination points for the lucrative illegal trafficking in arms from Libya into Italy to supply the terrorists' requirements. Michele Papa was the individual who first contacted Billy Carter, and later organized Carter's trip to Libya.

Andreola documented for the police his role in the terrorist recruitment process. In 1973 Michele Papa joined forces with the Calabrian mafia and the networks of Feltrinelli to relaunch Sicilian separatism and at the same time generate the capability for the recruitment of terrorist guerrillas for importation to all parts of the Mediterranean, including the Middle East. The networks of aristocratic publisher Giangiacomo Feltrinelli, who until his death was known to police agencies throughout the world as one of the top names in international terrorism, supplied a protégé for deployment into Sicily to aid in this effort. That man was Bernardino Andreola.

Andreola and a group of cronies founded in Sicily the "Alpha group," setting up 42 propaganda cells and 18 armed terrorist cells on the island. The propaganda cells organized the population around the slogan of freeing Sicily from Italian domination with the help of "Arab friends."

This mass organizing functioned as a screening process through which the more radical elements within the impoverished Sicilian population could be passed on to the clandestine terrorist cells. Andreola testified that he had meetings with both the Calabrian mafia and Carter's friend, Michele Papa, in the course of this operation. In 1978, Papa's activities led to a criminal investigation which was, however, dropped eventually because of the delicate international implications of his activities and their connection to the Billy Carter affair—all of which was carefully covered up by the U.S. Justice Department.



*M-19 leader Carlos Toledo Plata (r) with his subordinates Alvaro Fayad, a sociologist, and Carlos Pizarro León-Gómez, a law student, during a court martial in the spring of 1981.*

## Organized crime and terrorism: mapping the Latin American links

by Valerie Rush

*EIR* has launched an in-depth investigation of several Latin American countries where the drug/terrorism networks now under attack in Italy retain great political power. We present below the first of a two-part series on the preliminary findings of this investigation—findings which point indisputably in the direction of the same international Propaganda 2 Masonic Lodge identified in Italy as the power center of the drugs and terrorism networks.

The Mexican left, as we show, has important terrorist links to the Italian Red Brigades. But among all the countries of Latin America, Colombia stands out for its role as the world's premier producer of illegal drugs—a fact which affects both its own population, through the drug mafia's growing domination of all political and economic life there, and that of the United States, which is the primary market for Colombia's illegal exports of marijuana, cocaine, and quaaludes.

Not accidentally, Colombia is also the country with Latin America's most active and best-known terrorist group, the M-19.

The American public has recently been made aware of some of the implications of this "Colombian Connection." There has been a sudden flood of newspaper stories on bloody gang warfare among petty Colombian drug mafiosi living in the United States. And some attention is being paid to the degradation of the state of Florida, today one of the international drug cartel's entrepôts for Colombian contraband.

But these reports bypass the scope of the process under way.

Colombia is a nation in the grip of a drug-trafficking "black oligarchy" which deploys terrorism—of both the left and right varieties—as a means of maintaining its control. Organized crime no longer threatens to destabilize the government in Colombia—in many parts of the

country, it is the government. Citizens who used to warn that the drug mafias were “buying” up politicians to represent their interests, now report that the mafiosi are themselves running for office.

The terrorist M-19, which, for almost a decade, has plagued Colombia with assassinations, kidnappings, hijackings, and violence, turns out to be run from the top by the drug mafia—as we demonstrate below. Yet the M-19 is today being wooed by most of the candidates in the upcoming presidential elections, who describe the terrorists as nothing worse than “disaffected intellectuals with high ideals.” Although the M-19 has pledged to use terror to prevent the May presidential elections from taking place, the candidates are falling over each other to offer a more attractive “political amnesty” to the terrorists.

Official Colombian toleration of terrorism has gone so far that when a Red Brigade fugitive, Leandro Barozzi, who was hiding out in Colombia, was recently discovered by Italian authorities and his extradition requested, the Colombian courts—on orders from the Justice Ministry—refused to arrest him because “he has committed no crime in Colombia.” Colombian authorities are now “studying the matter”—while Barozzi, accused of participating in the 1978 murder of former Italian Prime Minister Aldo Moro, freely walks the streets of Colombia.

Right-wing terrorism is also being viewed with equanimity in mafia-ridden Colombia. At the end of 1981, a right-wing death squad called “Death to Kidnappers” (MAS, for its Spanish acronym), was formed by Colombia’s most prominent drug runners, who issued a mass leaflet to announce their existence as “the action arm of the Mafia.” Their emergence has not only been met with a resounding silence on the part of the Colombian authorities; it is being acclaimed in certain circles as a necessary, “if extreme,” precedent. According to one Colombia judicial authority interviewed by *EIR*, “the MAS has proven that terrorism can be dealt with,” and has established the need for certain “new legal precedents.”

Mafia control of life in Colombia has become so brazen that ironic press commentaries like the following have begun to appear in the national dailies. Writes satirist Antonio Caballero in the daily *El Tiempo* of Feb. 10:

“The Mafia is on the side of the institutions. And it is apparently for this reason that the Security Statute [a presidential decree establishing military control over the judicial process—ed.] has not interfered in any way with drug trafficking nor defended the judges who have been persecuted by the mafia. In a country where only subversion is a crime, the Mafia has become a bulwark of these institutions, as respectable as the Conservative Party’s National Directorate or the Council of State.”

---

## Documentation

---

# The Colombian M-19 and the drug traffic

by Valerie Rush

In Colombia, two interconnected sets of developments that have come to light since December 1981 afford a useful entry point for launching an Italian-style investigation into the networks which have converted Colombia into the centerpiece of the Latin American drug trade and into a dangerous source of instability for the entire region.

- On Dec. 9, 1981 the Mexican authorities arrested one **Jaime Guillot Lara**, a prominent Colombian drug trafficker operating out of Miami and, according to high-level Mexican sources, a leading member of the Colombian terrorist organization the **M-19**. Under interrogation, Guillot reportedly confessed being one of the M-19’s principal arms suppliers and provided details on several arms shipments he had made to the terrorists in the past few months. According to various public charges, including those of the U.S. State Department, Guillot had worked out a high-level deal with **Cuban** government officials through which his drug ships were allowed refueling and repair privileges by the Cubans.

One shipment of arms delivered by Guillot to the Colombian coastal city of Barranquilla was collected on Oct. 24, 1981 when an M-19 commando squad hijacked a Colombian airliner to carry the weapons to the M-19’s jungle hideout in the province of Caqueta. Another arms shipment to the M-19 was lost Nov. 16, 1981 when a ship, the *Karina*, which had just rendezvoused in Colombian waters with one of Guillot’s ships, was sunk by the Colombian Navy, presumably with the weapons aboard.

- During the month of December 1981, the **MAS**, a right-wing death squad suspected of military or paramilitary origins, began to operate in the drug-finance city of Medellin. Calling itself “Death to Kidnappers” (MAS is the acronym in Spanish), the death squad proclaimed itself to be the “action arm of the Mafia” dedicated to capturing and/or executing kidnappers who were preying especially on the local drug mafiosi and their families for the lucrative ransoms they brought. Among the 30 to 40 victims the MAS has claimed since then, many have been labor leaders and civic activists from the area. In addition, however, the MAS has reportedly kidnapped or fingered to the authorities as many as 100 members of

the M-19. The MAS has recently begun to spread its activities to the cities of Bogota, Cali, and elsewhere.

According to the Jan. 14, 1982 issue of the Colombian daily *El Siglo*, the MAS targeting of the M-19 represents a sort of "falling out among thieves." *El Siglo* explained that the M-19 and drug mafias had long maintained a profitable trade of arms for drugs, a business relationship upset by the M-19's decision to begin kidnapping mafiosi. *El Siglo* suggested that the ease with which the MAS has identified M-19ers is due to the long-standing intimacy the terrorists and the drug-traffickers have shared. The M-19 confirmed this in a public communiqué in which it claimed to know the names of the mafiosi behind the MAS, but would not reveal those names for fear of endangering at least 15 of their own members believed to be held by the MAS.

### The controllers

In order to fully understand the M-19 terrorists—their origins, their support networks, their financial controllers—it is necessary that such an investigation proceed from the standpoint laid out by Italian judge **Ferdinando Imposimato** in describing his methodology in going after the Red Brigades. Imposimato informed the press Jan. 17, 1982 that both "Red and Black terrorism"—i.e., of the left and right—were controlled by the same international forces, and that these included three principal elements:

- 1) Radical Arab networks linked in particular to Libya's terrorist dictator, **Muammar Qaddafi**. Qaddafi in turn is an important element in the **Propaganda-2** (P-2) Freemasonic lodge.
- 2) Elements of the Soviet **KGB** interested in destabilizing the West;
- 3) The Israeli intelligence service, the **Mossad**.

### Propaganda-2

The M-19's links to the P-2 lodge date back to the origins of the terrorist group in 1970, when the M-19 was identified with the political ideology of former Argentine dictator **Juan Perón**, a well-documented accomplice of the P-2 crime networks. The April 19th Movement, or M-19, was formed in the immediate aftermath of the April 19, 1970 presidential elections in Colombia which defrauded the followers of the **ANAPO Party**, headed by former dictator Gen. Gustavo Rojas Pinilla. Rojas Pinilla was a notoriously corrupt individual who openly modeled his 1955-57 military government on that of Argentina's Perón. The M-19 formed itself largely of ex-military men who had made up the leadership ranks of Rojas Pinilla's ANAPO party. One of the original M-19 founders, **Carlos Toledo Plata**, was active in the right wing of the Peronist movement in Argentina during the 1950s, where he studied as a medical student. He later returned to Colombia and

joined the ANAPO under Rojas Pinilla. Recent interviews with Toledo Plata reveal that the terrorist leader claims to have undergone a "conversion" from right to radical left during the period of his political activism. Toledo Plata is currently in a Colombian jail, accused of having masterminded both the M-19 assassination of Colombian labor leader **José Raquel Mercado** in 1976, and the January 1979 theft of some 4,000 arms from a military depot in northern Bogota.

The M-19's links to **Panama** and the **Torrijos** family also suggest a P-2 connection worth investigating, given the Torrijos family's suspected involvement in drugs and arms trafficking, as well as its long-standing close relationship to Juan Perón. Panama has long represented a safehouse for the M-19, especially for its present leader, **Jaimé Bateman**, who is believed to operate out of that country. In addition, Panama has frequently served as a "launching pad" for the M-19's activities, notably including the attempted "invasion" of Colombia on its southwest coast in March 1981.

### Socialist International

The M-19's close ties to the **Socialist International**, whose representative in Italy, Bettino Craxi's **Italian Socialist Party**, is implicated in the fascist P-2 conspiracy, also bear investigating.

- On Feb. 26, 1980, an M-19 commando group seized the embassy of the Dominican Republic in Bogota and demanded the release of a number of their jailed comrades. Asked by the press at the time to describe his group's political orientation, the commando leader responded, "Social Democratic." His model of the kind of society he wanted for Colombia, he stated, was "Austria's popular democracy"—the Social Democratic government of **Chancellor Bruno Kreisky**.

Kreisky, in fact, personally participated in the mediation efforts, and eventually sent the M-19 a telegram thanking them for releasing the Austrian ambassador who had been taken hostage. The Austrian government, according to the Colombian press at the time, had reportedly paid a ransom of one million dollars to the terrorists to obtain their ambassador's release, a move which reportedly infuriated the Colombian government. The Austrian government was also one of three governments to offer the M-19 asylum at the conclusion of the embassy affair.

While direct links between the M-19 and the Red Brigades have still to be confirmed, it is significant that the Italian government requested the extradition from Colombia of one **Leandro Barozzi** in February, a Red Brigader wanted in connection with the Aldo Moro murder. The Colombian government balked at the extradition request, while Barozzi himself is claiming that the charges against him are for "political," activities, and he therefore cannot be extradited.

## The KGB and the Mossad

Despite fierce denials of involvement in, or relations with, drug trafficking on the part of the Cuban government, there is conclusive evidence that at least a faction within that government, a faction linked to **Vice-President Carlos Rafael Rodríguez** and to tainted elements of the **Soviet KGB**, have a long-standing collaboration with the **Meyer Lansky**-led drug-mafia dating back to the Batista days of the 1950s and earlier.

Reliable Mexican sources have confirmed that drug trafficker Guillot did in fact meet with high Cuban officials and worked out an understanding, along the lines indicated above. Further, the Cuban government has time and again welcomed the M-19ers to Cuba with open arms following their terrorist operating—for example, after the Dominican embassy seizure referred to above and the more recent M-19 hijacking of a Colombian Aerotal plane in Bogota ending in Cuba.

- Mossad links to the M-19 must be sought in connection with the American corporation **United Brands**, the banana multinational whose Honorary Chairman of the Board, **Max Fisher**, is known to maintain a close working relationship with the Israeli intelligence agency. United Brands has had extensive operations in Colombia—under various names—for nearly 80 years, and currently has plantations in areas of the country which are notorious centers of drug cultivation and trafficking. Indicative of the kind of products United Brands cultivates is the fact that M-19 chief Jaime Bateman was raised on a United Brands plantation where his father was a UB foreman.

## Financial and support networks

As with the Red Brigades in Italy, the M-19 has had a host of well-connected “intellectuals” and apologists to serve as its funders, its propaganda outlets, and its contact points with the country’s “respectable” oligarchy. Several avenues of fruitful investigation are immediately apparent:

- *Alternativa*, the now-defunct magazine run by novelist **Gabriel García Márquez**, whose network has been transferred intact to the leftist political umbrella group, **Firmes**. *Alternativa* readily published the M-19’s communiqués throughout the 1970s, even going so far as to publish the results of a so-called plebiscite conducted by the M-19 on whether the kidnapped labor leader Mercado should be murdered or not.

- Gabriel García Márquez grew up in a United Brands company town in northern Colombia. He sought political exile status last year when he claimed that the Colombian military was seeking him for questioning regarding his links to the M-19. García Márquez is a member of the **Bertrand Russell Human Rights Tribunal**, which has frequently run cover for terrorist activities in Latin America and elsewhere. In Mexico,

where he has lived for the past 15 years, García Márquez was reportedly instrumental in setting up a **Colombian Studies Center**, which sources have reported to function as a safehouse for M-19 fugitives. Márquez’s close relations to both the Cuban and Panamanian governments are well documented.

- The **Michelsen** family in Colombia controls the **Grancolombiano** financial group, the single largest financial entity in the country, whose profits soared proportionally to the Colombian drug trade’s massive growth since 1975. The private lobbying group of Grancolombiano is the **National Institute of Financial Institutions** (ANIF), a think tank whose primary efforts over the past several years have been devoted to pressing for legalized drug trafficking. The former director of the ANIF, **Ernesto Sámper Pizano**, is currently the campaign manager of presidential candidate **Alfonso López Michelsen**, who has publicly urged amnesty negotiations with the M-19 terrorists in order to bring them into “an active role in Colombian politics.” López Michelsen’s candidacy has been endorsed by Gabriel García Márquez.

- **Alvaro Gómez Hurtado**, a leading right-wing Conservative Party senator linked to “black oligarch” circles in Europe associated with the P-2 lodge. Gómez Hurtado runs the newspaper *El Siglo* whose extensive coverage of the M-19 over the years has reflected an intimacy with the group’s operations. *El Siglo* employed one **Camelo Franco**, a member of an M-19 front group called the **Workers Self-Defense Movement** who was arrested for the murder of former Colombian Interior Minister **Rafael Pardo Buelvas** in September 1978. Gómez Hurtado’s brother-in-law and the former editor of *El Siglo* who hired Camelo Franco, **Hugo Escobar Sierra**, has been named by well-informed Colombian sources as suspected of involvement with the M-19.

- **Carlos Ardila Lulle**, a “self-made” millionaire based in the “drug capital” city of Medellin and politically associated with the Michelsen family. Ardila Lulle offered his personal executive plane to the M-19 terrorists who hijacked the Aerotal plane in January, enabling them to fly to Cuba. Lulle’s gangster methods of doing business have fostered the widespread suspicion that his fortune was made from the illicit drug trade.

- **Carlos Lleras Restrepo**, a former president of Colombia and a leading member of the country’s coffee oligarchy, is also a director of the **Banco Francés e Italiano**, one of the subsidiary banks of the P-2 linked bank **Sudameris**. Lleras Restrepo conceived and presides over a special government-backed “amnesty commission,” established for the explicit purpose of giving the M-19 terrorists legitimate cover and negotiating them into the political mainstream of Colombia. The amnesty proposal is vigorously backed by Lleras Restrepo’s protégé, presidential candidate **Luis Carlos Galán**.

## Otro Por Qué and Mexican terrorism

by Dolia E. Pettingell

In the aftermath of the Italian government's recent blow against the Red Brigades terrorists, evidence has come to light linking the Italian Red Brigades with Mexican and Chicano terrorists in San Antonio, Texas. This evidence, in turn, leads to a network of terrorist sympathizers associated with former U.S. Attorney General Ramsey Clark inside the Justice Department in Washington, D.C. The following is a summary of these findings to date.

- The Spanish-language underground terrorist magazine, *Otro Por Qué*, published and printed in San Antonio, Texas, is distributed in Italy by the Feltrinelli publishing house. Giangiacomo Feltrinelli, an Italian noble, supported the formation of the prototype of "left" terrorist organizations and their support networks, the Alpha group, in the late 1960s. Members of this group moved to Sicily to "study Mafia methods," and there members met with Michele Papa, the Socialist Party member who was Billy Carter's Libyan connection. Feltrinelli was himself killed by a bomb in 1969; his widow maintains the publishing house and the terrorist connections.

*Otro Por Qué* is written by a group that calls itself by the same name, which was introduced to the Feltrinelli operation and the Italian left sect *Lotta Continua* by an Argentine by the name of **Elías Condal**. Condal is a member of the Argentine **Partido Revolucionario de los Trabajadores (PRT)** a political party which gave birth to the terrorist **Ejército Revolucionario del Pueblo (ERP)** in 1970, for which it continues to be a support operation. Feltrinelli also publishes Condal's political writings. *Lotta Continua* assists the *Otro Por Qué (OPQ)* distribution network in Italy to publish posters and leaflets against "repression" in Mexico. *Otro Por Qué* is also distributed in Europe by support strata for the Colombian terrorist **M-19** group. *OPQ's* correspondent in Sweden is **Harriet Jansson**, married to **Javier Bustamante**, a Colombian whose brother is an M-19 leader. In France, *OPQ* is distributed by **Violane Coulondre**, whose M-19 husband is currently in jail in Colombia on charges of terrorism.

- The *OPQ* group's activities in Italy are carried out

in conjunction with the publishers of the Spanish-language *Debate* magazine, published in Rome and printed in Spain. *OPQ* editorial board member Isaiás Rojas recently told an interviewer that *OPQ* works closely with the *Debate* group, and that they had been put in touch via the Feltrinelli editorial house. The editorial board of *Debate* includes Red Brigades-linked Italians and former Latin American terrorists now exiled in Europe. *Debate's* editor, **José Luis Rhi Sausi**, is a former member of the Mexican **Liga 23 de Septiembre** who fled to Turin during the 1976 political amnesty. The Mexican "correspondent" for *Debate* is **Rosa Albina Garavito**, also a "former" Liga 23 member. *Debate's* editorial line is that Italy and Mexico share strong "political" and "social" conditions and that, therefore, the struggle against the "system" should be carried out through similar (terrorist) tactics in each country.

- *Sin Censura* is a recently issued magazine aimed at cultivating support for terrorism among intellectuals and other "citizens above suspicion." (**Osvaldo Soriano** appears on the masthead of this magazine and *Debate*.) The editors of *Sin Censura*, which include famous Latin American writers such as the Colombian **Gabriel García Márquez** (an open supporter of the M-19 and also an editor of *Debate*) and the Argentine **Julio Cortázar**, have put together a group of high-level Socialist International-linked human rights defenders, in an attempt to give their publication credibility: **Lord Averbury**, British member of Amnesty International; **Ernesto Cardenal**, a Trappist monk and Nicaragua's Minister of Culture; **Regis Debray**, the "former" guerrilla friend of Che Guevara who is now an adviser to French Socialist President François Mitterrand; **Carlos Andrés Pérez**, the former Venezuelan President and member of the Socialist International; **François Rigaux**, Belgian President of the Lelio Basso Foundation; and the French admiral **Antoine Sanguinetti**. The list of *Sin Censura's* collaborators includes many Jesuits and Jesuitical writers, such as **Pablo Latapí** and **Marcos Kaplan**.

- *OPQ* is the result of a 20-year alliance between some of the most dangerous terrorist elements on both sides of the U.S.-Mexican border. The editorial board of the *OPQ* group includes Mario Cantú, Fausto Trejo, Isaiás Rojas and "Rafael Tinoco," the pseudonym used by Juan Ortega Arenas.

**Mario Cantú** is the San Antonio-based Chicano leader who back in the 1970s was sending arms to Mexican guerrillas in exchange for drugs. In the late 1960s, Cantú served five years and nine months in U.S. federal prison after being convicted on heroin charges. Since then, Cantú has travelled on and off to Europe and Mexico (Monterrey) as a fugitive from U.S. law enforcement forces. He is currently living in San Antonio, Texas.

Cantú's "southern connection" in the 1970s was the late **Florencio ("Güero") Medrano**, the leader of the

armed guerrilla group **Partido Proletario de México** (PPM). "Güero" had his base of operations in Cuernavaca, Morelos, where he was in touch with both the CIDOC brainwashing center directed by **Ivan Illich**, and with **Sergio Méndez Arceo**, the radical bishop of Cuernavaca. Medrano was killed in 1979 by Mexican troops. Since 1979, Cantú has increased his ties with other well-known Mexican terrorists, all of whom have served time in Mexican jails on charges related to terrorist acts and drugs.

**Juan Ortega Arenas**, who writes under the name **Rafael Tinoco**, has recently been reactivated in Mexico to try to lead a mass-based "dissident" labor movement against the Mexican government. In a recent interview, Ortega Arenas spelled out his desire to see Mexico turned into another Iran. "Iran had one of the most modern armies and only 2 million people in Teheran. Nonetheless, the masses overthrew the monarchy. Think about Mexico: here we have a small army of 80,000 while Mexico City has 12 million people. Imagine what they could do." More important than Ortega Arenas' often-noted Cuban links are:

1) his training in Jesuit primary and secondary schools and his close ties to the Jesuit creator of the Liga 23 de Septiembre terrorist group, **Herman von Bertrand**; and

2) ongoing close contacts with the Israeli intelligence branch, the **Mossad**. In 1980, Ortega Arenas visited Israel invited by the Histadrut labor federation. On his return, he talked frequently about the "wonderful Israeli kibbutz," which he called a "true show of solidarity."

- The San Antonio Cantú-led branch of the *OPQ* group has over the years developed a support network that includes both lawyers and Church people. The two most prominent names in this support network are **Rubén Sandoval**, a "human rights" lawyer who works closely with Cantú, and **Patrick Flores**, the Chicano "liberationist" bishop of San Antonio. In the 1970s, Bishop Flores and his Mexican counterpart in Cuernavaca, Méndez Arceo, jointly attended rallies in San Antonio in support of Cantú and other Chicano terrorist leaders.

- **Rubén Sandoval**, **Mario Cantú**, **Corky González** (Denver), **Herman Vaca** (San Diego) and **Ricardo Romero** (Denver), received in the late 1960s a \$250,000 grant from the U.S. Justice Department to "help" them fight for human rights. Out of this, Sandoval created the San Antonio-based **Centro Legal de Derechos Humanos** (Legal Center for Human Rights). Justice Department-Chicano relations are run through the **Community Relations Service** (CRS) division of the Department, a mechanism created by former Attorney General Ramsey Clark to promote "social leaders" among ethnic communities. The current director of the CRS is **Gilbert Pompa**, himself part of the San Antonio Chicano nest both by disposition and by marriage into Sandoval's family.



## A call for mass insurgency

The overall message of *Otro Por Qué* magazine is glorification of bandits, guerrillas, and terrorists. "The causes which began the peasant wars of 1910-17 have not ceased," declared an article in a September 1981 issue. "The peasants are at the point of returning to take up arms with their own hands. The Revolution has not ended: it has barely begun!"

Regularly reprinting bulletins from the Iranian Embassy in Mexico City, *Otro Por Qué* holds up the "Islamic revolution" there as a model which "has achieved a 'lowering of consumerism, and an increase in the quality of distribution of wealth, which must be limited to satisfying the basic necessities of individuals and society.'"

The editorial in the September issue calls upon its readers to prepare for a general strike: "In the face of the general failure of capitalism at the national and international level." An interview with three jailed members of the terrorist 23rd of September League in the same issue demands, "Raise high the banner of the revolutionary civil war," and upholds "the clandestine struggle."

# Scandal aimed at Schmidt's labor base

by Susan Welsh

The Chairman and two other board members of West Germany's trade union-owned construction firm Neue Heimat were dismissed Feb. 13, the result of a Brilab-style scandal launched by *Der Spiegel* magazine. The other board members of the firm—Europe's largest construction company—have been suspended pending the results of an investigation into alleged unethical financial manipulations.

Albert Vietor, who has headed Neue Heimat since 1963, is accused of using his position to promote private business interests. *Der Spiegel* alleges that Vietor and other highly placed officials invested in property development and real-estate speculation in West Berlin, where such investments can be claimed as tax allowances. The magazine states that trade-union federation chief Heinz-Oskar Vetter, his designated successor Alois Pfeiffer, IG Metall union head Eugen Loderer, and Bonn Defense Minister Hans Apel were also involved.

Organized-labor sources in West Germany told *EIR* that the scandal is aimed against the trade unions in general, Chancellor Helmut Schmidt's principal base of support. The intent is to put the traditionalist, trade-union-based wing of the Social Democratic Party on the defensive and to box in Pfeiffer, the designated new chief of the German Trade Union Federation (DGB), these sources believe.

Current DGB chairman Vetter hinted at such a plot when he said Feb. 15 that "other things" appear to be involved here. Vetter also responded to recent statements denouncing the trade unions as "too powerful" by Geunter Verheugen, general manager of the Free Democratic Party (FDP) and a friend of *Der Spiegel* editor Rudolf Augstein. The two assaults on organized labor seem "strangely timed," said Vetter, in what a spokesman for the DGB told *EIR* was a "warning shot" to signal that the unions intend to fight back.

*Der Spiegel* is one of the most unscrupulous muck-raking publications in the world; among other things, it played a crucial role in toppling the conservative government of Chancellor Konrad Adenauer in the early 1960s. The magazine is particularly hostile to Helmut Schmidt.

*Der Spiegel* based part of its two-part exposé on material received from the McKinsey consulting firm,

based in New York City and London, which conducted a financial reorganization of Neue Heimat last year.

## Effect on Bonn coalition?

The "Neue Heimat" scandal hits at a time of extraordinary political sensitivity in West Germany, when Chancellor Schmidt is being threatened with assassination by terrorists, and a powerful faction in Washington has vowed to topple him by any means. His party faces crucial state elections upcoming in Hesse, Lower Saxony and Hamburg, as well as a national congress in April at which the left wing is promising to make a major show of force against Schmidt.

After a bitter fight within the ruling coalition, the government announced a program to cope with unemployment Feb. 3. The union federation chiefs agreed to support Schmidt's program, even though some of them thought it did not go far enough in creating jobs.

The program provides that industries which increase their investments over the level of the last three years can get an investment grant of 10 percent from the government—a provision of 4 billion deutschemarks from federal funds. Federal funds will also subsidize low-interest credits for environmental investments that will make possible an expansion of industrial production. The program will be financed by an 11 percent increase in Value Added Tax by July 1983, providing DM 5 billion in additional revenue in 1983 and DM 8 billion in 1984. Other savings will be made through austerity measures.

The program, as far as it goes, provides a basis for stimulating investment and thereby employment, although as Schmidt has repeatedly stressed, Germany's economic problem cannot be solved domestically, but require in particular a shift in U.S. interest-rate policies.

While the Bonn coalition weathered the fight over the employment program, FDP Chairman and Foreign Minister Hans Dietrich Genscher has indicated that he will tolerate no further concessions to the unions. Schmidt relies on the FDP for his parliamentary majority, and U.S. anti-Schmidt forces are looking to Genscher to "take a walk"—break with Schmidt and ally with the Christian Union parties instead, toppling the Schmidt government. Genscher has indicated, according to the current issue of *Der Spiegel*, that if any of the government employment program's provisions are altered, the FDP would split.

But Genscher is constrained, according to a high-level conservative trade-union source, by the fact that the FDP itself is divided, and cannot risk a public image as anti-labor. The FDP faces four state elections this year, and if its vote goes below 5 percent it will be excluded from state parliaments, weakening its national bargaining power substantially.

## Apel: 'Don't play into Moscow's hands'

by George Gregory, Bonn Bureau Chief

"This Wehrkunde meeting is taking place amid increasing tensions in the Western alliance," said West German Defense Minister Hans Apel in his opening address to the annual meeting of the private military association Wehrkunde in Munich the weekend of Feb. 13. "Are we really agreed on future orientations of our policy toward Eastern Europe and the Soviet Union?"

Do we have common, shared answers on how to meet the tremendous economic and social challenges of our own nations, as well as worldwide?"

Apel's pointed remarks undoubtedly surprised a number of persons in the American delegation. His evaluation of strategic realities is clearly even harsher than that of U.S. Secretary of Defense Caspar Weinberger, who arrived in a "Bonn-bashing" mood. Senator Tower's parrot-like claim that the West German government is suffering from "nostalgia for détente," and Senator Glenn's glowering that the U.S. Senate might well vote to withdraw American forces from Europe if "Europe," which always means West Germany, doesn't do "more" for its own defense, was far from the mark if they expected to impress Apel.

The West German Defense Minister was perfectly willing to engage in a little quid pro quo. Europe do "more"? Fine, said Apel. But then why don't the Americans realize that their high interest rates have seriously depleted Europe's economic resources? You would like us to reallocate resources to "conventional armament" buildup? You would like us to do so, as Mr. Weinberger stipulated and NATO General Rogers has stipulated, at a 4 percent annual rate of defense increase, instead of the current guideline of 3 percent? Very well, said Apel. "Then, let us also discuss the issue of U.S. universal military training" [the draft].

Apel might also have mentioned the 22,000-man reduction in British NATO forces slated for 1982, as well as broad cuts in British bomber and naval fleets. But then, no one really expects the British, whose industry has hit a 15-year low and is still sinking, to field a serious military force.

Apel laid out a number of basic principles of the power equation. "Policy toward Eastern Europe can neither be aimed at supporting the power bloc of the

Soviet Union, settling for the status quo, nor can it be aimed at overthrowing that power bloc, because the result would be war. . . . We want to carry out a policy which gets us further in Europe, which overcomes the status quo, which does not play into the hands of the hawks in Moscow."

The pointed finger could hardly be missed. The question asked of those who aimed to "overthrow the Soviet power bloc," those who want a showdown, was just whom the showdown is supposed to be directed at: the Soviets or Bonn? The effect of confronting Bonn is that the Soviets are going to get the idea that the alliance is willing "to allow Western Europe to become a power vacuum," said Apel. It was odd that Senator Tower, who was wise enough last year to acknowledge the damage done to Western military capabilities by America's high interest rates, this year closed his eyes tight on that issue.

### 'If you make yourself a sheep'

Hans Apel made the reply that unilateral disarmament is obviously ridiculous. But just as obvious is that economic debilitation resulting from Paul Volcker's interest rates is just as much unilateral disarmament as retiring all armed forces and junking strategic capabilities. Quoting a Russian proverb, Apel said: "If you make yourself into a sheep, you will always find a wolf in your neighborhood."

Word is out that the Weinberger crowd thinks the United States ought to steer toward autarchy—"Fortress America." Given the state of the U.S. economy, and the world economy thanks to U.S. credit policy, as well as U.S. military capabilities, that is more than ridiculous in the eyes of the tougher Europeans. "Those who put the ties between North America and Western Europe into question not only endanger the Western Alliance," said Bonn's defense minister. "They thereby increase the danger of war. . . . National egotism by no means determines our policy. . . . Détente is part of a comprehensive Western strategy, not merely derived from German interests. Without the European pillar of detente policy, things would look much worse in other parts of the world than they already do."

As for those "other parts of the world," the Third World, stability and Western interests there are "primarily a political issue in any case, not solely a military issue." For Bonn, said Apel, "an extension of NATO territory is not up for discussion." Yet he went further: for the West as a whole, "the Third World is not a theater of our foreign policy."

"There is no doubt that the Soviet threat has increased more rapidly than the military answer to it from the Western side," but this is not something Bonn has not realized. "We are not wanderers between the worlds—our policies remain constant, reliable and calculable," he concluded.

## Haig's courtship wins apparent success

by Dennis Small, Latin America Editor

A sense of satisfaction has been exuding from the U.S. State Department over the current direction of relations between Brazil and the United States. After seven years of increasingly independent foreign policy and domestic economic development plans, Brazil is beginning to return to the fold and follow American policy leads—as defined by the people now running U.S. foreign policy, Alexander Haig and his mentor Henry Kissinger.

This emerged most clearly in the wake of the mid-January trip to Cuba by one of Brazil's leading industrialists and head of the Brazilian Chamber of Commerce, Ruy Barreto. Barreto led a five-man delegation which stayed in Cuba for five days, during which time it met with Fidel Castro for four hours, and discussed trade deals between the two countries totaling no less than \$1 billion per year.

Since anti-communist Brazil currently has no ties—either diplomatic or commercial—with Cuba, Barreto's visit received a good deal of press attention. The Brazilian business leader encouraged this publicity by traveling to New York for a prominent speaking engagement immediately after his Havana trip. And amid predictable but unconvincing finger-wagging from Planalto, the Brazilian presidential palace, and from Itamaraty, the foreign ministry, as well as from the Reagan administration, the truth of the Barreto trip emerged: it had been pre-planned with U.S. Vice-President George Bush.

Bush's office has of course denied this report, but reliable Brazilian source told *EIR* that the Barreto trip was quietly okayed by both the Brazilian government and Mr. Bush. Henry Kissinger's home base, the Jesuit Georgetown University's Center for Strategic and International Studies (CSIS), brags that it masterminded the whole project.

The unmentioned part of this potential Brazilian-Cuban deal is this. In exchange for urgently needed trade and other economic aid from Brazil, Castro is being invited to allow Brazil to replace Cuba's role in Africa, and facilitate the return of Cuban soldiers to the island. Since Brazil has developed excellent relations with Black Africa—in particular with Angola, where it already has

extensive economic interests—Kissinger and Co. are hoping that Cuba might accept from Brazil what they would never tolerate coming straight from the United States. Brazil, for its part, is willing to play the game only if it is not openly identified as an American surrogate. There is no indication at this point of whether such an arrangement would be acceptable to Castro.

For Kissinger and Haig, a Brazilian role in Africa—in itself not necessarily either good or bad—is only one aspect of a far-ranging “package deal” being negotiated between the U.S. and Brazil—a deal of a scope unseen since the days, almost a decade ago, when Secretary of State Kissinger established a “special relationship” between the two countries.

What the State Department is offering Brazil in exchange for the African deployment, and for otherwise “returning to the fold,” is one simple item: political and economic stability during the crucial 1982 congressional elections in that country. Without this, the ruling PSD party fears it will run the risk of losing its grip on power. State's offer entails the following:

1) A slight easing up on the economic pressure Volcker's stratospheric interest rates have inflicted in Brazil. On top of its publicly admitted need for \$18 billion in loans to cover this year's debt service, Brazil also requires another \$8 billion to roll over short-term paper. Without some kind of debt relief, the military government will lack both the financial resources and the overall economic conditions necessary to win an election. In a word, the U.S. banks have Brazil over a barrel.

2) The State Department has finally agreed to allow Brazilian President Gen. J. P. Figueiredo to visit the United States in May of 1982. Figueiredo had long sought this invitation, which is crucial to bolstering his domestic image.

The shift in U.S.-Brazil relations has become visible only over the last few weeks, but the real turning point can be identified as occurring in August 1981. It was then that State Department and Israeli pressure combined to force the retirement of President Figueiredo's principal policy adviser and the *eminence grise* of the Brazilian regime, Gen. Golbery de Couto e Silva. Golbery had resisted hitching Brazil's future to Kissinger's wagon, and defended an independent pragmatic foreign policy. His removal has meant the waning of the power of his entire “Sorbonne” faction in the military, to the benefit of the opposing “Medicista” faction, which is named after the hard-line former President, Gen. Garrastazu Medici. Thus, Golbery was replaced by one of Medici's former top advisers, Gen. Leito de Abreu. And there are persistent rumors in Washington that Brazil will soon be naming a new U.S. envoy to replace Ambassador Azeredo Da Silveira, and that he too will come from the Medici camp. The name of former Foreign Minister Gibson Barboza is among those frequently mentioned.

## Report from Paris by Katherine Kanter and Sophie Tanapura

### The Francisci aftermath

*The Socialist government has cracked down on certain mafiosi, so their competitors can take over.*

On Jan. 15, the body of Marcel Francisci was found in the garage of his Paris residence. He had been murdered. Sources including U.S. and French drug-enforcement and customs viewed Francisci as the "French Connection" boss.

He came to the attention of Americans when he sued *Time* magazine in 1963 for linking him to dope traffic. Francisci, head of a Sicilian clan, lost, and paid *Time* \$30,000 in damages.

But despite the evidence confirming *Time's* charges, Francisci was never touched by the law—until his death. The law, in this case French Interior Minister Gaston Defferre of the Socialist Party, came to everyone's mind when Francisci's body was discovered.

The murder occurred amid renewed mob-warfare in France and elsewhere. In France, the mob warfare began shortly after François Mitterrand's Socialists took power.

The assassination signifies what may be a major reorganization of French organized crime, the first since the 1960s "Casinos Wars," when Francisci wiped out the competing Guerini clan.

Gaston Defferre was previously Mayor of Marseilles, the French dope entrepôt. No sooner did he have the police at his disposal than Francisci's establishments began to be hit. The Cercle Haussmann's operating license was withdrawn. The Eghien casino near Paris lost licenses. The Mayor of Nice, Jacques

Medecin, linked to Francisci, was tied to the Ruhl casino, and it was shut down.

*Le Monde*, the Paris daily, suggested that Francisci's death was in fact connected to the "change in regime." The Corsican correspondent for the newspaper *Quotidien de Paris*, Jean-Claude Lefrenchi, also said as much.

Most of Francisci's friends were on the side of the pre-Mitterrand majority in France. According to Lefrenchi, it was no secret that Francisci had important Socialist friends who benefited from his links with the Giscard government. Some observers were surprised, continues *Le Quotidien*, when instead of returning the favors, Francisci started having problems with the new authorities.

Many published sources on international drug traffic have confirmed that Gaston Defferre's 30-year mayoralty of Marseilles made it an international heroin center after the Second World War. British intelligence—which oversees the traffic from Indochina, China, and its Hong Kong financing—hand-picked Defferre to be ruler of Marseilles. For years, Defferre was working in this connection with the Guerini clan, which organized his "security" in Marseilles.

Meanwhile, the press campaign that led to the close of Jacques Medecin's Ruhl casino was organized by a Socialist Party official in Nice, Max Gallo. Next, British intelli-

gence agent Graham Greene, author of "espionage novels," announced publication of a new book exposing Medecin's mafia connections. He called upon Interior Minister Defferre to finish Medecin off.

That was in the nature of an order. It was British intelligence that organized the Socialist mafia, out of the "Brutus" resistance network during World War II, run by Defferre—and by the Guerinis.

Francisci was based in Tangiers between 1948-52, shuttling between Saigon, Beirut, and Marseilles. Reportedly, he took a major share in the Casino du Liban in 1958. Its suspected holder was Yousef Beidas, formerly of Barclay's Bank, a "respectable" British money laundry for the dope trade. Beidas now heads Intra Bank de Lebanon, an institution associated with Mideast dirty-money flows.

In 1962, Francisci moved into the British markets, acquiring a share in several London casinos. Three Francisci brothers and a close associate, Yousef Kheida, moved to London. Kheida, a friend of Yousef Beidas, runs Cercle Haussmann, Francisci's Paris casino, and is involved with France's number-one casino at Divonne les Bains, which is partly owned by Ely de Rothschild.

At the height of the 1960s casino wars, the British banned Francisci from England. But his elimination of the Guerini clan made him pre-eminent in France. Now the Socialists and their British friends appear to be turning the tables.

It is also rumored that Francisci's relations with Meyer Lansky had grown strained over a recent period.

*This column was contributed by Christine Juarez of our Paris bureau.*

### C'est Lavie

*Ariel Sharon's billion-dollar sure thing: an Israeli jet that may signal an alliance between hawks and hoods.*

Almost unnoticed in the West, Israeli Defense Minister Ariel Sharon and Co. have launched Israel onto a \$1.1 billion development program aimed at producing a new generation of Israeli warplane, the Lavie. The decision to go ahead with the Lavie production, after a number of years of debate, provides a critical insight into the long-range thinking of the ruling clique in Israel.

It is not a hopeful sign.

According to available evidence, the supersecret decision to build the Lavie—which is a major strain on Israel's inflation-ridden economy—represents nothing less than an overt preparation by Israel to “go it alone,” i.e., to break with the United States.

While some Israelis naively view the Lavie project as an Israeli industrial project of importance in itself, there is no question that the circle around General Sharon—who is said to make Prime Minister Begin look like a dove—intend the Lavie project as something far more sinister.

The key Israeli circle around Sharon in this connection is comprised of Minister of Cooperation Yaacov Meridor, Israel's Ambassador to the U.S. Moshe Arens, the Sharon-allied elements of the religious parties, and Meridor aide Arye Genger. Genger, an American, was employed until recently by the Rapid American Corporation. RAC President Meshulam Riklis, a reputed associate of organized

crime, is said by Israeli intelligence sources to be the chief sponsor of Sharon's post-1973 rise to power.

Late last year, Genger was the subject of intense controversy in Israel when he was brought over from New York to become Sharon's aide for military-industrial production, a field that obviously includes the Lavie fighter.

After an unprecedented general strike at the Israeli Defense Ministry against the Genger appointment, Genger was forced to decline the position, instead quietly taking up a position as an aide to Meridor. Meridor, of course, a veteran of the 1940s-era Irgun underground, has long been a backer of Sharon.

And Moshe Arens, who presented his credentials as the new Israeli Ambassador to the United States on Feb. 16, is said to be the “brains behind the Lavie project.” Arens, for many years, was the mover behind the Israeli air force and the Israeli Aircraft Industries (IAI). According to some Israeli sources, Arens is closer to Yuval Neeman, the extremist ex-Mossad official, than to Begin himself, having opposed the Camp David pact as too pro-Arab!

Arens, Sharon, and co. are prepared for an open break with the United States. Mossad-linked sources believe that Sharon and Co., spurred by their Swiss and organized-crime backers, might even contemplate a raid to destroy the Saudi oil fields in a bid to eliminate

the primary source of Arab Power, despite the wrath such an action would provoke from Washington.

The Lavie project is of paramount importance for Israel's future strategy.

Under normal circumstances, it would be insane for Israel to invest huge resources to develop a plane that will not be produced until 1990. The decision to go ahead with Lavie thus presumes that 1) Israel will not reach a peace agreement before then, and 2) the United States cannot be relied upon as a military supplier.

Both assumptions are ominous.

An additional angle on Lavie is that hundreds of the \$9 million planes will be produced not for Israeli use, but for export. A long list of countries in Latin America, Africa, and Southeast Asia is being approached by Israel arms officials to secure preliminary accords on the Lavie export. In Latin America, those sales are being coordinated by Gen. R. Zeevi, known by the misnomer “Gandhi,” who is a kingpin of Israeli crime syndicate affairs.

In mid-February, possibly linked to the Lavie project, Begin held an unpublicized summit meeting with Zeevi and Ehud Olmert, who had previously attacked Zeevi as the head of the Israeli mafia.

Still unsolved is the question of where the funding for the Lavie project will come from. The *Jerusalem Post* says that the funding is “secret,” and four American companies (Pratt and Whitney, McDonnell Douglas, General Dynamics, and Northrop) are involved in partial financing discussions. But gangster Meyer Lansky's billions may prove to be a more practical source of funds.

## **A nuclear test center for Sonora**

*Governor Ocaña has called on Mexicans to start the transition from the petroleum era to the nuclear era.*

**O**n Feb. 15, the governor of the state of Sonora, Samuel Ocaña, and the director of the National Institute of Nuclear Research (ININ), Dalmau Acosta, announced that Sonora had been chosen as the site for Mexico's controversial nuclear testing center. Ocaña, who is viewed by President López Portillo as one of the country's most competent governors, declared, "Nuclear energy will give us the opportunity to desalinate sea-water, which can be used in the enormous plains of rich land of Sonora," Ocaña stated. He added that he would like "these centers to assimilate the science and technology of other countries, and to enrich them, so that we can build our own nuclear technology."

I received reports from firsthand witnesses of this event, who remarked that the enthusiasm with which most Sonorans greeted the news of the forthcoming construction of the nuclear center sharply contrasted with the nationwide brouhaha that environmentalist groups raised last year when the same ININ announced its intention to build the center in Pátzcuaro, Michoacán. Unlike Ocaña, the Michoacán governor, Cuauhtémoc Cárdenas, sided with the environmentalists, and argued that the center would endanger the ecology of the nearby Lake Pátzcuaro.

Last December, in our special monthly consulting service on "Mexico's Energy Policy," *EIR* broke the story that Sonora was the

front-runner to win the competition with other Mexican states for siting of the nuclear test facility. "The ININ is known to be studying a proposal of its own for installing a special nuclear training facility in Sonora, after the failure earlier this year of installing one in Pátzcuaro, Michoacán," we wrote at the time.

The Ocaña government has for some time led efforts to bring the most advanced technologies to Mexico. For example, last October the state organized an impressive industrial exposition where it featured plans to make of Sonora a regional pole of industrial development.

Ocaña has also strongly lobbied for the continuation of the construction work on the PLHINO, a huge hydraulic project to bring surplus water from the state of Sinaloa to the rich but dry agricultural regions of Sonora. PRI presidential candidate Miguel de la Madrid recently endorsed the PLHINO concept, and committed his administration to completing it.

Ocaña's performance as governor has made him a rising star on the national political scene. According to political observers in Mexico City, after his governorship he will move to a high post either in the PRI national leadership or in the incoming De la Madrid administration, since he is viewed as a figure who can rally pro-development forces nationally. Asked whether there was any guarantee

that the next federal government would carry on the López Portillo government's commitment to nuclear energy, ININ director Acosta stated pointblank: "Governor Ocaña is our guarantee."

Recent concessions by PRI presidential candidate Miguel de la Madrid to the Wharton School's zero-growth, environmentalist programs for Mexico, have brought this into doubt. In a meeting on "ecological planning" in the state of Tabasco Feb. 13, De la Madrid engaged in a long rationalization of the PRI for the first time "raising the ecological banner in the political fight." These statements are now being lauded by the Jesuit left and Social Democratic-tied circles in Mexico as a signal that the powerful ruling party has finally yielded to pressures to "go greenie."

This same crowd is also hurriedly moving to set up a base of operations in Sonora, and organize "grass-roots" opposition to the Ocaña government's industrial programs. In February, a group of zero-growth and environmentalist academics announced the formation of the "Colegio de Sonora," a branch of the "Colegio de Mexico," the oldest and most powerful think tank for the promotion of the Club of Rome "limits-to-growth" theories in the country. These networks have also made inroads in the University of Sonora's Center of Scientific and Technological Research, and have developed close contacts with Jerry Brown-connected environmentalist groups in California and Arizona.

---

*For further information on EIR's monthly consulting service, "Mexico's Energy Policy," call Peter Ennis at (212) 247-8820.*

# International Intelligence

## *Moscow sends out 'feelers' to Peking*

Soviet Premier Nikolai Tikhonov told the Japanese daily *Asahi Shimbun* Feb. 14 that "there are no problems in Sino-Soviet relations that could not be decided on the basis of equality and in the spirit of mutual understanding," adding that Moscow will not avoid "concrete steps" to improve ties between the two nations.

The Soviet offer, in the context of political changes taking place in China, is based on Moscow's perception that Chinese foreign policy is moving away from the "China Card" relationship with the United States, and may result in a less hostile attitude towards the U.S.S.R. No official response has been made to the Soviet overture, but the Feb. 15 *Washington Post* noted that low-level border talks may resume soon between the Soviets and China.

Peking issued the latest in its series of scathing attacks on U.S. policy in the Third World Feb. 14. The New China News Agency (Xinhua) condemned Washington's repression of "national liberation movements" in Central America and also declared that the United States, having "lost control" of the United Nations, can "no longer order other countries about at the wave of a hand."

## *Schmidt appeals for strategic sanity*

In two interviews released Feb. 16, West German Chancellor Helmut Schmidt warned that the wrong kind of "moral pressure" or threats of violence are worse than useless in the Polish and Middle East situations.

In an interview published by the London *Guardian*, Schmidt stated that "moral pressure" on Poland or the Soviet Union could encourage "the danger of—I am not going to use too strong a word—re-Stalinization." For Western

nations to complain now that negotiations conducted at Yalta and Teheran during World War II, which had excluded Poland from the East bloc, were now being violated, is only wishful thinking. "There must not be the illusion that the facts after Yalta and Teheran can be altered by moral or political pressure or by force," Schmidt stated, adding, "psychologically mistaken influences are emanating from Western Europe and America" on Poland.

Schmidt criticized French Foreign Minister Claude Cheysson's statement that the 1978 Venice declaration on the Middle East was now irrelevant, in an interview with the magazine of the Egyptian government party, *Mayo*. In the Venice declaration, European nations agreed that they must play a role in negotiating the Palestinian issue, and that the Palestinians must have representatives at any negotiations held.

This was the first public indication Schmidt has given of distrust of the "independent" Mideast posture French Socialist President Mitterrand is attempting. He also stressed that Israeli Prime Minister Begin's continuous threats of military attack do not correspond to the political reality of the region.

## *Khmer Rouge still devastating Cambodia*

Pol Pot's Khmer Rouge is continuing the genocide that slaughtered 3 million people in Cambodia before the Vietnamese liberation in 1978, as reported by the *London Guardian* Feb. 16:

"In contrast to the generally impeccable behaviour of National Liberation Front and North Vietnamese troops towards peasants during their war with America, the Pol Pot forces seem to have lost none of their brutality.

"One way that Khmer Rouge fighters are feeding themselves is by raiding outlying villages. One hamlet was attacked . . . and the inhabitants report that Khmer Rouge troops stripped them of their year's supply of rice, and took away

as many pigs, chickens, and cattle as they could find. Then, before they left, a villager claimed, they burned several houses 'for no reason at all.'

"In any year, a loss like this would be serious: this year, it may well spell disaster for the peasants. The main harvest has been bad all over the country. . . . Much of the rice withered in a drought which began half-way through the growing season. The chances that the Government will be able to make up the stolen rice are dim.

## *'Final solution' for Palestinians?*

The Begin government in Israel is preparing a large-scale massacre of Palestinians in southern Lebanon and the occupied West Bank. According to the plan, whose chief proponent is Israeli Defense Minister Ariel Sharon, a flood of refugees out of Lebanon and the occupied territories will result, paving the way for the elimination of Jordan's King Hussein and the transformation—as per Sharon's long-standing design—of Jordan into a Palestinian state. The Begin government has no intention of allowing the West Bank to become the state for the Palestinians.

The massacre process is already under way, as Israel prepares to invade Lebanon and liquidate the Palestine Liberation Organization there. On the West Bank, bloody clashes have broken out as a result of Israeli provocations. Israeli authorities are deliberately whipping up pro-Khomeini Muslim Brotherhood extremists on the West Bank and pitting them against pro-PLO Palestinian nationalists. "Let them kill each other off," said one Israeli source. "It'll save us the trouble."

In addition, Israeli officials are provoking West Bank unrest directly through their decision to close down Bir Zeit University, a stronghold of Palestinian nationalism, for two months.

The closure of Bir Zeit came as a result of a visit to the university Feb. 15

by a representative of Menachem Milson, the Israeli governor of the West Bank who was recently appointed to his post as part of Israel's step-by-step annexation of the occupied territories. Bir Zeit officials warned Milson that a visit by his representative at this time would only inflame tensions. Milson ignored the warning, and his representative visited the campus, provoking clashes between students and the police and the closure of Bir Zeit. Demonstrations have since broken out throughout the West Bank between Israeli troops and the local population. A major clampdown on the West Bank could lead to a full-scale massacre.

Adding to the tensions is Israel's decision to assign the fanatical Meir Kahane, former leader of the terrorist Jewish Defense League, to the West Bank town of Ramallah to do his army reserve service. Kahane, who advocates the expulsion of all Arabs from the West Bank and Israel, was imprisoned several years ago and barred from Ramallah because of his terrorist activities.

---

### ***Papandreou continues to provoke Turkey***

Turkish officials warned in mid-February that the Greek government of Andreas Papandreou is trying to provoke Turkey into a showdown by preparing to extend Greece's territorial waters from 6 to 12 miles into the Aegean, a move that would cut into Turkey's access to international waters from its Aegean ports.

The Socialist International-backed leader is expected to take the action as early as next month after the Law of the Sea Conference endorses a Greek 12-mile territorial claim.

Turkey's Foreign Minister, Ilter Turkmen, last week issued a public warning to Greece and informed Turkey's ambassadors to alert the Atlantic Alliance of the gravity of the situation.

The leader of Papandreou's opposition within Greece, Evangelos Averoff,

has expressed fear that Papandreou may be inviting a disaster from the militarily superior Turkey.

---

### ***Agha Shahi resignation shows Zia's weakness***

Highlighting the growing instability of the regime of Pakistani dictator Ziaul Haq, Foreign Minister Agha Shahi suddenly resigned Feb. 16 on grounds of "ill health." Pakistan announced he would be replaced by General Yaqub Khan, the current ambassador to France and a former ambassador to the United States and Soviet Union.

No immediate policy change will result from the shift. It had been rumored for weeks in Pakistan that Shahi, a weak figure, would be replaced some time this year by General Khan, who is a powerful individual in the Zia junta. However, the rapidity with which the resignation followed Shahi's much-criticized handling of the India-Pakistani "no-war pact" early in February indicates a serious faction fight in the ranks of the Zia junta.

General Khan has been one of the figures pushing for Pakistan to temporarily ease tensions with India in order to free troops to police the Persian Gulf, and wanted to limit direct U.S. presence in the Mideast.

This view was under severe criticism from members of the junta who criticized the talks with India and want a closer direct military relationship with the United States. Leaders of this "right-wing" faction include two generals named by *EIR* as linked to Pakistan's drug mafia, Fazle Haq and Rahamuddin. Both have been rumored as successors to Zia.

It is not known how the Khan appointment affects this faction fight. The Zia junta as a whole is extremely fragile and unpopular, and survives only through the increasing use of such tactics as the recent arrest of 700 opponents. Should Zia himself be removed by one faction, the stage might be set for a sudden downfall of the entire regime.

## ***Briefly***

● **EINHEIT**, the newspaper of the West German miners' union, has challenged Horst Ehmke, a hard-core State Department operative within Willy Brandt's faction of the Social Democratic Party. Ehmke had called for excluding nuclear power from a national energy program, to which *Einheit* replies that the union had already cemented an agreement with the SPD to meet national energy needs with nuclear power and coal.

● **SIR MICHAEL PALLISER**, an adviser to British Foreign Secretary Lord Carrington, stated Feb. 17 that the most serious threat to the Atlantic Alliance is the economic crisis in the West. Speaking at Georgetown University, Palliser told *EIR* that he does not foresee the possibility of a European Defense Community.

● **CANADA** has been asked to officially cooperate in building the Garrison Diversion Project, which would divert Missouri River waters to central and eastern North Dakota, causing some backup of water into Canada. The North Dakota Water Users Association recently passed a resolution terming the project "mutually beneficial." The Canadian Province of Manitoba is holding up construction at present, claiming the backflows would somehow contaminate their water.

● **THREE** out of 10 British adults cannot perform simple arithmetic, according to two surveys released in February by the Cockcroft Committee. Forty-five percent cannot read a railway schedule, and 60 percent do not understand the concept of inflation. Gallup Polls were commissioned to perform another survey after these surprising results, which were reconfirmed. The British journal *Education* reports that so many adults were afraid of mathematics that half of those approached refused to be interviewed at all.

## 'Get Hart off the Armed Services Committee'

by Lyndon H. LaRouche, Jr.

If present trends are not abruptly altered, the United States is headed into a crisis far more pregnant with danger than the 1962 Cuban Missile Crisis. According to some leading British circles, what is in store for the United States, beginning the April-May 1982 period, is a combination of bitter humiliations of both the United States and the Reagan administration in both foreign policy and domestic affairs. It is projected by leading European oligarchical circles, that this humiliation will act as a kind of mini-Pearl Harbor shock upon the "cowboy ethic" of the Americans. Out of this humiliation and shock, say those oligarchic circles, will emerge a "Fortress America," politically distanced from Western Europe, arming frantically in a kind of imitation of Nazi boss Hermann Goering's "Guns, Not Butter" policy of the period from 1936-38 onward.

Into this situation, enter dangerously influential kooks of the strategic policy-influencing combinations, including pro-genocidalist Gen. Maxwell Taylor and Sen. Gary Hart. It is admittedly an hyperbole, but accurate as a moral characterization, to accuse General Taylor, echoed by Hart, of directing U.S. military policy back in the direction of the Stone Age.<sup>1</sup> Unfortunately, if Walter Sheridan and his Abscam cronies succeed in their efforts to "Reagagate" the present administration, the policies of Taylor, Hart et al. will have great influence over the United States during late 1982, and greater influence with the social-democrat-dominated new Con-

gress of 1983. Therefore, the back-toward-the-stone-age military policies of Taylor, Hart, and so forth must be taken as a serious threat to our national security.

Let us begin with a rapid summary of the complex of potential crises threatened for the April-May 1982 period, so that we may better define the circumstances into which Hart's absurd policies are to be projected for concrete evaluation.

### The strategic crises

From the witting elements in the U.S. itself, the spring 1982 U.S.A.-Soviet confrontation is being orchestrated around the push for emplacing nuclear-armed versions of the old Nazi V-1 (Cruise Missile) and V-2 (Pershing II) in launching-sites in Britain, Spain; and the Federal Republic of Germany. This, folks of Fred Iklé's stripe hope, will bring down the West German government of Chancellor Helmut Schmidt, but will at the same time force a deep cleavage within the NATO alliance, resulting in a qualitative degree of withdrawal of U.S. forces from and commitments to Western Europe as a whole.

While ingenuous folk around Washington delude themselves that it is Haig, Weinberger et al., who are directing the emerging spring confrontation, oligarchical circles in Europe are, as usual, laughing their bellies off at the credulity of the dumb, manipulated Americans. What will hit the United States during the spring 1982 period, will be a complex of crises, most of which Washington policy-makers presently appear to overlook.

<sup>1</sup> Senator Gary Hart, assisted by staffer William S. Lind, "What's Wrong With The Military?". *Sunday New York Times Magazine*, February 14, 1982.

First, unless Volcker and his policies are dumped during the next several weeks, there will be a mini-blowout of the U.S. dollar during the spring-summer period, followed by a second blow-out during the fall of 1982, or winter of 1983. At least, that is what top European oligarchic circles are projecting, and their arguments on this point are well-grounded and most convincing. There will be a savage increase of bankruptcies among high-technology firms, combined with bankruptcy of several among the Fortune 500 group as well as liquidations among savings institutions, and numerous closings of small-and medium-sized firms. The result will be both a quantum-leap in rates of unemployment and a quantum-leap in the federal budget deficit, perhaps to greater than \$200 billions for the fiscal year ending 1982, and deficits "off the charts" for FY 1983.

Apart from United Brands' and the Jesuits' private "population war" in El Salvador et al. "banana republics," a series of crises in the Balkans, the Aegean, the Middle East, and possibly Southeast Asia and China as well, will become aggregately the greatest international security-threat seen during the post-war period.

Oligarchical wise-guys are unleashing the joke-nation of Albania, a collective of Communist-labeled bandits spun off the whirling-dervish cult, to generate a general Balkan crisis, involving Bulgaria, Romania, Greece, and possibly Soviet intervention in a crisis elaborated out of simultaneous conflicts between Yugoslavia and Albania and among the Croatian heirs of the old Nazi-puppet Ustashi. Meanwhile, a reorganization of the Greek military has put into place a combination of royalist and NATO-Naples officers in preparation for a Danish-family, royalist military coup against the Papandreu government; the scenario leading toward an early military coup is now unfolding at an accelerating rate. The trigger for the coup is projected to be a Cyprus crisis, in which forces deployed out of two British autonomous military bases in Cyprus will create the "bloody shirt" incident intended to trigger the Greek military coup and possibly also an overthrow of the present Turkish government.

The illegal-drug ("DOPEC") regime of the Syrian Alawite (Shiite) family of Assad is now shaken by internal revolts which have, at least, demolished the myth of Assad's domestic invincibility. Various factions of the Muslim Brotherhood are being activated, including Druse-linked elements controlled by the Israeli Mossad. This serves as a trigger for an early Israeli invasion of southern Lebanon, and possibly the long-projected Israeli armored sweep through the Jordan desert into Damascus. Prime Minister Menachem Begin might unleash either or both of these assaults, partially as a result of Begin's desperate factional struggle against the ultra-lunatic Defense Minister, Ariel Sharon.

Sharon, meanwhile, has planned a direct Israeli military thrust aimed at destroying the Saudi oilfields.

Iran is about to become unstuck. Israeli Defense Minister Sharon, long-standing crony of Britain's Lord Caradon (a Foot brother) and of the Socialist International's Abolhassan Bani-Sadr, was exposed in Israel recently as offering the Socialist International a deal under which Sharon would assassinate Ayatollah Khomeini to bring a Bani-Sadr crony to power in Iran with Israeli backing.

The danger here is that the United States and Moscow might be sucked into an Iranian vacuum. Moscow's present policy is that of never permitting the United States to establish a military base in Iran. Some forces in the United States would wish to do just that, while others are determined that Moscow shall never consolidate Iran as a client-state. Iran could become a principal strategic hot-spot during 1982-83, even without either U.S.A. or Soviet direct influence over an Iranian regime.

This brings us to the internal crisis in Pakistan. The Kissinger-created Ziaul-Haq dictatorship continues to be massively unpopular. Meanwhile, among the regime's backers, some elements are opposed to an extension of the Iranian revolution into their own nation, and Peking China's credibility is plummeting under conditions of a massive internal crisis inside mainland China. It is widely rumored, though not yet substantiated to our satisfaction, that mainland China is in the process of drifting away from the "China Card," back toward a "more-balanced" relationship with Moscow.

The situation in China itself is unpredictable. Obviously, Peking China is in the process of crumbling. Even the official Peking press now admits the eruption of problems reminding historians of the characteristic collapse-phase of a Han-culture, yin-yang dynastic cycle. In this circumstance, almost anything can occur which could be objectively possible. Factions driven mad with desperation tend to become increasingly adventurous. Otherwise, the State Department is reaching the end of the road in its efforts to suppress acknowledgement of the end of the Kissinger-Carter "China Card."

Meanwhile, domestically, if the Senate votes to expel Sen. Harrison Williams (D-N.J.), President Reagan will be ousted soon thereafter. If Williams goes, Walter Sheridan and his cronies at the *Washington Post* will "own nearly every mouth and vote in the Senate." With Reagan out, the Harriman-Rockefeller Trilateral crowd will take over a President George Bush administration fully. With the "Western White House" political faction out of the way, there will be no organized force in either major party, except the National Democratic Policy Committee (NDPC), standing as organized opposition to the Harriman-Rockefeller-Morgan combination.

The imminent threat of a post-Williams Reaganate intersects massively funded operations for unleashing European-style terrorism and urban riots during the spring and summer of 1982. Various intelligence sources cross-corroborate tens of millions flowing through the terrorist-linked Ramallah Foundation, in the direction of such included beneficiaries as circles of Rev. Jesse Jackson. The Khomeini-allied terrorists are now building a major terrorist base in Houston, Texas, a development following the scandalous Rothko Chapel October 1981 meeting of Islam in the West forces, sponsored by the Schlumberger interests' Madame Dominique de Menil.

According to highly placed officials of the London Tavistock Institute, Tavistock, the British DI-6's psychological-warfare center, has profiled Washington according to the "urban cowboy" image, and is orchestrating foreign and domestic crises against the United States calculated to drive the manic "American cowboy" into a "depressive, existentialist" fit of rage.

In other words, credulous policy-makers around Washington delude themselves that it is they who are controlling a projected East-West confrontation for the

spring-summer period. In fact, European oligarchical circles, laughing their bellies off at the antics of the dumb Americans, are planning to hit the United States with not one, but a combination of foreign and domestic crises, aggregating to a massive humiliation of the administration, and thus a humiliation-driven rage of the American electorate generally.

The oligarchical circles project an ensuing period of a "Fortress America" pitted in a local-war-dripping new "Cold War" against a frantically arming Moscow. Britain-Switzerland-dominated Europe is intended, together with the British Commonwealth at large, to become an independent, "Third Way," force between the two wildly-armed superpowers. The objective is not actual nuclear war, but a wrecking of both the American and Soviet economies through suicidal rates of military expenditures, with British carving-up and reconquest of a ruined United States (together with a broken-up Canada) in favor of oligarchic forces around the Aspen Institute and super-rich Robert O. Anderson.

Therefore, it is past time to remove Colorado's Aspen-quivering Sen. Gary Hart from the Senate Armed Services Committee.

## What Sen. Gary Hart said about defense policy

*The following statements are excerpted from the article "What's Wrong With the Military," by Sen. Gary Hart (D-Col.), assisted by his legislative aide, William S. Lind, which appeared in the New York Times Magazine, Feb. 14, 1982.*

In seeking to determine where we have gone wrong, we must start by looking at the basic building blocks of any military—(1) personnel, (2) tactics and strategy, and (3) hardware. . . .

One . . . of the most critical aspects of military personnel policy . . . is unit cohesion, the psychological bonding between individuals that takes place within the small, basic unit. . . . In the stress and chaos of combat, people fight less for 'king and country' than for their buddies. . . . The Army is experimenting with ways to improve unit cohesion, such as adopting the British practice of having people spend their entire service career in a single regiment. . . .

When we look at tactics and strategy . . . we need "maneuver warfare". . . . The object is to destroy the

enemy's cohesion—and the opposing commander's ability to think clearly—by creating surprising and dangerous situations faster than he can cope with them.

In research and development . . . the changes made must be quick and major, so as to make the enemy's equipment irrelevant. In our military establishment, the changes are far too slow. . . . Our procurement policy favors weapons so complex and expensive that we must keep them in service for decades to get our perceived money's worth. . . .

The real debate is between two different definitions of quality. The Pentagon defines quality in technical terms: High technology equals quality. The military reform movement defines quality tactically . . . emphasize[ing] such characteristics as: Small size. . . . Reliability, ruggedness and ease of maintenance. . . . Rapid effect. . . . Numbers. In tactical terms quantity is an important quality. . . .

The same characteristics that give a weapon tactical quality . . . also tend to make it cheaper. Thus the practical choice is not between quality and quantity but between technological quality in small numbers and tactical quality in large numbers. . . .

Bureaucratic behavior lies at the core of America's military inadequacies. It is a far more fundamental problem than the budget level of any given year. . . .

## Military policy

Although Gary Hart picks out isolated, devastatingly accurate points of ridicule of current military planning, this ridiculing of current Pentagon policy is sheer rhetoric. Present policy is very, very bad, but what Taylor, Hart, and other radicals propose as an alternative is virtually stone-age savagery.

The technological foundation of competent U.S. military policy is the “crash development” of anti-missile particle-beam weapons in the spectrum from chemical-powered x-ray lasers on up to higher-energy-density relativistic beam devices based in space stations. Any strategic military policy which is not centered upon that commitment is sheer incompetence and therefore travesty.

A few exemplary points are sufficient to demonstrate the case.

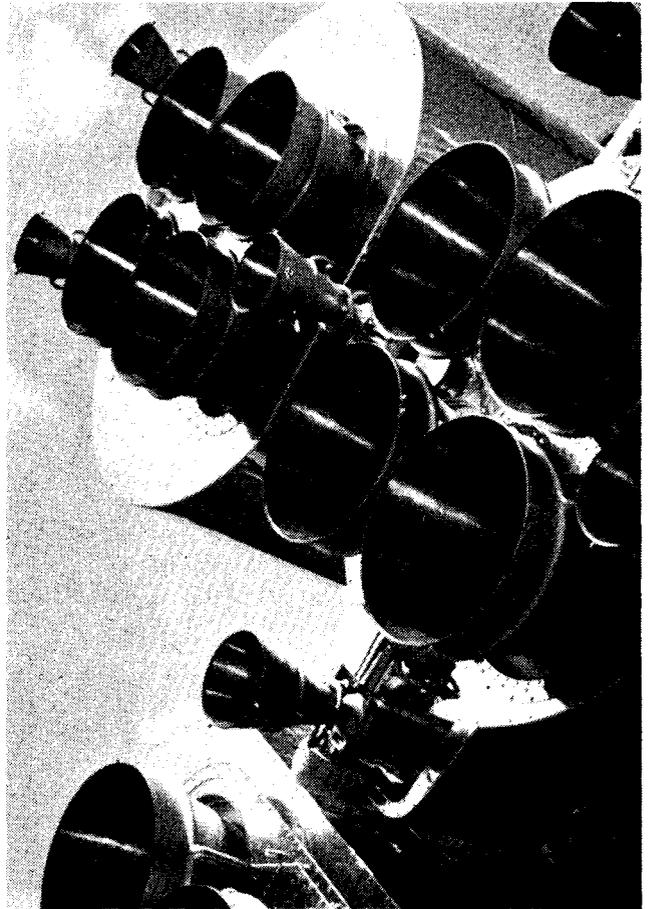
There is no security in nuclear-arms reduction, for two reasons. First, a thermonuclear war involving merely 10 percent of present levels of military warheads would be sufficient to generate radioactive clouds and other effects which might well eliminate all warm-blooded animal life on Earth within as early as two years following detonations. Second, a number of nations, apart from China and Israel, have nuclear capabilities to trigger general war between the superpowers.

Therefore, *all competent military policy begins with commitment to capability for destroying nuclear-armed missiles in mid-flight.* The United States must have the capability for destroying a proverbial 99 percent of all missiles targeting U.S. territory, and also the ability to destroy the launch of non-super-power nations—to prevent such third-factor nuclear assaults from triggering war between the superpowers. The United States must not honor the alleged right of “third forces” to launch nuclear wars, even if those wars do not involve directly either the Warsaw Pact or Atlantic Alliance forces.

Additionally, the proposal to improve capabilities of submarine-launched “second-strike” categories is becoming absurd. New technologies render submersibles, even of the Soviet titanium-alloy variety, increasingly detectable for “first-strike” neutralization. This writer is aware of at least two distinct technologies which might succeed in this function.

In short, so long as thermonuclear weapons remain the ultimate weapon, no acceptable strategic defense of the United States is possible.

The proper method for eliminating nuclear weapons is to develop and deploy the means for making such weapons strategically indecisive, by advancing to new weapons-systems which can assure a nominal 99 percent “kill” of all missiles (or aircraft) in mid-flight. Warfare is then shifted strategically to space-based relativistic-beam-technology-based systems.



*The Soviet military and civilian space program has very high priority.*

Furthermore, should either superpower be first in successfully deploying such categories of relativistic-beam weapons, that superpower would have won, implicitly, World War III. Any discussion of military policy outside the framework of commitment to relativistic-beam weaponry is therefore worth about as much as the chattering of rhesus monkeys.

## The economics of military hardware

The Cruise and Pershing missiles are essentially merely updated versions of the Peenemunde V-1 and V-2 missiles respectively. The new battle-tank is a sad product of the influence of McNamara thinking, combat-inferior to the already-deployed Soviet T-72 tank and vastly inferior to the new, T-80—despite the double-talk issued by the British International Institute of Strategic Studies (IISS) and others on this subject. The suspended B-1 bomber is also a relic from a lapsed age of military technology, together with the missile designed for B-1 deployment, now projected to be hidden in sneak-trips among rabbit-holes, or merely hardened old missile-sites.

The basic problem with all military hardware de-

signs currently is that competent military research and development policies were brought to an end under McNamara, by the 1965-67 period of take-down of the military-aerospace research complex. The evident policy of practice around the Pentagon today is to insert "information-theory" gadgetry into some piece of hardware left over from the drawing-boards of the 1960-65 period. This is accompanied by an increasing, OMB-directed abandonment of those branches of physics-research and development in which the entire geometry of strategic military technology is being transformed in such locations as the research and development stations of the Urals and Siberia.

We are not suggesting that Soviet economic or technology policy is a matter of peerless perfection. However, the Soviets can be fairly said to be following military-technology policies like those we followed during the 1940-65 period, and have spent about 15 years, devoting as much as 17.5 percent of their Gross National Product in the process of slipping ahead of us in matters of technological quality.

This cited basic flaw in U.S. military-technology policy bears directly on the ability of the U.S. economy to sustain the costs of an arms-race.

The measure of the power of a national economy is the economy's rate of growth of its per-capita potential relative population-density, as expressed primarily in terms of output of tangible agricultural and industrial goods. If this growth can be made sufficiently rapid, almost any degree of growth of some cost, such as a military cost, can be endured, since the productivity of the economy, output per capita, is increasing. Some kinds of military expenditures have the effect of increasing general productivity; others do not. That is the key to the economics of military production and establishments.

The case of NASA expenditures is the most convenient case-study for our purposes here. Because NASA expenditures accelerated the development of technology in the civilian sector, the rate of growth of U.S. productivity enabled the U.S. economy to maintain net growth into the crisis-period of 1972-74. Since 1973-74, the real productivity of the U.S. economy has been declining, and our basic productive capacity has been increasingly mired in age, obsolescence, and contractions.

If we proceed as Senator Hart proposes, to concentrate on simplified conventional armaments, these military expenditures will be a straight inflation tax of monstrous impact upon a shrinking civilian-economy base—the civilian-economy base which must pay for military production. Such a "Guns, Not Butter" policy would be an economic as well as strategic disaster.

If we were to concentrate on advanced R&D as the keystone of Pentagon policy, including relativistics and space physics in the forefront, the technological spin-

offs into the civilian economy (under low interest-rate conditions) would be to stimulate a general economic boom through acceleration of productivity. So, what makes sense from a military standpoint also makes sense from an economic standpoint.

Strategic power is, in any case, primarily economic power. This is the principle which Aspen-influenced Gary Hart and pro-genocidalist ("regional population wars") Gen. Maxwell Taylor reject. Economic power is the power to spread U.S. influence through building modern rails, ports, energy-production systems, improved agricultural output, and capital-goods industries into developing nations. This requires a reversal of trends in employment toward 50 percent of the U.S. labor-force employed in tangible-goods production in manufacturing, agriculture, construction, and in transportation, together with technological improvements which increase the productivity of each employed in those sub-sectors. This generates for us a vast national surplus capacity and product, which we are able to deploy as an economic instrument of foreign policy. Military capabilities, which are essentially logistical capabilities in arms, are piggy-backed onto that logistical power.

The problem so far has been, since October 1979, that the Carter-Volcker high-interest-rate and related monetarist policies have plunged the United States now into the first phase of a general world depression, while nearly 20 years of spread of the "post-industrial society" cult-nonsense have ruined the U.S. productive base, and facilitated the growing, TV-pivoted loss of simple literacy and related skills. Now, refusing to correct the evils which have caused a military disaster, Hart et al. propose to adapt military policy to the skills-levels of a professional army increasingly composed of semi-literate drug-users.

This is the immediate image of the Reagan administration's military budget. The military policy of the United States is presently dictated by Paul A. Volcker and the bug-eyed Fabian David Stockman. The administration has adapted military policy to the circumstances of Volcker and Stockman's "post-industrial society" orientations. Unless President Reagan crushed Walter Sheridan's would-be Reagangaters and Volcker, no improvement is possible. Hart and Taylor will prevail under a Harriman-influenced Bush administration, and our drugged troops will be on the way to firing micro-chip-guided arrows and other electronically-enhanced stone-age weaponry.

The Senate and House Armed Services Committees require at least congressional advocates of a competent view of military policy. Clearly, Sen. Gary Hart is incurable incompetent for such work. The Senate should reassign him to some duty where his incompetence would be harmless.

# Sen. Williams vows to keep up his fight

by Mary Jane Freeman

Senator Harrison Williams, victim of an Abscam frame-up by organized-crime elements in the Justice Department, was formally sentenced Feb. 16 by Federal District Court Judge George C. Pratt. Pratt, who withheld evidence during the trial that led two jurors to subsequently regret their guilty verdict, gave Williams concurrent two- and three-year sentences on each of nine counts, plus a \$50,000 fine.

Warren Hamerman of the National Democratic Policy Committee (NDPC), which has spearheaded a battle to exonerate Williams nationally, immediately stated that "the sentencing poses America with a day of mortal danger to constitutional law; Pratt has rubberstamped the government's methods of frame-up in the Abscam conviction of a 23-year veteran of the Senate who is innocent of all charges against him."

Senator Williams will now initiate an appeal of his May 1, 1980 bribery and influence-peddling conviction. He addressed George Pratt in court just before the sentencing: "Judge Pratt, I entered this courtroom over a year ago knowing that I was innocent, and I leave it today knowing that I am still innocent." Williams continued: "The day I learned that there was a thing called Abscam . . . I knew that the first principle of American justice—that a man is innocent until proven guilty—had been turned on its head. Also at that moment I knew my burden was to prove my innocence."

In a subsequent statement released on his behalf by the NDPC, the Senator stated: "Today, I am certain of eventual victory, as I fight on every front available to me—in the courts, in the Senate, and to the American people. A true political leader must have the courage never to stop fighting when he is correct. . . . I found it no coincidence that the chief government operative used against me, convicted felon Melvin Weinberg, boasts . . . that he funded the Italian Red Brigades. . . . At that very hour General Dozier was being held by these same terrorists. This irony should drive home to all of us the deeper issues involved in Abscam."

### Puccio's harangue

As Judge Pratt prepared to announce sentence, defense attorney George Koelzer pointed out to him

that there were at least eight prejudicial mistakes in the pre-sentencing report, asserting that Williams said things or confirmed things which even FBI tapes verify he never said.

Abscam field-coordinator and Williams's prosecutor, Thomas Puccio of the Brooklyn Organized Crime Strike Force, made a play to his hand-picked judge to be harsh. "Senator Williams, acting confident and brazen, went to seven different meetings throughout the Abscam investigation, putting his office up for sale." Then, said Puccio, Williams "boldly lied" on the stand. "And now that same confident and brazen man is engaged in a massive media campaign in an attempt to put this process on trial."

The prosecutor, who was once himself investigated for ties to a heroin dealer, and is still under private investigation in connection with international drug-traffickers, concluded: "He is still in the U.S. Senate!"

Defense Attorney Koelzer quickly retorted: "I find most offensive the insinuation that the Senator is conducting a media campaign," pointing at Puccio's well-known trial-by-press tactics. "Is it Williams who leaked to the press back in February 1980 the stories? Is it Williams who called the press here today?" Unlike Puccio, the Senator "chooses to stand and fight like a man."

### The case of Pratt

On Feb. 22, before Federal Judge William Bryant in Washington, D.C. the government will be forced to answer charges of serious government misconduct in Abascam—the Justice Department having delayed such a hearing by assigning a new U.S. Attorney to the case, and then pleading for an extension. Such evidence includes documents and affidavits bearing on the Williams case, sufficiently damaging to Puccio that no informed person believes the Williams conviction will stand. But this did not deter George Pratt.

In point of fact, it has been revealed that during Williams's trial Judge Pratt personally withheld exculpatory Justice Department documents from the defense and jury. One document concerned an FBI meeting in which all agreed that after a full year of entrapment efforts, no case existed against their target, and they would have to "recontact Senator Williams." Upon seeing this document one juror swore in an affidavit that he would not have convicted the Senator.

The late Marie Weinberg, wife of the FBI's "sting man" for the Williams case, appeared recently on ABC's "20/20" program to recount her husband's acceptance of kickbacks during the Abscam caper. Subsequently she signed an affidavit confirming that her husband had lied in Judge Pratt's courtroom, and "wrapped the judge right around his finger. . . . They [Puccio and the FBI] did a lot of judge-shopping. . . ."

# Federal judge warns of FBI 'Gestapo' as court upholds Abscam convictions

by Edward Spannaus, Law Editor

In a decision which eliminates the last judicial opposition to the Justice Department's Abscam frameups, the U.S. Court of Appeals in Philadelphia has reinstated the Abscam convictions of former City Council President George X. Schwartz and City Councilman Harry P. Jannotti. The Feb. 11 ruling was accompanied by an extraordinarily powerful dissenting opinion which warned that the FBI's Abscam tactics recall the secret police methods of the Czarist Ochrana and the Nazi Gestapo.

In November 1980, U.S. District Judge John P. Fullam threw out the convictions of Schwartz and Jannotti on the grounds that the defendants had been denied due process of law under the Constitution, that they had been entrapped, and that federal jurisdiction had been artificially created over what would normally be considered state crimes by local government officials. The Philadelphia Federal Appeals Court, known as the Third Circuit Court of Appeals, had, until the Feb. 11 ruling, been the strongest in the country in opposition to Abscam methods of entrapment. It was for this reason that Abscam prosecutor Thomas Puccio improperly moved the Harrison Williams case from New Jersey, part of the Third Circuit, to Brooklyn, New York, part of the Second Circuit.

This pattern was followed when the Schwartz-Jannotti case, on appeal by the Justice Department, came before a regular three-judge panel of the Third Circuit Court of Appeals. Fullam's ruling dismissing the charges was upheld by a 2-to-1 vote of the three judges. However, through a process which is yet to be revealed, the case was then re-argued *en banc*, before all 9 of the active judges on the court. This time, the vote was 7-to-2 *against* Schwartz and Jannotti. Among the seven votes upholding Abscam were those of three judges appointed to the Appeals Court by President Jimmy Carter.

A fourth judge of the 7-person majority is Judge Arlin Adams, a Trustee of the German Marshall Fund which sponsored the December 1981 "Eurosocialism" conference in Washington, D.C. that plotted the destabilization of the incoming Reagan administration.

Judge Ruggiero J. Aldisert, who was originally part of the three-judge panel which heard the case the first time, wrote an unprecedented, strong dissenting opinion, in which he warned that the FBI's methods in Abscam are a threat to the fabric of our republic.

Excerpts from the majority opinion upholding Abscam and from Judge Aldisert's dissent follow [subtitles in original].

## Opinion of the Court: Sloviter, Circuit Judge

On September 16, 1980, after a six-day trial, a jury found defendants Harry P. Jannotti and George X. Schwartz guilty of conspiring to obstruct interstate commerce, in violation of the Hobbs Act, §18 U.S.C. 1951 (a), and found Schwartz guilty of conspiracy in violation of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §1962 (d). . . . On November 26, 1980, the district court entered an order setting aside the verdict of the jury in its entirety, dismissing count III of the indictment, (the Hobbs Act count) for lack of jurisdiction, and granting the motions of defendants for judgment of acquittal. The Government appeals.

In his opinion accompanying the order, the trial judge gave four reasons for entry of the judgment of acquittal and dismissal of Count III of the indictment. . . .

1. The evidence at trial did not establish the actual or potential impact upon interstate commerce necessary to sustain federal jurisdiction under the Hobbs Act;
2. The evidence at trial established entrapment as a matter of law;
3. Governmental overreaching amounted to a violation of due process of law;
4. The circumstances relied upon to establish federal jurisdiction were artificially created. *Id.* at 1205.

Our review of the record and applicable law convinces us that in reaching these conclusions the district court erred in its legal analysis and usurped the function of the jury to decide contested issues of fact. We reverse the district court's order and direct reinstatement of the jury's verdict. . . .

### **Hobbs Act Conspiracy**

. . . The Hobbs Act, by its own terms, encompasses the inchoate offenses of attempt and conspiracy to extort. Convictions for these offenses have been sustained notwithstanding the absence of any evidence of an actual effect on interstate commerce. . . .

In substantive Hobbs Act convictions, the requisite nexus to interstate commerce has been found in the depletion of assets theory, because the payment of an extortion demand may reduce the assets available for the purchase of goods originating in other states. . . .

Had the project actually been planned as represented, defendants' actions would have violated the Hobbs Act even if unforeseen difficulties, such as the overthrow of the "sheik," prevented any further action on the project. The federal interest in protecting interstate commerce is no less under the factual situation presented in this case. The threat posed by defendants' actions is just as great. Since Congress has exercised the full scope of its commerce power in the Hobbs Act, we conclude that there was Hobbs Act jurisdiction.

### **Entrapment**

. . . The district court, without any reference to the record or any analysis of the issue, characterized the amounts offered as "exceedingly generous" and determined that "the very amounts of the bribes were . . . 'a substantial temptation to a first offense.'" . . .

Even if the dollar amount offered were relevant to disprove predisposition, a question which we do not decide, we find nothing in the record to support the district court's conclusion that in today's inflationary times, city councilmen would view sums of \$30,000 or \$10,000 as so large or generous as to overcome an official's natural reluctance to accept a bribe. . . .

After being carefully and specifically instructed on the significant factual issues in this case, the jury found the defendants guilty, thereby rejecting the entrapment defense. Its verdict represents a finding that, based on the totality of the evidence, including the observations by the jury of the actions, words, voice inflections and mannerisms of the defendants and the F.B.I. agents, the defendants were predisposed to engage in political corruption. . . .

The ultimate factual decisions in an entrapment case must be left to the jury. Where, as here, the jury was uniquely equipped to inquire into the calculus of human

interaction, a court should not interfere with its conclusions. We conclude that in determining that defendants were entitled to a judgment of acquittal on the ground of entrapment as a matter of law the district court impermissibly substituted its own determination of the credibility of witnesses, the weight of the evidence and the inferences to be drawn from the evidence for that of the jury. . . .

### **Due Process**

. . . We do not, in this case, pass upon the nature of the F.B.I.'s conduct as to any defendant other than the two who are before us on this appeal. As to them, the impropriety of government conduct on which the district court relied in granting the motions for acquittal was limited to the evidence of government instigation and inducement, which, as we have already indicated, did not reach the "demonstrable level of outrageousness" necessary to compel acquittal.

In reversing the district court's judgment of acquittal on the ground of a due process violation, we do not place our imprimatur either of approval or disapproval on the government's conduct. As citizens, we have differing views of the necessity or advisability of the entire ABSCAM project. As judges, however, we rule only on whether the limits which the Constitution places on another branch of government have been exceeded. We find that the government's conduct as to these two defendants did not violate their due process rights, and that therefore the district court's judgment of acquittal on this ground must be reversed.

## **Dissenting Opinion: Aldisert, Circuit Judge**

The division of the court in this extremely important entrapment case reflects fundamental and irreconcilable differences in the values attached to two primary ingredients of the American tradition of justice:

To what extent should federal judges assume the responsibility for protecting American justice traditions, and to what extent should judges delegate this responsibility to the jury?

To what extent should federal judges endorse tactics of the kind used by the Federal Bureau of Investigation in this case?

The majority opinion reads like a paean to the FBI for its conduct in the case; but as an American citizen and as a federal judge, I find that conduct revolting. . . .

We judges come to our robes bearing the stigmata of our respective experiences. I readily confess that

being born to an immigrant father and reared in a Western Pennsylvania community peopled largely by European immigrants and their children placed indelible impressions on me. . . . The religious and political refugees who came to this land . . . had much to fear from the old country's secret police, but one of the greatest abhorrences was the *agent provocateur*, a person employed to pretend sympathy with members of a group and incite them to apprehension and punishment. From my childhood I remember stories told in broken English by gnarled refugees from Russian, the Ukraine, and Poland, recounting in graphic detail the abuses inflicted upon them in peasant villages by the Ochrana, the secret police of the Czar. Lacking the personal drama, but equally authoritative, were academic studies and news accounts of the later operations of the OGPU, the dreaded secret police of the Stalinist era.

The apogee of government artifice, guile, and deceit was reached with the formation of the Gestapo in Nazi Germany. The story of the Holocaust is an account of the *agent provocateur* at his ruthless worst. It is an account of fraudulent representations to determine the identity of Jews, of cajoling incrimination of father by son and son by father, of lies about the purpose of detention and detention camps, "*Arbeit Macht Frei*," ("Work Will Set You Free"), and of gas chambers disguised as shower rooms. Such spectres cannot be easily exorcised.

The Gestapo were consummate users of the "honey pot," a technique government witness Melvin Weinberg proudly described as the technique the government utilized in this case. The FBI employed the honey pot through a secret agent who, by ostentatiously flashing and giving away wads of money, would attract both the wary and the unwary, the scrupulous and the unscrupulous. Having attracted, the honey pot would serve also to capture those who were willing, that is, disposed, to make the flight to the honey in the first place, as well as those who would have been unwilling, but who made the flight to the pot only because of the strength of the lure. But this trap was particularly selective: the operators of this honey pot personally selected those who could share the sweet stuff. The party was by invitation only; when the guests came to the pot it was not necessary for them to ask for a sample; rather, their mouths were opened for them and the honey poured down their gullets. . . .

To the Department of Justice, its operation was a taste of honey; to me, it emanates a fetid odor whose putrescence threatens to spoil basic concepts of fairness and justice that I hold dear. That the FBI has earned high praise for its performance in the traditional discharge of its duties should not immunize the secret police tactics employed in its ABSCAM operation from appropriate and vigorous condemnation.

## Entrapment

The majority allow the entrapment question in this case to be resolved by a lay jury. As staunchly as I believe that the jury, reflecting the conscience of the community, should be society's instrument for resolving controverted facts once a minimum legal threshold has been established, I stoutly believe also that the jury, untrained in the law, should never be called upon to design and construct that threshold. This is precisely what the majority have done here. They permit the jury to perform a responsibility which by law and by formal commission belongs to the judges of the Third Article. . . .

The majority and I differ upon where to draw that line and upon the relative competences of judges and juries to protect society from secret police excesses. . . .

I refuse to proceed as if no important social issue were involved in this case which implicates both the wrongdoing of city public officials and the questionable activities of federal police officials. I believe that we are confronting an extremely sensitive intersection between morals and positive law, which demands that the judiciary assume rather than shirk responsibility. . . .

Popular opinion may not care greatly about the fates of those entrapped and convicted by the government and its *agents provocateur*, but federal judges must care about the sword that is plunged into the body of trust between a people and their government. That body can withstand only so many wounds before its life will be no more. . . .

## Hobbs Act Jurisdiction

The majority have accepted the government's straw man argument that impossibility is no defense to a crime of conspiracy. . . . I must object to the majority's agreement to join the government in demolishing the straw man.

I can imagine "the persons of the dialogue," in the form of Socrates and Crito:

Soc.: Is there federal jurisdiction?

Cr.: Yes, there is federal jurisdiction.

Soc.: How is there federal jurisdiction?

Cr.: There is federal jurisdiction because a factual impossibility of performing a conspiracy is not defense to a charge of conspiracy which may be brought when there is federal jurisdiction. . . .

I conclude with the district court that the evidence did not establish federal jurisdiction. The Hobbs Act contemplates conspiracies that have at least a realistic probability of affecting interstate commerce. A purely hypothetical effect, a fairy tale conjured by the FBI's answer to the Brothers Grimm, is not "a sufficient threat to [commerce] so as to give rise to federal jurisdiction."

# Organized crime buys electoral district

by Vin Berg

An hour or so before he left office in mid-January, former Governor Brendan Byrne of New Jersey signed into law a new congressional redistricting bill. As usual under Byrne, organized crime had cut itself another nice little piece of the pie.

The immediate beneficiary in this case was Adam Levin, who headed Byrne's Department of Consumer Affairs. Levin is the son of the late real-estate magnate, Philip J. Levin, whose rise to multimillionaire operator status occurred in the service of Mr. Meyer Lansky.

Young Levin designed a brand new, wildly gerrymandered congressional district, and as one of his last acts in office, Brendan Byrne gave it to him.

The saga of the Levins casts light on the process of destruction of New Jersey's once-powerful Democratic Party machines, and their replacement by the synthetic "new breed" of politician who is not a product of the party, but of narcotics money, and is responsible to no constituency, except organized crime. This might be called the "Jerry Brown" model after the current California Governor, whose father, Pat Brown, was heir to an organized-crime fortune in the Bay Area, went "legit" by marrying the daughter of a police chief, and then used his organized-crime connections to make himself, and then his son Jerry, California's governor. Interestingly, many of the names—Meyer Lansky, Sidney Korshak, et al.—that turn up in the background of the California Browns also turn up in the background of the New Jersey Levins.

The "Jerry Brown" model has advanced in New Jersey since the mid-1960s, when a series of vicious scandals were launched by then U.S. Attorney Herbert Stein. The beheading of the constituency-based Democratic Party begun then culminated in Abscam, and the frame-up and attempted ruin of the state's most effective and popular politician, Sen. Harrison Williams.

Brendan Byrne's redistricting plan included an entirely new congressional district, 70 miles long as a crow-flies—if the crow is drunk. It stretches from the urban port center of Elizabeth down to the academic community of Princeton, plunging still further south until abruptly swinging back up into Monmouth County. It

includes towns from *five* previous congressional districts.

Adam Levin had gone to a computer and selected those areas with the strongest profile of young, liberal Jewish voters. That produced the new 7th C.D. The needed "yes" votes from the legislature were bought with \$500 checks to local Democratic Party officials "in memory of my dear father."

## The 'dear father'

Philip Levin was a wheeler-dealer in real estate and liberal Democratic circles in New Jersey, and was known as a generous supporter of needy county machines. He was also much more.

Meyer Lansky's biographer, Hank Messick, had these observations: "Levin, a self-made millionaire, owed much of his success to his syndicate connections. . . . Young Levin went into the real-estate business and made it rather quickly. In some law-enforcement circles, he was considered a front for such shy syndicate wizards as Meyer Lansky. Much of the land he sold for huge profits was in Florida and had been purchased by syndicate figures in the decade following the collapse of the great Florida boom of the twenties."

Using the proceeds of his real-estate operations, Levin bought so heavily into Gulf & Western (\$22 million) that he was made president of G&W's real estate subsidiary, Transnation.

Key in Levin's purchases were two Chicago race-tracks. Levin also hired on as "labor counsel" to Sidney Korshak, the notorious mob elder statesman. In 1970, during hearings of the Illinois Racing Board, agents of the Illinois Bureau of Investigation revealed that Transnation had bought a Mexican hotel, Acapulco Towers. At the time he bought it, it was infamous as the hideout of Meyer Lansky, the international drug-traffic czar. The following year, the *Wall Street Journal* reported that Transnation had made illegal contributions totalling \$100,000 to leading Illinois Republicans while its racetrack licenses were still under consideration by a Republican-controlled racing board.

Levin testified in court that it was Sidney Korshak who told him whom to pay and how much. Levin and Transnation were convicted, and given a \$25,000 fine.

Now, with the aid of Brendan Byrne, under whom New Jersey's industry was unravelled in favor of race tracks and casinos, the mobster's son, Adam Levin, created his own congressional district and purchased it from the legislature. If Levin wins the 7th C.D., there is no question who will own one more Congressman. And if this synthetic "new breed" of politician is to be moved aside and the state's Democratic Party rebuilt, the fight to exonerate Senator Harrison Williams from a frame-up by Justice Department elements with Lansky-ties of their own will be the key.

# National News

---

## Farmers seek capital for Dakota water project

President Carter's killing of water projects followed by Reagan administration "New Federalism" has forced South Dakota farmers to seek local capital for an urgently needed project to irrigate fertile lands in the state.

The Oahe Dam, and infrastructure for a series of eastward irrigation canals off the Missouri River, are already built, and to prevent it from rotting and rusting, farmers and ranchers have formed the CENDAK (Central Dakota) Corporation to raise funds withdrawn by the government.

Only 500,000 of 16 million South Dakota acres under cultivation are irrigated. Oahe Unit irrigation was to have added another 190,000 acres in the dry eastern part of the state, most of them developed after 1975.

CENDAK is still seeking government funds and wants the state to float revenue bonds.

Besides David Stockman, Dakota farmers have had to contend with the opposition of the "United Family Farmers" organization, a local environmentalist cult that was instrumental in helping the Carter administration kill Oahe. The same organization is now claiming that CENDAK is pouring money down a "rat hole."

But since the drought of 1979, most of the organization's membership has dried up.

---

## Waterways group attacks DOT users study

The 500-member National Waterways Conference Feb. 3 issued a press release saying that a Transportation Department report justifying waterway use charges and taxes contains false "factual assumptions" and untenable "principle conclusions."

The Transportation report asserts

that charges against barge traffic will have "minimal economic impact on regions and industries which depend on waterway transportation."

"We respectfully disagree," says the organization chairman, James Skinner in the press release.

The report predicts steady growth of waterway commerce even with high-level user taxes, and assumes that no new navigations facilities will need to be built for more than two decades. Mr. Skinner called this ridiculous.

"This assumption is contrary to the common knowledge of people who currently work the inland river system and have to contend with the existing bottlenecks. It also contradicts the findings of a study of Upper Mississippi River needs conducted under Section 101 of the same law requiring the DOT study, and it substantially contradicts the *National Waterways Study* of the Corps of Engineers."

That latter study calls for \$6 billion in new inland waterway construction over two decades to eliminate bottlenecks.

The National Waterways Conference board declared that it would demand Senate and House verification of the data and conclusions in the Transportation Department's zero-growth report.

---

## Study says NRC causing hazards

The Fusion Energy Foundation, a large private scientific organization, has accused the Nuclear Regulatory Commission of regulating unsafe conditions into otherwise safe nuclear installations.

According to the FEF study, the NRC's regulations both introduce unsafe conditions and shorten the lifespan of nuclear plants, and those regulations "could have no other purpose."

A Feb. 15 FEF press release calls for congressional and national security investigations as well as the convening of a grand jury.

The release says that corrosion of steam-generator tubing in pressurized-water reactors is caused by recent NRC

regulations that bar plant operators from applying routine maintenance procedures to prevent it.

Evidence also indicates that NRC regulations are responsible for much-publicized "embrittlement" of reactor vessels.

"Environmentalists" have run away with the agency's functions over the past few years, notes the report. Frequently, an anti-nuclear staffer at the agency will leak a "report" to media or an anti-nuclear organization before it is made available to commissioners. They become labeled official policy documents—though often representing the views of a single individual.

Through the same procedures, the FEF release warns, environmentalist groups have obtained knowledge of how to carry out sabotage of nuclear plants. *EIR* will carry a full report on these charges.

---

## 'Death Committee' formed on El Salvador

A new "Committee for Free Elections in El Salvador" was formed Feb. 18 in Washington by the three forces investigations have proven to be responsible for the ongoing "population war" there: the United Brands Company (formerly United Fruit), the Socialist International, and the Society of Jesus (Jesuits).

One member, Angier Biddle Duke, set up a similar coalition two months ago during a "fact-finding tour" of Central America. The earlier group included Mary Temple of the Social Democrats USA (SDUSA), a designer of the El Salvador "land-reform" program which, based on the Vietnam strategic-hamlets, served to drive peasants into the guerrilla opposition.

Robert Corrigan, the company's official Washington lobbyist, will represent United Brands on the new Committee. Other members include Daniel James, former CIA operative who edited Che Guevara's diaries, and has recently written scenarios for spilling the violence in Central America over into Mexico; Jo-

seph John Jova, Knight of the Order of St. John of Jerusalem (Black Maltese) who was U.S. ambassador to Mexico from 1973 to 1976; and Francis Bouche, executive director of the Council for Interamerican Security (CIS), which hosted a summer 1980 U.S. tour by Salvadoran Maj. Roberto D'Aubuisson, who is given a chance of defeating incumbent president Napoleon Duarte in March 28 elections.

If D'Aubuisson wins, sources say, he "could kill 5,000 Christian Democrats [Duarte's party] like rats," and launch a scorched-earth "pacification" policy.

## State Department caught backing Club of Rome

Alexander Haig's State Department is now under intense pressure not to allow Robert Hormats, Assistant Secretary for Economic Affairs, to address a March 2 conference of the Club of Rome in Washington.

The Club is an organization dedicated to genocide in the Third World and "deindustrialization" of nations like the United States.

Such proposals first appeared in the Club Study "Limits to Growth." The scheduled conference is in celebration of that report's tenth anniversary. Founder Aurelio Pececi will keynote the conference, also to be addressed by Sen. Claiborne Pell and former ambassador Elliot Richardson.

Reportedly, one week after receiving a formal inquiry concerning Hormats's scheduled appearance, the State Department anxiously withdrew a drafted response for fear it would draw added attention to the Assistant Secretary's activities, confirming his and Haig's ongoing collaboration with the Club of Rome.

The Club of Rome, which broadly advertised Hormats as representing the Reagan administration, is now denying it, saying that he will speak as an individual.

He is considered a Henry Kissinger factioneer whom Haig wanted to promote to Economic Undersecretary,

fourth most important job at the department, but Sen. Jesse Helms and others protested that the department already has too many Kissinger flunkies.

## Has Weinberger written off NATO?

A top NATO defense analyst said Feb. 18 that the Weinberger defense budget already prediscards the collapse of the NATO alliance within two years.

"I've spoken to people about this," said the analyst, who is linked to Georgetown's Center for Strategic and International Studies (CSIS). "There is only one way to understand Weinberger's budget. He and Fred Iklé [Undersecretary of Defense for Policy] have written off NATO. I know that Iklé feels that NATO won't exist in a few years and that the U.S. will have to go it alone."

The analyst, also closely associated with the liberal Harriman wing of the Democratic party, added: "They are going to run into a fundamental problem. The U.S. economy cannot produce to meet the demands placed upon it." The build-up won't be abandoned, but stretched out for this reason, he opined.

The Harriman grouping is planning a NATO reorganization that will stress greater European conventional-force readiness in return for greater decision-making power, which the analyst said depended on the removal of West German Chancellor Helmut Schmidt from power.

Of a West German scandal launched by *Der Spiegel* magazine involving the Neue Heimat construction company, he added, the target is not just Helmut Schmidt, but the "basic institutions of the German social-democratic state. Augstein [*Der Spiegel's* publisher] is going for broke. He is moving to create chaos in the social institutions that are the basis of power for Schmidt's faction of the Social Democracy. Then, if Schmidt goes, the Social Democratic rule in Germany goes with him and the structure of politics in Germany changes forever."

## Briefly

● **THE DOE** has been ordered to conduct a rapid study of the effect on civilian energy supplies of various military contingency situations. Government sources claim that the Federal Emergency Management Agency has developed an analytic model that separates the defense base from the rest of the economy, but do not know how to proceed with the mandated study.

● **ROBERT BYRD**, the Senate Minority leader from West Virginia, has set up an 18-member Democratic task force to develop alternative budget proposals. Members include Henry Jackson of Washington, Sam Nunn of Georgia, and Ted Kennedy of Massachusetts.

● **GEORGETOWN** University's Center for Strategic and International Studies (CSIS) has scheduled a private seminar on U.S.-French relations in Bellagio, Italy, featuring representatives of the U.S. State Department and the French Foreign Office. The group will discuss plans to divide U.S. and French security responsibilities in areas around the world. Word has it that the number-two man at DOS, Larry Eagleburger, will attend.

● **BARRY BOSWORTH**, the Carter administration's director of the Council on Wage and Price Controls, has called for banning multi-year labor contracts in order to eliminate cost-of-living escalator clauses. The Federal Reserve's tight money policy is only temporarily effective in fighting inflation, he stated. What is needed is the "permanent change" of keeping wages low by means of wage and price controls.

● **A FEDERAL RESERVE** Bank study of the economic impact of casino gambling on the Atlantic City, New Jersey, area found that it had "lived up to its . . . expectations in providing jobs and stimulus."

# Volcker's international fallout

On the same day that the *EIR* held its Washington conference on the U.S. economy (and how to revive it, which *EIR* founder Lyndon LaRouche delineates in our National Report), the *Washington Post* of Feb. 18 reported that industrial production had declined by 3 percent in the month of January alone. The figures—and other items like the drop in auto production from 8 million units in 1979 to an annualized rate of 3.5 million in January 1982—speak for themselves. Paul A. Volcker is a liar.

Volcker has claimed that his high-interest-rate policy will reduce inflation. It hasn't—but it was never intended to. It was intended to destroy the U.S. economy and create a controlled depression. Volcker turned monetary inflation into an economic depression. "It's like reducing the amount of money you have to spend on food by cutting off your left foot," LaRouche noted in his Washington speech Feb. 18.

This is exactly what was done in Nazi Germany, LaRouche pointed out. And Americans, outside of the Washington goldfish bowl, hate Volcker. They are asking when President Reagan will get rid of Volcker.

The parallels to the economic disaster that made Hitler's rise to power possible have not been lost in other quarters. From West Germany, America's staunchest ally Helmut Schmidt told a *New York Times* interviewer Feb. 18 that he feared "economic and social, and therefore political, unrest" as a result of the "deepest recession since the middle 1930s." And then he underlined: "The high interest rates not only harm your economy. They harm the rest of the world even more."

Only two days earlier, the European Community had reached the same conclusion and dispatched a Belgian delegation to Washington to represent Europe's views on Volcker. Mr. Reagan turned a deaf ear, and even began a nationally televised press conference with a statement of solidarity with the Federal Reserve, claiming a "30 percent reduction" in inflation had resulted from the interest-rate policy.

It doesn't take a financial genius to figure out that the high interest rates are the single major cause of the

close to \$200 billion federal budget deficit and the chief reason for the catastrophic flow of funds out of industry and agriculture. As *EIR*'s "debasement index," first published in our last issue, shows, a calculation of inflation rates without taking into account the collapse in production and infrastructure is meaningless. Yet it has been with this fraud of "controlling inflation" that Paul A. Volcker had Congressmen and Senators eating out of his hand.

The other theory, that Volcker's interest rates can only be lowered by slashing the federal budget, is based on the absurd premise that it is possible to further reduce "demand." There is no difference in qualitative economic terms between those who want the bite to come from social services and those who want to ax the defense budget. Do we prefer to decimate the living standards and educational potential of our workforce and children; or would we rather gut the high technology reservoir of industry that is still concentrated in the defense and aerospace sector?

The kind of international catastrophe to which Chancellor Schmidt alluded has already struck in Mexico, which earlier in the Reagan administration was the brightest hope for a U.S. foreign policy that would break free from the leftover Carter-Volcker policies. Late Wednesday evening, Feb. 17, the Bank of Mexico suspended all support operations for the peso, and the currency plunged straightway to 38 pesos to the dollar—a 30 percent drop.

According to the *Latin America Regional Report*, Mexico had recently submitted to a "gentlemen's agreement" to put a 12 percent floor under interest rates on development loans to Mexico. The U.S.-authored accord strangled in the crib several offers to sell nuclear energy equipment to Mexico at much lower rates, notably by Canada and France.

Mexico has caved into the blackmail of Paul Volcker and his Swiss banker friends, who wanted the devaluation. The result of such economic warfare could be a new "Iran" south of our border—as the think tanks have been projecting. We could prevent that, by ousting Volcker now.

# EIR

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

**1. Prospects for Instability in the Arabian Gulf**

A comprehensive review of the danger of instability in Saudi Arabia in the coming period. Includes analysis of the Saudi military forces, and the influence of left-wing forces, and pro-Khomeini networks in the country. \$250.

**2. Energy and Economy: Mexico in the Year 2000**

A development program for Mexico compiled jointly by Mexican and American scientists. Concludes Mexico can grow at 12 percent annually for the next decade, creating a \$100 billion capital-goods export market for the United States. Detailed analysis of key economic sectors; ideal for planning and marketing purposes. \$250.

**3. Who Controls Environmentalism?**

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

**4. Prospects for Instability in Nigeria**

A full analysis of Nigeria's economic development program from a political standpoint. Includes review of federal-state regulations, analysis of major regional power blocs, and the environment for foreign investors. \$250.

**5. The Real Story of Libya's Muammar Qaddafi**

A comprehensive review of the forces that placed Qaddafi in power and continue to control him to this day. Includes discussion of British intelli-

gence input, stemming from Qaddafi's training at Sandhurst and his ties to the Senussi (Muslim) Brotherhood. Heavy emphasis is placed on control over Qaddafi exercised by elements of the Italian "P-2" Masonic Lodge, which coordinates capital flight, drug-running and terrorism in Italy. Also explored in depth are "Billygate," the role of Armand Hammer, and Qaddafi's ties to fugitive financier Robert Vesco. 85 pages. \$250.

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

The most complete analysis of the background, origins, and goals of this much-talked-about organization. Demonstrates the role of the commission in the Carter administration's Global 2000 report on mass population reduction; in the P-2 scandal that collapsed the Italian government this year; and in the Federal Reserve's high interest-rate policy. Includes complete membership list. \$100.

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

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

## EXECUTIVE INTELLIGENCE REVIEW

I would like to receive these EIR Special Reports:

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

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

Please charge to my  VISA  Master Charge

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

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

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

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

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

Make checks payable to:

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