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EIR

From the Managing Editor

We want to call your attention to this week's editorial, which outlines the strategic implications of the Malvinas Islands conflict for the United States and its allies. The editorial is excerpted from the introductory section of an eight-page pamphlet by *EIR* founder Lyndon H. LaRouche, Jr., titled "Why We Must Insist Absolutely That the Monroe Doctrine Be Strictly Enforced Now."

It is no longer remembered that the 1823 Monroe Doctrine, which declared the United States a guarantor against European interventions in the Western Hemisphere, was not a token of a new Anglo-American alliance, as latter-day historians commonly portray it, but a pledge that the United States would defend that hemisphere against the adventures of the oligarchic Holy Alliance and especially the British Empire. The unilateral declaration, drafted by Secretary of State John Quincy Adams, was a bold rejection of the British proposal that London and Washington, D.C. jointly guarantee the emancipation of Spain's American colonies—without recognizing the former colonies as independent states. The 1833 British seizure of the Malvinas was one of many confirmations of the Empire's actual intentions.

Our Special Report documents the activities of the descendants of those colonialists who were determined to keep the New World in a state of permanent backwardness and subjugation: the Fascist International, known in one incarnation as the Malmö International, whose founding principles are based on the race-breeding theories of Austro-Hungarian Count Coudenhove-Kalergi, one of the original ideologues of the Nazi movement. Future reports will elaborate on the Swiss banking level of this network, and its covert ties to the anti-growth wing of Europe's social-democratic parties.

Susan Johnson

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U.S. economy comes under a rentier-finance system

by Richard Freeman

Speaking at an *EIR* conference in January 1982, *EIR* founder Lyndon LaRouche stated, "The next phase of the Volcker depression will see the United States shifted from an industrial-manufacturing based economy into a rentier-financier economy." This transformation is already far advanced. If nothing is done to stop its progress, within a year or two the United States will be completely dominated by the coupon-clipping principles that governed 13th-century Venice or 19th-century Britain: wealth is defined solely as what each market instrument returns, with no regard for any underlying real economic base.

These are the grim doctrines that have dominated the United States, especially since Federal Reserve Board Chairman Paul Adolph Volcker was installed in August 1979 and began raising U.S. interest rates shortly thereafter. Especially since the early 1960s, Anglo-Venetian finance has steadily transferred assets in the United States from basic industry to finance and finance-related sectors. Now Volcker's high interest rates have slaughtered basic industry. The high rates have sharply contracted industrial production, but at the same time, they have enlarged the domain of the only activities that could exist and thrive in an environment of expensive credit: financial speculation and post-industrial "service sectors." The financial base is being cut out from under U.S. factories, mines, construction, and transportation.

Commerce Secretary Malcolm Baldrige proposed on March 30 to reconstitute the Carter administration "tripartite steel committee," consisting of unions, manage-

ment, and government. The first order of business would be to "rationalize 10 to 15 percent of steel capacity" out of existence, as a Lehman Brothers analyst recently suggested. This will be the form by which American industry, which Volcker is gutting, will be put away for good.

"For the last 18 months, there has been a very noticeable shift from traditional stocks—steel, auto, rubber, and older industries—into the areas of food, restaurants, drugs, financial, energy, and the like," reported Donald Hahn, director of investment research for the Wall Street investment firm of Warburg, Paribas & Becker March 30. "I estimate the amount shifted to be \$100 billion, perhaps \$200 billion. Now, there will be an additional shift in the same direction over the next 12 to 18 months."

Funny-money flows

There are a number of changes that typify the changeover in the United States from industrial to rentier-finance economy.

First, the outgrowth of money-market funds from \$30 billion in the summer of 1979, before Volcker entered office, to their current status of \$190 billion, nearly one-third the assets of the savings and loan sector. The money-market funds are geared toward high yields; Volcker's interest rates not only created the hothouse environment in which the funds could grow, but they forced a base level of 13 to 14 percent rates, from which it will be very difficult to bring credit costs down.

There is also the growth of the International Banking Facilities (IBFs). These are largely accounting devices: a bank in New York, say Chase Manhattan, can now choose to open a second set of books, called IBF books, and transfer all the international loans it has booked onto the latter. These can now get tax benefits on its IBF-booked loan, and also has to pay no reserve requirements on the compensating deposits. This means that the loans through the IBF can be, theoretically, rolled over indefinitely, just as in the Eurodollar market. Since IBFs began functioning in January of this year, they have grown by \$30 billion per month, and now stand at \$96 billion in assets. This will increasingly impart to U.S. banking the character of the unregulated Euro-dollar market, while providing cheap funds for foreigners to buy up U.S. assets.

Venetian buy-out of real estate

Perhaps the biggest change that is planned is to gut the American homebuilding industry, which has been a mainstay of the American economy for the last 35 years, and make owning a home permanently unaffordable to 80 percent of the nation's population. The market will be turned into a shrunken but "high yield" market in which home mortgages pay "guaranteed rates of return, with the same regularity and ability to collect on as an industrial bond," according to one source involved in attempting to effect this transformation. The source is Blake Eagle, a Tacoma, Washington-based real-estate adviser to the nation's pension funds, and a member of the Urban Land Institute, a Washington, D.C.-based think-tank. The Urban Land Institute's advisory board is dominated by the Canadian-based real estate firms, like Cadillac Fairview and Olympia and York, and by the major insurance companies.

It was Eagle, working as an adviser for the Urban Land Institute, who along with other Urban Land Institute members wrote the recommendations of the President's Commission on Housing. President Reagan, when he addressed the National Association of Home Builders, the largest construction lobby in the nation, March 29, told his audience there would be no federal bailout of housing. "You recognize as I do," Reagan told the homebuilders, "that budget-busting bailouts will only aggravate the problem." He recommended a "free-market" solution, taken point for point from the Commission on Housing's January 1982 preliminary report.

'No God-ordained right to housing'

"The average American has to come to see that he has no God-ordained right to housing. This is the message of the President's housing address and the shakeout in the homebuilding industry," Blake Eagle said, explaining the policy changes the Commission

plans to carry out. "The average American wants 2,500 square feet in his home, and a low mortgage. Well, this has to change," Eagle asserted. "The American housing industry has to downsize the size of a home, just as was done in the auto industry, if it is to survive. Home size should be downsized by 25 percent."

The amount of housing produced each year will not reach the levels achieved in the 1970s, Eagle said. The housing industry would shift from producing decent shelter to producing mortgage instruments for the portfolios of the insurance companies. "We have to make the mortgage as good as an industrial bond," Eagle continued, "That not only has a market competitive yield, but we must be able to foreclose on property if there is any holding up in payments. We need to increase the yields on mortgages to be competitive with market instruments," such as money market funds and the rate of return on consumer real estate (e.g., office buildings).

"There is right now," stated Eagle, "the common-law conception of equity in the courts, which prevents a creditor to the mortgage market from always collecting against a debtor. There has to be a change so that the concept of equity is no longer clogging up the American courts. We have to be able to foreclose more swiftly against those who default."

"We also need sweeping changes in zoning laws," Eagle said. "There are hundreds of zoning laws which are enforced by every community across the country. I don't know if a national zoning code is legal, but that's what we need. We should be able to put six homes on a lot, not the three homes we're limited to. We need to lift state usury laws that put ceilings on consumer loans, so that more can be charged for consumer-oriented loans," he added.

Eagle also proposed "share appreciation mortgages," which give the lending institution a share of the increase in the equity value of the home as a condition for making a loan. In return, the insurance companies, which had owned 21 percent of home mortgages in the 1950s, but only 3 percent in the 1980s, "will come back into home mortgage financing."

The report of the President's Commission on Housing further states: "It is likely that the thrift industry increasingly will seek to perform a mortgage banking function, originating and servicing residential mortgages, *while packaging and reselling these loans through securities markets to institutions that are better suited to hold them as investments* [emphasis added]." That is, the thrift institutions will be displaced permanently as the provider of long-term, relatively low-priced mortgages.

This "free enterprise" package will make the American dream of affordable, decent housing a thing of the past. The economy will have taken one more giant step toward domination by rentier finance.

Tokyo's overtures and Washington's line

by Richard Katz

Essential American firms for whom the Volcker interest rates are a death sentence, such as agricultural machinery producer International Harvester, may soon be able to avoid execution by obtaining low-interest loans from Japan. Necessary industrial infrastructure now postponed or cancelled, such as electricity grids or water transport, may soon be able to do the same. All this would be possible under a proposal by Zentaro Kosaka, formerly Japan's Foreign Minister and currently an executive of the ruling Liberal Democratic Party (LDP).

Speaking at the New York Japan Society on April 5, Kosaka zeroed in on the fact that high interest rates were hurting the American economy, and offered a plan to allow American firms and communities to borrow in Japan at commercial rates, now about 8 percent compared with 16 to 17 percent in the United States, as a way of helping to alleviate current economic frictions between the two countries. Informal sources told *EIR* that Prime Minister Suzuki approved Kosaka's proposal.

"A problem of high importance in the world today is the high interest rates in the United States," Kosaka declared. "Although I have no intention of interfering with this country's economic policies . . . it seems to me that what the United States needs is greater incentive to invest and revitalize its production." Referring to his experience as a former businessman, Kosaka added, "Through my experience in those days, I have been deeply impressed by the fact that obtaining capital with low interest rates . . . served as an incentive for productivity."

Kosaka proposed that the governors of each state screen proposals from communities and corporations for "high-priority projects" that enhance productivity. Within limits, Japan would allow such firms or communities or states to borrow in Japan's domestic *commercial* yen credit market at market rates, now about 7 to 8 percent. "I am not talking about government funds, and I would never want this to be seen as a donation," Kosaka stressed. Since such yen funds would have to be turned into dollars in the foreign-exchange markets in order to be useable in this country, an avalanche of such loans would lower the value of the yen, which is one of the reasons why up to now it has been virtually impossi-

ble for foreign corporations to borrow extensively in Japan's yen market.

Kosaka stressed that discussions on both sides of the Pacific were needed to work out details of eligibility for such loans, but he stressed that "productive-enhancing" projects were the criterion. Representatives of the governors of Florida and Illinois, and an official of the National Governors Association attending Kosaka's speech told *EIR* they were very interested in the proposal, and already had some projects in mind.

Should the plan go through, it would not only help American firms facing collapse and help rebuild this country's depleted infrastructure, but also add to the pressure on the Federal Reserve to lower interest rates here as well. Small surprise, then, that the next day Paul Volcker's allies in the Commerce Department attacked Kosaka's proposal. "We are only kidding ourselves to think that Japanese low-cost financing to U.S. companies will change the fundamentals in our trade relations," Commerce Deputy Secretary Clyde Prestowitz told the *New York Journal of Commerce*, "To the extent that this might be regarded as a solution, it could actually become an *obstacle* to the improvement of our trade relations [emphasis added]."

Prestowitz's boss, Commerce Undersecretary Lionel Olmer, had made it clear in a speech to the Japan Society two weeks earlier that, in fact, improved trade has little to do with the administration's emotion-charged demands for Japan to "open its markets," and its support for punitive "reciprocity" trade bills now before Congress. This was made evident by Olmer's startling declaration that, *rather* than lifting specific non-tariff barriers, the way for Japan "to provide market access in its broadest and truest sense" is, among other things, "encouragement of foreign acquisition of Japanese companies." In other words, Olmer demands that the same multinational companies which, in the United States, have diversified out of industrial production into real-estate, commodity futures, or electronic games, be aided by the Japanese government to buy up Japanese industrial companies, presumably to diversify them in the same direction!

Asked by *EIR* his response to Olmer's demand, Kosaka said that even if Japan lifted every tariff and non-tariff import barrier—it just announced the lifting of 73 such barriers in response to 99 complaints from Washington—that would have only a minor effect on the \$15 billion U.S. trade deficit with Japan, which is mainly caused by high interest rates and structural factors. He added, "I am opposed to aiding the foreign takeover of Japanese firms. Japanese corporations do not even sell themselves to each other. Instead, the way to resolve frictions is, for example, to cooperate in joint ventures in high-technology industries or in the loan fund I have proposed."

Chancellor Schmidt elaborates his approach to economic policy-making

by David Goldman, Economics Editor

EIR Economics Editor David Goldman filed this report from Hamburg, West Germany.

West Germany's Chancellor presented his perspective for the world economy in the 1980s before an elite audience, the Hamburg Overseas Club, on April 5. No text was made available to the press, and the following summary from myself represents the only full account available of this definitive policy address. Speaking to his Hamburg home base, Schmidt gave the most frank and comprehensive account of his economic policies to date. More than that, he concluded his grim portrait of "the second worst economic crisis in this century" with a demand for political support by West Germany's business elite. No other government, Schmidt emphasized, could maintain Germany's internal stability such that this country could play the crucial international role of maintaining strategic equilibrium.

In effect, Schmidt sought and obtained a vote of confidence from Hamburg business, his old home base, while emphasizing that, in effect, they needed him more than he still needed them.

In private discussions, leading Hamburg businessmen and investment bankers warned that public accounts of the imminent collapse of the Bonn coalition government should not be taken seriously, and Schmidt would stay in office much longer than most people thought. Among friends and advisers of the Chancellor in Hamburg, the prevailing estimate is that Schmidt could still call and win a national parliamentary election against Christian Democrat Helmut Kohl, the phlegmatic and unattractive opposition leader. At least for the next year, leading investment bankers believe, Schmidt will be able to draw on sufficient political resources to stay in power, which they believe to be a precondition for political stability in West Germany.

Preventing a German trade collapse

Two features of Schmidt's address need to be highlighted. First, his discussion of the "need to replace the funds lost to the Eurodollar market through the shrinkage of the OPEC surplus" answers the most critical question before German economic policy: what will West Germany do to prevent a collapse of its own

foreign trade in the context of a general crisis in the dollar markets? With German deliberateness, the commercial banks and investment houses are making preparations to correct the situation in which "West Germany is economically independent of the United States, but is still monetarily and politically dependent," as the chairman of a centuries-old Hamburg banking house that still bears his name told me. In some form, Germany will use its improved payments situation, due in large part to the drop in oil prices, to replace the international credit that the Eurodollar market can no longer make because its own deposit base is dwindling as a result of the same drop in oil prices.

Secondly, Schmidt's remarks concerning the U.S. situation shows that he does not understand the problem behind the present American crisis and therefore is not capable of intervening in the American situation in such a fashion as could change American policy. Rather, he is relying on "the force of circumstances," as one banker close to the Chancellor told me, to compel the Fed to change policy. Schmidt is also relying on the collapse of President Reagan's proposed rise in the defense budget to help bring down interest rates, as the accompanying text makes clear—a stance which indicates he has mis-estimated a fundamental concern of the United States. Also striking is Schmidt's forthright commitment to population-control policies, however moderated by his concern that economic growth must be the basis for the reduction of population growth rate. This viewpoint—which may be traced to Schmidt's close ties to the Evangelical Church in Germany—aligns him to the real problem in Washington, namely, that Volcker, Stockman, Regan, and other policy-makers see economic decline as a means of enforcing population reduction. Although Schmidt does not share this horrifying view of the world, the fact that he is convinced by at least a part of the Club of Rome argument introduces a great flaw in his perception of American problems. The irony of Schmidt's position is that howsoever hard he has striven to remain an Atlanticist and a supporter of NATO—motivated as much by his conviction that American and German interests must be united, as by his dislike for the Soviets expressed in his speech—he is after all much more effective as a German nationalist.

Below are excerpts from Mr. Goldman's transmission of the Chancellor's speech.

We are in the second greatest economic crisis of this century. It is wrong to attribute the inflation problem merely to OPEC. Inflation began in earnest when the Johnson administration financed the Vietnam War through inflationary policies. This in turn led to the events of August 1971 and the introduction of floating exchange rates, which were an invitation to inflation. Unlike the fixed-rate system, they encouraged central banks to adopt inflationary monetary and currency policies. This accounts also for the eight-fold growth of the Eurodollar market since 1971. Then came the second oil shock in 1979, and instead of inflation, we had general economic contraction. The oil countries themselves, and the Soviet bloc are suffering from this situation. . . .

Let me turn now to developments in the United States. Compared to last year, there has been a 4.5 percent drop in Gross National Product, and there are now 10 million unemployed, which is 9 percent of the workforce. . . .

I should like to say something about what has come to be known as supply-side economics. It combines a growing fiscal deficit and a tight monetary policy. I would characterize it as Keynesian in the Budget Office and Friedman at the Federal Reserve. There is the added problem that high U.S. interest rates draw in large volumes of international funds. Now there is additional demand for funds, putting more pressure on interest rates. There has been a great deal of criticism of the budget deficit from Congress, the trade unions, and large industrial firms. No one is going to say in this situation that the present Federal Reserve policy is wrong. That leaves a degree of uncertainty until September. . . .

As for the U.S.S.R. and Comecon, it is no longer the case that they may hope that the crisis of capitalism will effect the West alone. This is a deceptive viewpoint. Every national economy must adjust to the impact of the energy situation. Now the East bloc as a whole is suffering from the inefficient use of economic inputs, poor capacity for innovation, and is finding it difficult to raise the level of production. Annually the Soviet Union must import 30 to 45 million tons of wheat, and 45 million tons of wheat is \$12 billion. Opening the Siberian resources requires enormous capital costs. Now, the necessary support for Poland, and also Romania, implies a reduction of orders to the West.

In the oil-producing countries, whereas in 1979 the spot oil price was \$40 per barrel, now it is one-third lower. The official price will also continue to fall. That means both less demand for Western goods, as well as a reduction in the volume of the surplus, which contracted dramatically. That is good for the oil importers,

whose payments situation will improve and who will have more domestic buying power, and it is especially good for the non-oil LDCs, especially the NICs [Newly Industrialized Countries]. The problem in the situation is that the financial flows previously associated with the OPEC surplus must be replaced. . . .

For the non-oil LDCs, there is now less maneuvering room for financing. One-third to one-half of their total export earnings must be paid for oil. Now, with the world recession, their exports are reduced. This has spread insecurity in the international markets, given the \$80 billion debt-service [requirement]. . . .

Kenya's 4 percent per annum population growth rate brings up a central issue, the world population explosion, the source of the cycle of poverty. In the last 35 years, the world population has doubled. Population is growing 2 percent per annum in the Third World. By the year 2000 there will be 6.3 billion people, of which 5 billion will be in the Third World. This also means an increased concentration in large cities, such as Mexico City, and ensuing social unrest. There is no time to be lost to introduce an effective population policy. The next 28 years will be decisive for the next century. It is possible to stabilize the world population at 8 billion or at 12 to 15 billion, and we must ensure that it is 8 billion. . . .

What policies must we seek in the industrialized West? Neither Keynesianism nor monetarism will avail us. . . .

However, let me outline the basic steps I feel are necessary in the present world situation:

First, each nation must first seek to solve its problems at home, which means a continuation of strict monetary policies and restrictive budget policies.

Second, each nation must pay careful attention to the foreign effects of its national policy. There must be no beggar-thy-neighbor policies. Of all the major world economies, only China is relatively isolated in terms of the effect of its policies on the rest of the world. There must be no monetary protectionism, and no bank domino collapses.

Third, the United States has the best possibility now to contribute to the world recovery. It has 36 percent of the world GNP, but even more important, 80 percent of world reserves are in U.S. dollars, and three-fourths of the Eurodollar market—\$1.7 trillion! The most important thing the United States can do is to reduce interest rates in the interest of the entire world.

Fourth, countries with big balance-of-payments surpluses like Japan, must take measures to open their internal markets while others, like France, must use budget and monetary tightening to reduce their deficits.

Fifth, there must be continued moderation in growth of real incomes, but through voluntary action and negotiation. Wage and price controls are only a placebo with no real effect.

Sixth, there can be no advantage taken from devaluation; that is, no competitive devaluation. I recall [Bundesbank chief] Dr. Poehl's warning that devaluation and inflation form a vicious circle.

Seventh, the International Monetary Fund must be strengthened, and it cannot be an instrument of development aid, and its policies cannot be determined by the debtor countries.

Eighth, there must be orderly market conditions on the foreign exchange markets to provide security. By this I do not mean intervening against the trend, or fixing rates.

Ninth, GATT must be strengthened to reduce the danger of protectionism.

Tenth, for the LDCs and the less developed LDCs there must be help toward stabilization of their raw-material export prices through producer-consumer arrangements, not so much on the Common Fund [price-increase] model as through an extension of the [European Community's price-stabilization] Lomé approach. I realize this will not be popular in this room.

Eleventh, continued development aid for the Third World is absolutely necessary, and there must be continued pressure on the Soviet Union and Comecon to contribute its share.

Twelfth, the global negotiations in the United Nations must be pursued in order to achieve step-by-step realization of these theses. The negotiations must take into account the demographic future of the world. Through dialogue, the LDCs need to learn what the content of a new international economic order must be, while the industrialized nations must learn that great changes are needed in the world economy. I am aware that the last two or three theses may be unpopular.

A problem of democracy, which we must always seek to master, is the tendency to neglect our own long-term interest in the pursuit of short-term interests. We must keep this in mind as we consider what ways around our problems, or ways out of them, are available. The further drop in the oil price will help. It means that Japan will have a considerable balance-of-payments surplus, while West Germany will at least be in balance, and the United States will come closer to balance. This gives us maneuvering room for stronger de-coupling from U.S. interest rates. Sinking long-term interest rates are the key to recovery. They create the basis for investment. In this context I must say that when my colleague [Finance Minister] Herr Matthöfer mentioned an oil import tax, he did not speak for the coalition. Such an action would be futile especially if prices were to rise again, and is not under consideration. At the Versailles Conference [of Western leaders], we will discuss all these issues. A central issue will be a lower U.S. budget deficit, but this will be approached not through confrontation but through an effort to come together in agreement. . . .

EIR

seminar in Europe

Bonn: May 5

*The U.S. Depression:
Why the Projections of All Leading
Econometric Services Failed'*

**10:00 a.m. Comparison of *EIR* and
Leading Econometric
Projections for U.S.
Economy Since
October 1979**
David Goldman, Economics
Editor, *EIR*

**1:30 p.m. 'Mathematical Basis
for Successful
Economic Forecasting'**
Uwe v. Parpart, Research
Director, Fusion Energy
Foundation

**3:00 p.m. 'Why Only a Two-Tier
Credit Policy and
Regulated Banking
Can Foster Recovery
From the Present
General Depression'**
Lyndon H. LaRouche, Jr.,
Founder, *EIR*

**7:00 p.m. Chamber music
featuring the Kloeckl
Quartet**

Hotel Steigenberger, Bonn
Corporate fee 100 DM; individuals 50 DM
Queries: Mrs. Mary Lalevée or Mr. George Gregory,
EIR Nachrichtenagentur GmbH, Postfach 2308, D-62
Wiesbaden.
Tel: 06121 30 70 35.

PART II

Europe's Common Agricultural Policy: the attempts to dismantle it

by Cynthia Parsons and Susan Brady

On March 18, ten days before the March 29 summit meeting of European Community (EC) heads of government and simultaneous ministerial negotiations on the 1982-83 Common Agriculture Policy (CAP), British Prime Minister Margaret Thatcher declared that she would block a farm-policy settlement until EC members agreed to limit Britain's contribution to the Community budget. "If we do not get a satisfactory solution of the budget," Mrs. Thatcher threatened, "then we could not possibly agree to a settlement of the CAP." Agricul-

In an attempt to prevent Mrs. Thatcher from totally disrupting a summit meeting which he insisted should focus on the strategic issues of interest rates and the deepening world depression, West German Chancellor Helmut Schmidt intervened to take the budget off the agenda. Special consultations beginning April 3 on the budget were to center on the EC Commission's latest "compromise" proposal, an extended five-year grace period during which Britain would enjoy a "money-back" guarantee, albeit on a decreasing scale. Then, on the eve of the summit, French President François Mitterrand told his Cabinet that France had by no means agreed to the compromise on the British contribution being worked out in Brussels, understood to be increasingly generous to the United Kingdom in exchange for British agreement to a compromise on farm prices.

Threats to the EC

The Mitterrand pronouncement was taken as an indication that the French government was prepared to blow up the summit, if not the EC. Mitterrand had earlier floated the idea of pushing through farm-price rises by majority vote, without Britain. Under pressure from its farm population, the Mitterrand government has not hesitated to assert that the EC can survive perfectly well without Britain. "The essential thing is a sufficiently solid core of countries who want to go forward," French Minister of EC Affairs stated March 24, "and the basis of that is a Franco-German accord." Britain came into the EC, he continued, "and is now trying to turn it into a free trade zone. If that were

allowed to happen the EC would eventually break apart."

The Mitterrand line, together with continued British intransigence, has tended to wear down West German patience. Pre-summit discussions revealed that Bonn has little desire to pacify Britain with an expensive budget settlement. In the end, the summing meeting was inconclusive. Whether the unravelling of Britain's policy administration in the wake of the Malvinas takeover will force her to withdraw resources from her wrecking operation remains to be seen. Otherwise, there is every reason to believe that wrangling over the new CAP program will continue into the summer months.

In the meantime, Europe's farmers are left to confront a deepening economic crisis.

As *EIR* explained in Part I of this report, the Common Agriculture Policy, though weakened significantly over the years, has succeeded in building up modern agriculture in Europe, and it remains essential for assuring progress in the farm sector. The CAP is responsible, among other things, for the fact that milk and sugar are produced in "surplus" quantities and that for the past three years Europe produced bumper grain crops, outgrowing domestic sales. As a result, Europe has recently joined the world's major grain exporting countries—something that should be considered a welcome development in a world where hundreds of millions go hungry each day, and something that might be expected to inspire a joint U.S.-European effort to foster the type of economic development in the Third World that will open those vast markets.

Instead, as we shall see, the successes of CAP have been the occasion for new attacks on its basic principles, not only from Britain but from the United States.

Why Britain must import food

For Britain, the farm-price settlement is not important. Since the 1846 Corn Laws, which marked Britain's decision to import cheap food from the colonies rather than develop the food-producing farm sector at home—a policy promoted and enforced under the "Free Trade"

banner—Britain's aristocratic landowners have devoted their efforts to their full-time hobby of sheep and pig breeding. They have cashed in as opportune on the benefits CAP provides in terms of export markets and any number of related benefits, but have no commitment to the policy. Britain remains dependent on imports for at least 40 percent of its food.

That, ironically, is the root of Britain's budget problem with the EC. As an EC member, Britain's farm-product imports are subject to "import levies" based on the CAP's "threshold" prices. The threshold price, the central mechanism for protecting the internal market, determines the lowest price at which grain can be imported into the EC. These levies are paid into the CAP fund, the Feoga, which in turn finances the entire CAP. Britain complains that it pays more into Feoga than its own farmers receive. But recent estimates show that while the CAP costs Britain overall about £ 1.4 billion, a reversion to the pre-CAP farm policy in Britain, geared to support farm income at 1980 levels, would cost the British Treasury £ 1.7 billion!

Yet, since joining the EC, Britain has never stopped trying to wangle its way out of paying the cost of membership. Britain's share of the total EC budget amounts to some £600 million, yet in 1980 Britain contributed a mere £55 million under the temporary budget agreement expiring next month. Britain insists on reducing this contribution even further, and, at the same time, with the budget issue as a pretext, demands the effective dismantling of the CAP.

U.S. 'free-marketeers' attack CAP

Over the past year, Britain's demands for a reduction in CAP price-support levels have been bolstered by a campaign against the CAP led by free-marketeers in the Reagan administration. The United States has demanded that Europe slash the export-credit programs that facilitate its farm exports, claiming "unfair competition," since the United States does not directly subsidize agricultural exports. Europe uses the credit programs to enable exporters to deal with the differential between EC farm prices, protected at close to the cost of production, and world market prices, held below break-even by the multinational grain companies; therefore, the U.S. campaign amounts to an attack on the CAP pricing structure, which American officials otherwise charge with promoting "overproduction."

The nominal issue is the competition America faces from Europe for farm-product export markets in the rest of the world, primarily in the underdeveloped sector.

U.S.-EC trade is another matter. There have been several issues under negotiation during the past year, such as the dispute over the tariff status of U.S. exports to Europe of corn gluten used in livestock feed. But in this realm the United States is simply concerned to

maintain its existing large share of the market. The EC is presently the largest single market for American farm products, principally feed grains. In fact, for the past 15 years, Europe has taken 30 to 35 percent of total American farm exports each year. Of the 1980 U.S. trade surplus with Europe, half—or more than \$7 billion—was accounted for by farm products.

For this reason, U.S. action vis-à-vis Europe on farm issues is a delicate matter. Rhetoric often diverges from concrete action. Some observers of the recent American campaign warn that U.S. stridency could be counterproductive if Europe decided to cut back on U.S. imports. Others point out that Europe could not afford to limit U.S. imports since no one else could supply them, especially with feedgrains where, together with corn and soybeans, world trade is virtually totally monopolized by the United States.

"Now the Community is focussing on some of our key markets," Agriculture Secretary Block has complained repeatedly, referring to Latin America, China, and the Middle East, as well as the Soviet Union, which imports meat and milk products from the EC. Block has declared that he will fight all-out to retain old markets and secure new markets in the face of European competition. "We are not going to stand by idly while the [U.S. farmers] compete against foreign treasuries," Secretary Block announced. It was the Secretary, together with then-presidential candidate Reagan, it should be remembered, who promised American farmers that expanded exports would guarantee "100 percent of parity—in the marketplace." The Secretary is in need of explanations, since American farmers are now in the worst financial crisis since the Great Depression.

Thus far, however, the administration has been reluctant to take the export subsidization issue further than an official complaint under Section 301 of the General Agreement on Trade and Traffic (GATT). A complaint about subsidies for export sugar was filed last October, followed by one on wheat flour this spring.

More seriously, U.S. Department of Agriculture officials and agriculture spokesmen such as Senator Dole (R-Kan.) have jumped on the bandwagon. Assistant Agriculture Secretary for International Trade and Commodity Programs Seeley Lodwick has taken the campaign to the hustings. In a lengthy speech to the Iowa District Export Council in October, Lodwick hit at the EC's "protection" of European farmers and their markets with high price-support levels, import levies, and export subsidies. Echoing Great Britain and American consumer activists, Lodwick complained that not only do European consumers have to foot this huge bill, but now Europe is shifting the costs of the CAP to the "world market" through the export subsidies.

Assistant Secretary Lodwick and the rest of the freemarketeers are misleading American farmers into believing that EC subsidies are responsible for the

slump in world grain prices that is devastating American producers. In truth, the problem is neither subsidies nor surpluses—a surplus is the hallmark of agricultural success anywhere, and a parity pricing policy to ensure producers cost of production and a fair profit is essential for each nation to guarantee its food supplies.

The depression limits markets

The problem of limited export markets, the only element of reality in the U.S.-EC dispute, is the direct result of the depressed state of the world economy, exacerbated by high interest rates and the IMF's "conditionalities" policy, which has imposed murderous import cuts on many underdeveloped nations, and prevented the hungriest among them from initiating any income-generating activity to begin with. Should both sides of the Atlantic put their efforts into increasing consumption and promoting high technology-vectored growth throughout the developing sector, the present surpluses would be taken care of, creating plenty of markets.

Even a 2 or 3 percent increase in Europe's own consumption, which is still very low-quality nutritionally compared with that of the United States, would gobble up Europe's so-called surplus. Look at the "glut" products:

Milk protein consumption, at about 23 grams per person daily in the U.S., is 5 grams higher than Germany or France, and 9 grams higher than Italy.

Egg consumption in the United States is 47 grams per person, and only 36 grams in the United Kingdom and 34 in France.

Meat, while not a surplus product, ought to be, because there is ample room for increased consumption. In the United States, daily meat consumption is 304 grams per person, yet a mere 166 in Italy, 197 in the United Kingdom, and 241 grams in France. The United Kingdom has experienced a net decline in meat consumption, and nearly every other food category during the past ten years.

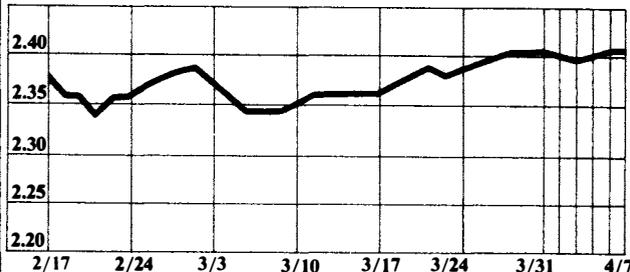
The fact that cereal consumption is higher in Europe than in the United States reflects the lower quality of the European diet. Yet, in Africa, there are over 70 million people who may get 100 grams of cereal a day if they are lucky. A similar number exist in Bangladesh. And, if they were given access to world markets, these countries—not generally considered U.S. "territory"—would snap up any European and U.S. surpluses.

When asked why the United States does not press a campaign to increase food consumption, an informed USDA official said, "Yes, well you have a point here, but it is easier to get them to reduce subsidies." Such immoral stupidity will not only eliminate thousands of people, but, if imposed fully, would destroy both U.S. and European agriculture in the process.

Currency Rates

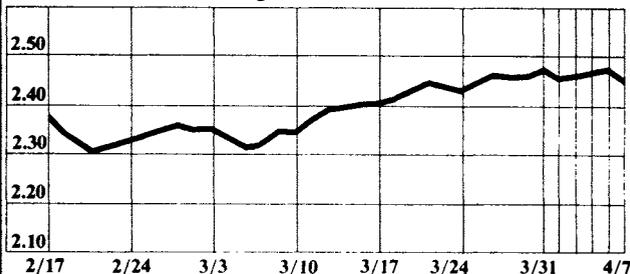
The dollar in deutschemarks

New York late afternoon fixing



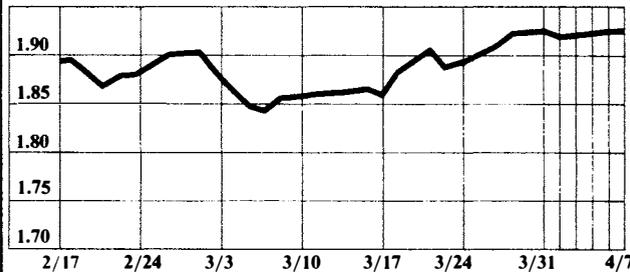
The dollar in yen

New York late afternoon fixing



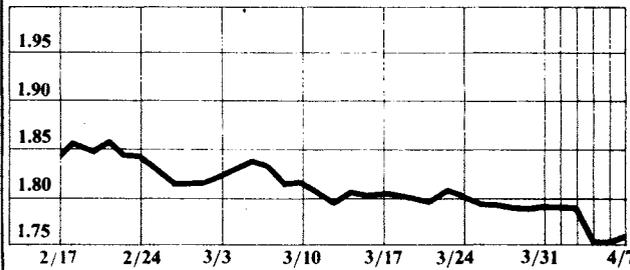
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The Congressman from Basel speaks

Rep. Jack Kemp has an un-American proposal for remonetization of gold internationally.

Some generations ago, my American colleagues attempted to warn Gen. George Washington that his trusted lieutenant, one General Arnold, was in the pay of foreign banking interests. The recent gold proposals of Rep. Jack Kemp, Republican of New York, are of an identical character. The Congressman's gold scheme was not only authored by the Swiss and Italian bankers of the Basel-based Bank for International Settlements, but would surrender America's national sovereignty to that institution of its enemies.

Representative Kemp, who is considered prime presidential material by his Basel benefactors, has begun his gold campaign patriotically enough, as is usual in such cases of political infiltration. In a speech before the Federal Reserve Bank of Atlanta late last month, Mr. Kemp made a fiery attack upon the "monetarism" of Federal Reserve Chairman Paul A. Volcker, his BIS colleague. The "incorrectness" of the Chairman's doctrines, he said, has caused "gyrations of interest rates and of real output [and] for the first time in history, we have suffered two back-to-back recessions."

Kemp also noted accurately that high interest rates are now due, not to inflation, but in large part to fears of mass bankruptcies and depression. He further warned than any mere "reflation" or money-

printing at this juncture will lead to "flight from the U.S. dollar." Defending the U.S. currency, he called for an end to both monetarism and reflation, in favor of "a classical gold standard."

It was his concept of gold that betrayed his hand, or rather that of his employers. Kemp specified that the Federal Reserve should abandon monetarist targets; end open-market operations in the Federal debt; confine credit provision to the Fed discount window; and then make "the new target of monetary policy some proxy for the price level—the dollar price of gold."

This, he stated, should be done "in coordination with the central banks" of the BIS "as the former chairman of the BIS, Jelle Zijlstra, has suggested." As also suggested by the Swiss, Kemp proposed that the United States "define the dollar as a fixed weight of gold" and "convoke an international conference on the order of Bretton Woods to reconstitute an international monetary system."

The Swiss plan, as described by Zijlstra before the International Monetary Fund last October, calls for the central banks of Basel, not national governments, to fix a gold system of their own. To enforce such a gold price, the gnomes of Basel also require control of national credit, including supranationally enforced budget reductions, incomes policies, and tax pol-

icy. Instead of Volcker's mere credit deflation, the Basel bankers would oversee credit, wage, and budget deflation to maintain a gold price.

Worse, rather than taking his plan to President Reagan, *Mr. Kemp is secretly meeting with Paul A. Volcker himself on the scheme*, my sources confirm. "The administration is out of the picture since the President's Gold Commission rejected gold in March," Kemp's aides say. "Kemp is working with the Federal Reserve. This is a plan to be run and controlled by the Fed, not the administration."

No surprise here, since, as this journal has reported, Rep. Kemp's entire "supply-side" economics theory was "invented by the Bank for International Settlements," in the words of the Federal Reserve.

What surprises one is the extent to which Basel policy can be portrayed as American. Mr. Kemp's close adviser, sometime economist Jude Wanniski, offered a similar scheme in the *Wall Street Journal* April 2. Wanniski, too, warned that interest rates are high because mass bankruptcies face U.S. markets, and asked an overhaul of the Federal Reserve. He proposed that the central bank target all monetary policy to "maintaining a stable dollar-gold price, an idea," he confides, "offered by the chairman of the BIS, Jelle Zijlstra."

Both Kemp and Wanniski admit that interest rates could still soar under their plans, as the Federal Reserve "targets a stable [gold] price level, *not stable interest rates*," as Kemp put it. But, as Mr. Kemp admitted in his speech, U.S. national interests are irrelevant. "It is natural for a man who believes in gold to be an internationalist, rather than a nationalist," he concluded.

The deadly second quarter

High interest rates create loan demand in an unhealthy cycle; big bankruptcies could come very soon.

In the second quarter, there will be no U.S. industrial upturn—in fact, there will be more downturn because of inventory liquidation and depressed demand—and second, interest rates, which have been murdering the economy, will remain high.

In this context, the statement of Commerce Secretary Malcolm Baldrige to a breakfast meeting with reporters April 5 that “My gut instinct tells me there will be one or two” large industrial failures may qualify as the understatement of the year. However, Baldrige’s reiteration of the Reagan administration’s line that there will be no federal bailout may be the ingredient that turns a couple of major bankruptcies into 20 or 40.

The problem is that unless Fed Chairman Paul Volcker is forced to resign or lower interest rates, by the course of “market events,” interest rates will stay up and may even rise.

“The prime rate could go as high as 18 percent in the second quarter,” Gert von der Linde, chief economist for the Wall Street firm of Donaldson, Lufkin, Jenrette, reported April 7. “You have a steady level of high corporate borrowing, even though that shouldn’t be happening in a recession. Corporations are borrowing,” von der Linde confirmed, not for industrial expansion, “but to pay off old interest on old debt and even in many cases to meet current payrolls.”

This unwholesome phenome-

non, in which high interest rates produce artificial borrowing needs to finance debt, is reflected in the fact that corporate borrowing at banks continued at a 20.5 percent per annum rate over the last three months for the latest reporting week ending March 17, the St. Louis Federal Reserve Bank reported. Corporate issuance of commercial paper—IOWs—is equally high.

Normally, in the second quarter the Treasury Department, because of incoming tax receipts, would actually pay down debt, thus injecting liquidity into the markets. But falling tax receipts and increased expenditures caused by the Volcker depression make it likely that the Treasury will have to borrow in the second quarter, keeping the financial markets tight. It will need to finance a record \$50 billion in the third quarter to meet the needs of the fiscal 1982 federal budget deficit.

Money supply will bulge in the middle of April by as much, perhaps, as \$8 to \$9 billion, because large beginning-of-the-quarter Social Security payments and tax refunds will be mailed out and find their way into M-1. Volcker’s reaction will be to tighten.

In this environment, corporations in trouble may be cut off from funds by banks who had previously carried them in the belief that an upturn would make their debt more viable.

“It is very likely that there will be bankruptcies,” stated von der Linde; “there may be some that are unexpected.”

However, it is the bankruptcy that is most expected which will pose the greatest dangers to the economy: International Harvester, the 25th largest U.S. corporation. “The chances of avoiding a Harvester bankruptcy are pretty slim. It just depends on what the threshold of pain is for the banks,” stated Larry Hollis, an analyst with Robert Baird & Company, on April 6.

In its restructuring agreement on \$4.2 billion of outstanding debt last December with a consortium of 350 banks, Harvester had agreed that its net worth would not fall below \$1 billion. But Harvester announced April 2 that its net worth will fall below that level, and by May the company will technically be in default of its agreement. The banks could choose to roll Harvester over nonetheless. But Harvester lost \$300 million in its first financial quarter, and if it continues to operate at 35 percent of capacity—as is most likely—it will have only \$300 to \$400 million in net worth by December. How many banks will wait that long before they foreclose?

If Harvester is put into bankruptcy court, it will probably be parceled out to various buyers. This would break up its integrated capacity to produce farm, earth-moving, and irrigation equipment vitally needed in the United States and Third World.

And, if Harvester goes, 200 to 250 small banks in the Midwest, which don’t have access to the Eurodollar market to tide them over, will either go bankrupt or call in their loans to other companies.

French Socialists play oil roulette

Elf-Aquitaine threatens to undermine French industrial export strategy and ties with OPEC.

A battle over oil policy is taking place within the top government circles of Socialist French President Mitterrand. The battle focuses on the French state-owned oil and resources conglomerate, Société Nationale Elf-Aquitaine, and its controversial head, Albin Chalandon.

On March 31, the Paris paper *Le Canard Enchaîné*, a semi-official leak sheet for government actions, reported on a top-level meeting of Mitterrand, Jacques Attali, his pro-Zionist adviser; Foreign Affairs Minister Claude Cheysson; Finance Minister Delors; the head of the state-owned CFP-Total oil company; and Chalandon. Chalandon was said to have argued that France break its long-term oil purchase contract with Saudi Arabia.

Two days earlier, Chalandon, in a nationwide radio interview, propagandized for his policy. He argued that, because spot-market prices are falling below the official \$34 per barrel Saudi contract price, France should abandon such long-term contracts in favor of contracts lasting from three months to no more than one year. The present Saudi-French contract, which does not expire until December, was signed in 1973. Chalandon is attempting to bolster his case by claiming France could save 7 billion francs (more than \$1 billion) by breaking its Saudi contract.

At stake is one of the fundamental underpinnings of the previous policy pursued by former President

Giscard d'Estaing. Under the policy, France negotiated long-term trade agreements with certain OPEC states which not only ensured relatively secure petroleum supply to the economy, but were also tied to French export of heavy industrial goods to the OPEC countries. Until the Israeli bombing in 1981 gave the new Mitterrand government a pretext to pull back, the French were assisting Iraq in developing a domestic nuclear power infrastructure as part of its industrialization strategy.

Since the long-protracted Iraq-Iran war has cut Iraqi output, Saudi Arabia has become the dominant source for French oil imports. As of last August, 52 percent of the French oil supply was drawn from Saudi Arabia by Elf and its sister French company, CFP-Total.

Since the French-Saudi agreement in 1973, French exports to Saudi Arabia grew from about \$500 million to more than \$1 billion/year by 1980 when an additional \$3 billion package to build up the Saudi navy was signed.

That Mr. Chalandon would be in the forefront of the effort to undercut the Giscard technology-for-oil strategy is not surprising. Chalandon has been described as extremely close to a secret European Masonic order, the Sovereign and Military Order of the Temple of Jerusalem, which is under investigation in France for its relationship with the underworld Service

d'Action Civique (SAC). Chalandon was undercut in August 1980 by Giscard's Minister of Industry, André Giraud when Chalandon attempted to turn the state-owned oil company into a speculative raw-materials conglomerate by trying to buy the U.S. oil and uranium company, Kerr-McGhee, for \$3.5 billion. Giscard told the enterprising Chalandon that the sole purpose of the state-owned company was to secure regular petroleum supplies for France.

Within days of the May 1981 Mitterrand election, the new President gave the green light for Chalandon to resume his marauding.

The result was predictable. Chalandon (and, according to reliable sources, Mitterrand himself), working in tandem with world-federalist Canadian Prime Minister Pierre Trudeau, got control of Texasgulf, the large U.S. raw-materials conglomerate. Within two months of the contested Elf takeover of the U.S. resource company, Chalandon raised the price of sulfur charged by Texasgulf a devastating \$10 a ton to \$150. Chalandon now controls what has been called by one analyst "the most valuable long-term phosphate resource this nation has," at Lee Creek, North Carolina, and the second-largest U.S. sulfur producer.

Regardless of the outcome of the immediate Franco-Saudi showdown, M. Chalandon has made his overall approach abundantly clear. Unlike the Giscard government, the Elf head is joining the Canadian move to create huge multinational conglomerates, backed by the power of the state, to further a London-scripted policy of neo-colonial resource control. The rest of the world is the loser.

The 'user fee' caper, Part III

Only on the fundamental issue of the American System versus British "free market" dogmas can the fight be won.

Opponents of the Reagan administration's "user fee" proposals for the nation's inland waterways and deep-draft ports and harbors are about to be handed a "compromise" they may be in no position to refuse. It is a compromise which will give the nation another big push down a policy course antithetical to the American System principles which built the country in the first place.

The precedent for the user-fee program was firmly established four years ago by the Carter administration with the imposition of the inland waterways fuel tax. In spite of the fact that at that time legislators were sufficiently circumspect to demand a comprehensive analysis of the fee-charge policy before proceeding further, over the past year Congress has been stampeded behind David Stockman's and Paul Volcker's budget austerity bandwagon to the degree that it is doubtful that the basic policy implications of the "user fee" caper will be effectively brought to the fore.

Reports from Washington indicate that the administration has retreated from its demand for 100 percent operation and maintenance cost recovery coupled with segment-specific surcharges for new projects—the position for which Reagan-appointee Deputy Secretary of the Army for Civil Works Gianelli has carried the banner. Transportation Secretary Drew Lewis, who otherwise dutifully represented the administration team,

has reportedly been given the go-ahead to explore a compromise after convincing David Stockman that the Gianelli tack had no chance.

Lewis is reported to believe that the administration must "insulate" its policy within a "multi-modal" package of user fees, and the latter is precisely what may be sent to the Hill in the form of a new administration bill by as early as April 5. The package would be based on a national fuel tax on the inland waterways—increasing the highway fuel tax (one of Lewis' pet proposals), and adding an aviation fuel tax—supplemented by a nationwide customs tax on all cargo that is to be pumped into a Waterways Trust Fund to help finance port dredging.

According to waterway industry sources, the industry has yet to decide whether to translate its current leverage—growing stronger as the administration, now on its fifth user-fee proposal during the past year, continues to flounder—into compromise legislation it may be able to live with, or to block any new laws this year. There is no question, these sources say, that the numbers in the administration's compromise—high by a factor of two—will have to be fought down.

A decision to block user-fee legislation, however, must be based on the determination to go to the heart of the issue—something only mentioned in passing in the testimony and discussion entertained by at least six sets of congressional com-

mittee hearings in recent months, as the questionable "philosophical premises" of the user-fee policy.

When organizations like the National Waterways Conference or the American Waterway Operators state, as the former did in a recent press release, that cost recovery is a "sinister scheme" that can "destroy many basic precepts of the American republic as we know it today," they owe it to the nation to spell out just what they mean—and make that the central issue.

The current budget crisis is merely the motor for pushing the user-fee program. The policy itself comes from Reagan administration advisers' dogmatic insistence that the federal government has no role to play in planning, overseeing, supporting, or in any other way taking responsibility for the country's economic infrastructure. This is the British myth of "free market" economics, the same myth that the British Empire used as a battering ram against the young American republic.

With the leadership of Alexander Hamilton our forefathers made federal responsibility for infrastructure such as the waterways a cornerstone of the American System. America's policy of "internal improvements" was critical to our ability to rebuff Britain's numerous attempts to break up and recapture our nation, and to build up the most advanced economy in the world. A recent study by *EIR* staff employing the LaRouche-Riemann computer model demonstrates dramatically that infrastructure investment by the federal government will be the most efficient ingredient in a program to re-industrialize the United States (see *EIR*, April 6, 1982).

Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
	Argentina from U.S.S.R.	Purchase of 100 kilograms of 20% enriched uranium for Argentine test reactors signed in Buenos Aires a week after Argentina reclaimed Malvinas Islands.	Both countries greeted deal as step toward Soviet sale of enrichment technology to Argentines.
\$86 mn.	Brazil from U.K./Italy	Ferranti of U.K. will design and supply weapons control system for first 4 of 12 corvettes (small, heavily armed escort ships) designed by Brazil and being built at Rio shipyards. Ferranti will subcontract part of radar to Selenia of Italy. Guns are provided under separate contract from Vicker and Racal-Decca of U.K.	First contract signing under British \$1.2 bn. jumbo credit terms.
\$108 mn.	Sweden from U.K.	O.K. Kracker of Sweden bought new 21,000 bpd catalytic cracker from Foster Wheeler's British subsidiary, which will order most of the components from Britain.	Catalytic crackers increase the percentage of light products such as gasoline refined out of each barrel of crude oil.
\$59 mn.	Malaysia from Japan	Kuantan port on the South China Sea will be repaired by Mitsui. It has not been used since 1978 construction due to sinking in soft terrain throwing it out of joint.	
\$360 mn.	Indonesia from Japan/U.S.A.	Indonesia has ordered a fertilizer plant which will increase capacity of facility in Timur to 1,500 tpy ammonia and 1,725 tpd urea. Kobe Steel will build it using technology of Kellogg Overseas of Houston.	Japanese will finance.
\$50 mn. each way	Iran/Uruguay	Uruguay has signed deal to barter beef for oil with Iran.	Uruguay has been importing 40,000 bpd oil from Iran without selling anything.
\$95 mn.	Soviet Union from West Germany	Pipes for 22 compressor stations on northern section of Siberian-Western Europe natural gas pipeline have been ordered from Mannesmann.	Germany has not won proportionate share of pipeline deals; Italy won more than share, and is indecisive on gas purchase; Dutch are making gas take conditional on supply contracts.
\$29 mn.	India from U.S.A.	Chevron will spend at least \$29 mn. drilling 3 oil wells off India's coast during next three years.	Chevron first foreign risk-contract winner in India.
UPDATE			
\$3.3 bn.	Iran from West Germany	KWU may complete construction of the 70% complete 1,300 MW Busher I nuclear power station on Persian Gulf. Preliminary deal suspends mutual legal claims, but must be mulled on by the Mullahs before becoming official.	KWU was building 2 plants at Busher with letters of intent for 4 more when the Dark Ages struck in 1979.
	Brazil from U.K.	Brazil is offering U.K. suppliers contract for coal pit mouth power station in Santa Catarina state to replace deal for coal conversion of Rio electric plant reported canceled last <i>EIR</i> .	Electrobras says new deal would satisfy British demands that Brazil buy equipment promised as part of jumbo loan package.

Business Briefs

Credit Policy

'America easier to beat than Argentina'

An editorial in the April 3 *Financial Times* of London argued that with the outcome of the war with Argentina over the Malvinas Islands still in doubt, pushing America around is a much better bet.

Reminded "that economic forces are more powerful than the force of law [the British Navy]," the editorial, entitled "Armed for the Wrong War," emphasizes that America is on a road to depression, not recession, which may now be irreversible. If such is the case, the editorial argues, this may be the time to march in and induce America to create a two-tiered credit system that would reward speculators ("better credit risks") and condemn poorer risks (manufacturers and other producers).

If a depression is irreversible, what better time to pull out of U.S. stocks and other securities? "It is certainly not too soon to be reviewing such a contingency and planning for it. There are worse places than the South Atlantic to be unprepared."

Banking

S&Ls ask President to save U.S. housing

Representatives of the savings and loan institutions, led by the U.S. League of Savings Associations, met April 1 with President Reagan at the White House to ask him to defend the S&Ls from bankruptcy.

"We expressed our concern about the effects on financial institutions of current high interest rates," U.S. League President Roy G. Green said in a statement after the meeting. "We told the President that the pressures of high interest rates on thrift institutions could hamper his economic recovery program" because of

the cost to the U.S. Treasury if it must fund the bailouts of "troubled institutions."

As Green noted, it is the Federal Reserve's high interest rates which are not only bankrupting the S&Ls, but swelling the U.S. budget deficit. The Federal Home Loan Bank Board reported April 5 that S&Ls' losses in the last half of 1981 reached a record \$3.1 billion, with almost 85 percent of the 5,000 institutions suffering losses, up from 70 percent in the first half of 1981. S&Ls will lose another \$6 billion or more in 1982, thrift analyst Jonathan Grey of Sanford & Bernstein estimated April 6. By the end of March, fully 95 percent of all S&Ls were in the red, he stated.

As U.S. League President Green has noted, these losses could cost the Federal S&L Deposit Insurance Corporation over \$45 billion in the next few years to bail out bankrupt S&Ls.

The U.S. League stressed that the S&Ls are the nation's premier home lenders, and "urged that alternatives be developed to policies that threaten preservation of community-based institutions, which serve the credit needs of American families." Green specifically stated that if S&Ls are allowed to go under, commercial banks will not take up the slack in making home mortgages, and families will suffer.

Foreign Exchange

Britain's currency, banking dive over Malvinas

Britain's decision to freeze Argentina's \$1.5 billion deposits in London banks April 2, following Argentina's move to end British colonial possession of the Malvinas Islands, may damage Britain's currency and banking.

"The action by Thatcher was very bad. It was hysterical, and damages London's reputation as a neutral international banking center," Leonard Santow, the chief economist for the New York branch of the British-run Schroder Bank de-

clared on April 9.

"Arabs and Latin Americans have been withdrawing their money following the freezing of Argentinian assets, and this will continue for two more weeks," Santow reported.

The pound fell from \$1.79 April 5 to \$1.75 on the 7th, while the value of stocks on the London Stock Exchange collapsed by some \$7 billion. The London *Financial Times* index of stock values dropped 23 points from 583 to 560.

Labor

How the U.S. workforce has shifted since 1970

In 1970, approximately 16 million people were in the U.S. services and finance sector workforce. By the late 1970s, employment in this totally non-productive sector had surpassed manufacturing, which employed two-thirds of the workforce at the end of World War II. By 1981, there were 25 million service workers, an increase of 60 percent over the decade.

In contrast, the manufacturing sector workforce rose only 1.8 million from 1970 to 1981—an increase of 8.9 percent. Actual manufacturing employment stood only 4.6 percent higher last year than in 1970—and by February of this year was down to 1970 levels. And figures for the last decade mask a shift within the industrial sector away from basic industries toward electronics and other light industry.

Narcotics

Dope Inc. enters Caribbean Basin plan?

The Port Authority of New York and New Jersey, some of whose officials are reported to have ties to the Permindex world assassination bureau of Dope, Inc., announced April 8 that it will establish a trading company in Costa Rica to

take part in the President's plan for the development of the Caribbean Basin, released March 17.

The trading company will be run by the World Trade Institute, a Port Authority subsidiary, and Banex, a Costa Rican bank, for the duration of the two-year contract.

Port Authority head Alan Sagner said, "Costa Rica has one of the few remaining stable governments in Central America, thus making it an area of importance to the United States. The subsidiary trading company of Banex will serve as a new instrument to create worldwide exports."

Trading companies, especially in the Far East, are notoriously used as drug-handling companies, usually attached to a major Dope, Inc. bank like the Hongkong and Shanghai. Costa Rica is often referred to as "Vescoland" because it protects the fugitive drug-linked swindler Robert Vesco.

Trade

EC asks Japan to self-destruct

Two weeks after U.S. Commerce Secretary Malcolm Baldrige accused the Japanese of "stealing" U.S. technology, and Undersecretary Lionel Olmer demanded that the Japanese open their economy to foreign buy-ups, the European Commission issued a long-awaited paper demanding that the Japanese permit foreign takeover of Japanese companies, and buy more foreign goods regardless of prices.

The EC document was a slap at both the Japanese, who had sent a high-level delegation to Europe to mitigate trade problems, and at West German Chancellor Helmut Schmidt, who had wanted disputes to be settled through the mechanisms of the General Agreement on Trade and Tariffs. The EC declaration failed to mention any GATT remedy for the trade imbalance.

East-West Relations

Venetians propose that BIS manage East-West trade

Nathaniel Samuels proposed this month that the Swiss-based Bank for International Settlements take over all management of East-West trade and credit from the West to the Soviet Union. Samuels, the retired Chairman of what used to be the Kuhn, Loeb investment bank, is also a top executive of half a dozen U.S. insurance subsidiaries and holding companies for the two largest insurance fondi in Venice, the Assicurazione Generali di Trieste e Venezia, and the Riunione Adriatica di Sicurtà.

In an op-ed in the April 7 *New York Times* entitled "Larger than the Pipeline," Samuels proposed that since Europe is dead set on building the Soviet-European natural gas pipeline, that the U.S. government "cease its opposition to the pipeline" for a price. The deal would be agreement by Western Europe and Japan to "agree to an organized systematic coordination of lending and credit policies toward the Soviet Union and other Eastern European countries . . . to monitor Warsaw Pact countries' abilities to service their debts, to help avoid excesses of availability of credit from courting of Eastern trade," and other watchdog restraints on East-West trade.

Samuel openly proposed that the "coordinating financial tasks" of this agreement "could be undertaken by the Bank for International Settlements, in Switzerland" and the Organization for Economic Cooperation and Development in Paris.

Samuels' plan is a "potboiler" for similar proposals made to European governments by U.S. Undersecretary of State James Buckley in a recent European tour, one European expert in New York said in early April. State Department spokesman Dean Fischer in fact announced April 6 that European governments have agreed to "coordination" and "follow-up discussions" on the matter at the Versailles economic summit.

Briefly

● **PAUL VOLCKER** approved the first takeover by a U.S. commercial bank of a savings & loan on April 4, thereby rewriting U.S. banking law by fiat on the model of the British cartelized banking system. The separation between S&Ls and commercial banks has been traditionally maintained in the U.S. to support S&L finance of home mortgages, which commercial banks do not typically make.

● **SWITZERLAND** tightened its credit markets April 7, with the announcement that the Swiss National Bank will limit money supply growth this year to 3 percent "in order to combat inflation." Inflation in Switzerland in 1981 was 6.5 percent. Last year, the central bank cut the Swiss money supply by 0.5 percent. As a result of the new crunch, nearly 40 percent of Swiss industrial firms plan production cutbacks during the second quarter of 1982, Union Bank of Switzerland reported.

● **WILLIAM FRENCH SMITH**, U.S. Attorney General, called for a program of U.S. banking deregulation April 6, including a "review" of the McFadden Act and the Douglas Amendment to the Bank Holding Company Act. These two protective regulations keep large banks from buying smaller banks across state lines.

● **FREE BANKING ZONES** may "take a significant amount of international lending business away from London and threaten its position as a world financial center," Robert Brusca, New York Federal Reserve Bank International Financial Markets Research Director, told *EIR* April 5. "Were New York to grow to the size of London, we could begin to control the international dollar markets," he said of the unregulated International Banking Facilities now permitted in the United States. "By bringing sections of the offshore dollar markets here, we're beginning to control those markets."



EIR Special Report

The Fascist International coup and terror network

by Criton Zoakos, Editor-in-Chief

On the first of May 1945 the last official Nazi uniform was discarded by its last wearer, whoever he might have been, as Adolf Hitler's organization of terror and mass murder was finally annihilated by the victorious Allied arms. As of that date, tens of thousands of the international mass murderers and torturers who had opened the gates of Hell for 12 years discreetly vanished into scores of well-protected sanctuaries around the world. Their lines of communication, their finances, and the controlling mother organization remained intact. The fascist international with its various disguises and names such as Die Spinne, Odessa (Organization der Ehemalige SS Angehörige), Permindex, and Malmö International, continued to be a well-preserved asset of its owners. It is now surfacing once again, summoned by the same owners, attempting to reopen the gates of Hell. Its pawprints were picked up by our investigators looking into the attempted destabilization of the Italian republic around the present Sicilian disturbances sponsored by the Sicilian separatist movement.

The reputed controller of that movement is one Carmelo Zuccarello, a member of both the Italian fascist MSI and the Spanish Fuerza Nueva, a man who likes to describe himself as the "most powerful man in Sicily." Above him stands Licio Gelli, the head of the Propaganda-2 Freemasonic lodge who, having once been a member of Mussolini's OVRA secret police, later escaped to South America, engineered Juan Perón's return to power, coached and promoted to power the Libyan madman Qaddafi, and helped coordinate and finance "left" and

"right" terror organizations in both Europe and Latin America, from the Red Brigades to the dreaded "Death Squads." The Sicilian separatist movement is part of a broader European-wide capability which includes the Corsican separatists, the Basque movement, the Turkish Grey Wolves, and a number of other regionalist violence-oriented groups whose assigned role is to be the battering rams against the existing national states of Europe. They are all controlled and deployed by the same financial and strategic interests which once launched both the Mussolini and Hitler movements. Swiss banking families are the historical and intellectual "mother" of these fascist dregs; by association with such Swiss financial interests, the controlling apparatus presiding over this fascist network have also been certain financial fortunes of the Anglo-American world.

The case of Hitler

It is now a well-documented fact that the Austrian hippie Adolf Hitler was installed to power in Germany at the insistence of the Bank for International Settlements, the sinister "central bank of central banks" based in Switzerland, for the purpose of carrying out an economic program of population reduction, slave labor, and genocidal financial looting similar to the present-day *Global 2000* program proposed by the same bank today.

The BIS had been established after the Versailles

The Hohenstaufen palace overlooking Palermo, Sicily.

Treaty for the ostensible purpose of administering the debt and reparations payments of defeated Germany. The BIS invented and promoted Hjalmar Schacht into the post of director of the Reichsbank, a position analogous to Paul Adolph Volcker's today, with a mandate to financially crush the vitality of German industry. The BIS, and the various German debt-administration commissions such as the Dawes Plan and the Young Plan, along with Hjalmar Schacht deliberately brought about the world depression of 1929-33 and created highly unstable political conditions which made governance virtually impossible, especially in Germany.

Toward the end of 1932, the option existed for an industrial and economic rehabilitation of Germany around a program of national mobilization proposed by General Schleicher. The Swiss BIS, Hjalmar Schacht, and their Anglo-American banking cohorts, led by Schröders Bank, vetoed that plan and instead promoted Adolf Hitler to power.

Up until that time Hitler was the titular figurehead of a movement of degenerate hippies, environmentalists, homosexuals, and racist kooks which had been for years financed and promoted by the occupying financial powers, and cultist secret societies such as the Urania Temple of the Golden Dawn and Madame Blavatsky's Theosophists, all associated with British intelligence, the British Museum in London, and the Museum of Natural History in New York City, one of the main centers of racist "eugenicist" doctrines.

Schröder's Bank in particular played a crucial function in both cultivating the Nazi networks, especially in lavishly financing Hitler's ascent to power in January 1933. Associated with Schröders Bank during that time were the two Dulles brothers, John Foster, who later became Secretary of State, and Allen, who later headed up the CIA. They sat at the board of directors of the bank and their law firm, Sullivan & Cromwell, represented the Schröders Bank's interests. Before the war, the Dulles brothers had distinct and public pro-Nazi sympathies. They were advocating the use of Nazism as a foil to be used against German national interests and groups such as the traditional military, the industrialist leaders, and the old Prussian, Humboldt-trained scientific and political elite. During the war, Allen Dulles stationed himself in Switzerland, where he maintained intelligence operations and contacts with Nazi leaders throughout. After the war, Allen Dulles was part of a much broader effort, involving the international conduiting of billions of dollars of Nazi fortunes to safety and the movement of Nazi criminals into hiding around the globe.

This special report will give the reader a fair idea of how these old Nazi networks continued and evolved down to our day.

We begin with an eyewitness report from our special correspondent in Sicily, which documents the role of the

Sicilian separatist movement of today in an ongoing attempt to destabilize the Italian government, and from there, to destroy the government of West German Chancellor Helmut Schmidt, the linchpin of East-West relations. As our special correspondent reports, the stated aims of the Sicilian separatists conform to those put forward by leading NATO commanders in Europe. Next, in Part I of an historical series by Michelle Steinberg, we present the story of the creation of today's Sicilian Mafia by the remains of the British and American intelligence services from World War II. Part II of Steinberg's report will trace the connections of the Mafia kingmakers and collaborators in U.S. intelligence circles up to the highest levels of the U.S. Justice Department and State Department today. A case study of the Swiss banker and Fascist International controller François Genoud, from our Wiesbaden bureau chief Thierry Lalevée, and an extensive guide for readers through the networks of the Fascist International over the past five decades, prepared by counterintelligence specialist Scott Thompson, round out our report.

Swiss bankers' puppets

Repulsive and odious as the criminal mentality of these pathological Nazis is, the reader ought to take one step back, hold his or her nose, and try to look at what is behind them. They are mere puppets. They are just another political commodity, dumb, vile, and cruel, which is traded in the market place by the masters of high finance. The Swiss banking tradition of trading in this vile commodity goes very far back in time. Just as they stood behind Hjalmar Schacht, Hitler's Paul Volcker, so they stood, during the previous century, behind the Jacobin mob of the French revolution and Charles Necker, the central banker who triggered that revolution. The banking house which then owned both the French central banker and the French Jacobin mob was the Schlumberger-Neuflige-Mallet banking group of Geneva. That same group in recent years has controlled the assassination outfit called Permindex Inc., which was responsible for the assassination of President John F. Kennedy, and for numerous attempts on the life of French President Charles de Gaulle. The leading personnel of Permindex at various points have been leading Nazi figures, including SS Colonel Otto Skorzeny, Hitler's favorite killer-commando, and the son-in-law of Hitler's Finance Minister Hjalmar Schacht. These are the people who created the "Jackal" who attempted to kill President de Gaulle, as well as "Carlos" and other notorious left- and right-wing terrorists over recent years.

These old Nazi networks are now summoned by their masters in high finance for a series of assaults against national institutions around the world. The Sicilian independence caper is only one of these Nazi campaigns.

Eyewitness report: how the Sicilian separatists do NATO's bidding

by a Special Correspondent

The following is an eyewitness report by an EIR special correspondent who attended a series of meetings called ostensibly to build for the April 4 anti-NATO demonstration in Comiso, Sicily.

From the center of Palermo, Sicily, the Norman Palace dominates the city from its hilltop position surrounded by little gardens. Today it is the seat of the Sicilian regional *parliamente*. This is not a regional council such as those that exist throughout mainland Italy; Sicily is a region with a special statute, and the power of its parliament is much broader than that of Italy's other 17 regional administrations.

On the main facade of the palace there is a stone plaque which recalls that Frederick II (Hohenstaufen) of Swabia lived there in the 13th century, and that he was the first to gather to his court the men of letters, those poets who wrote in the vernacular tongue to give the population a universally comprehensible language, capable of communicating ideas. The cathedral of Palermo, constructed in the 12th century, reproduces the themes of the great French cathedrals of the epoch; and one is surprised to reflect that it is true that the land of the Mafia was the first cradle of the Italian Renaissance.

There are people today who would like to change history. They are not content with the special autonomous status which Sicily enjoys under the Italian constitution, and they would like to make it no longer a region of Italy but an "island-nation" like Malta. If we identify precisely who they are, what is the end they seek, and if one were to conduct an open political campaign to drive them to the fringes of society, then the woes of Sicily and perhaps many of those of present-day Italy would be resolved.

Behind the Mafia myth

There is a devilish alliance which has tormented Sicily since the postwar period: the alliance between the Mafia and the NATO apparatus. Previously the alliance existed between the Mafia and the Mussolini regime. The problem lies in the fact that the Mafia is seen by

many as a government structure. The profound cowardice in dealing with the Mafia, promoted by presumed radicals like the writer Leonardo Sciascia, has allowed it to continue to be able to use Sicily as a "special" region, while nurturing secret projects for detaching the island once and for all from the national government in order to carry out the filthy traffic in drugs and arms totally undisturbed.

At the end of World War II the Anglo-American secret services used Mafiosi to make contacts in Sicily in preparation for the allied landing. Well known are the cases of the alliances between American agents Vanni Buscemi Montana (today a fervent admirer of the would-be Duce II, Socialist Party leader Bettino Craxi), Max Corvo, and Lucky Luciano; or the contacts between British agents and characters like Antonio Canepa, the Communist Sicilian-independence leader whose economic program was precisely the self-management corporativism that had been Mussolini's original policy and was shared by British intelligence's Action Party. Since it would be absurd to suppose that without the presumed "aid" of the Mafia the war could not have been won by the Allies, one can only assume that some groups of oligarchical orientation such as that of Winston Churchill or Charles Poletti started to work with the Mafia in order to have a capability at hand to use as a tool to control or destabilize adverse national governments.

NATO's objectives

Last Feb. 27 at the City Council Hall of Catania a speech was given by Admiral William J. Crowe, Jr., commander-in-chief of the Allied Forces of Southern Europe. In his speech—which was held the very day that news of the atomic submarine surprised in Italian territorial waters was put out on the news wires—Crowe announced for the first time officially that the peril to NATO came not only from the East but also from the South. The main argument was that the U.S.S.R. is threatening to cut off the Middle East petroleum routes.

But this is not the main significance of the speech.

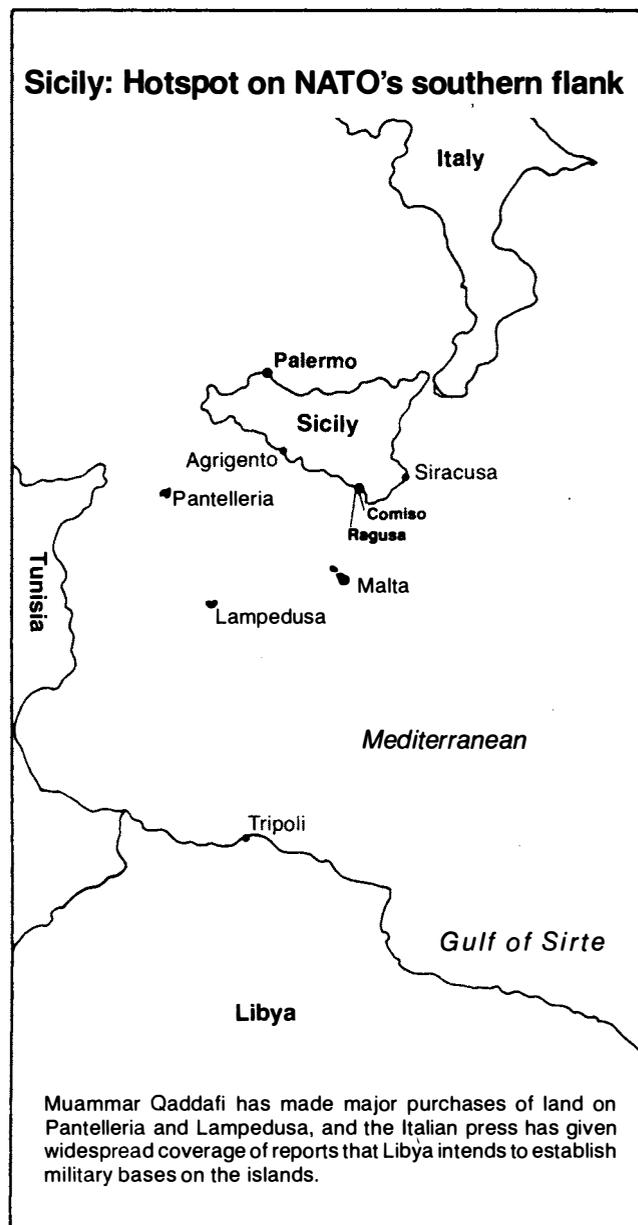
Crowe in fact touched on two topics which reveal a crucial aspect of NATO strategy: 1) If for any reason the United States should lose “faith . . . in the resolution and decision” of the European allies, it would tend to withdraw into an “isolationist” attitude, “and therefore it is important that the Europeans recognize that any change whatsoever in the American people’s perceptions—right or wrong—can rapidly bring down an already-decided government policy”; and 2) Crowe complained that the populations of the southeast rim of NATO are expanding rapidly and he concluded: “Even without foreign intervention, this demographic factor constitutes in itself a sufficient element to create political instability for the rest of the century.”

What does this mean? It means that NATO has announced that to enact the “southern flank” strategy means, on the one hand, imposing the dictates of the Carter administration *Global 2000* project of reducing world population, and, on the other hand, overthrowing those governments that oppose such a strategy.

The Mafia has been mobilized today to realize these objectives. Within this general strategic goal, the Mafia has its own particular ends. But they are not inconsistent with the general ends of the *Global 2000* gameplan: The traffic in dope and weapons is precisely among those things that most enhance what is euphemistically called “population control.” In Sicily it is very visible that the most diverse forces are converging on these objectives: from the fascist networks coddled in Franco’s Spain, which represent the highest-level structure, to the independent-Sicily movements of every political color, to the useful idiot Colonel Qaddafi of Libya and his even more useful henchmen on the island.

The independence movement

The Fifth Congress of the Siculan Independence Movement, named for the Latin term for the largest indigenous Sicilian ethnic group, the Siculi, was announced with huge posters. In a small hotel room in Ragusa in southeastern Sicily about 30 persons gathered who, with the typical mysticism of those ready to burst out into terrorist acts at the drop of a hat, protest that “regimes change but the police are always the same,” and then run down the list of the martyrs from the postwar period to the present of the Esercito Volontario Indipendentista Siculo (EVIS—the Voluntary Sicilian Independence Army). Pippo Scianò, president of the movement, explains that it is time to unite with the ecologists to defend the Siculan soil and bring the colonization of the “continent” (the Sicilian term of reference to the Italian mainland) to an end. The program is to make Sicily an island nation like Malta, and convert it into a free zone. It appears that Scianò is close to the Palestine Liberation Organization. Another speaker proposes that bilingualism be introduced even



though it is not with “cultural” movements that Sicily will be liberated. The few participants applaud loudly and shout when the speeches are finished: “Long Live free and independent Sicily.” This reporter felt a bit uneasy, thinking that these are old militants from the EVIS, which counted 8,000 under arms whose weapons have never been found.

Where might Mr. Scianò have gotten his ideas from? Just a few weeks earlier at Nancy, in France, there was a meeting of the Pan-European Union of Otto von Hapsburg, pretender to the throne of the defunct Austro-Hungarian Empire, with exponents of Siculan independence and others from Corsica, the Valle d’Aosta (a French-speaking semi-autonomous region in northern Italy), and the South Tyrol (another Italian region with

a non-Italian German-speaking ethnic minority) participating. Contacts and programs of reciprocal visits to the respective demonstrations planned in each region for the next period were established at that Nancy meeting. Valdostan and Tyrolean representatives participated in the Ragusa meeting, along with representatives of Sicilian organizations in the United States.

But what gave substance to this flag-waving was the project of making the "Sicilian Independent Nation" into a free zone. One of the leaders of the movement, who carries himself very proudly because he is considered a man of the "Americanni," unlike the other separatists who are merely financed by Qaddafi, explained it to this correspondent. If Sicily is a free zone, it will become the hinge of trade between Africa, Asia, Europe, and the United States, a world commercial center more important than Hong Kong. "Raw materials could be worked up here into finished products and re-exported at a very low price. Naturally a large part of this trade would consist of drugs, but we only are concerned that it not be consumed here. If anyone is so stupid as to use it elsewhere, it is no problem for us to sell it." He recalled with a flash of rage in his eyes that the petroleum swindle of 1975 was organized in Sicily, and claimed that Sicily should have realized the proceeds of the black market in oil.

These projects for "independence" might seem impotent dreams, but is it not perhaps also true that Michele Sindona [the Italian banker known in the United States for massing fraud in the collapse of Franklin National Bank] came to Sicily in 1979 with the idea of preparing a "secession" from the Italian government?

Qaddafi finances and supports the ecology movement and peace movement precisely in order to pursue this end. "Leave Qaddafi alone," a businessman from Catania hints to one meeting. "What he is doing [for the demonstration in Comiso] is useful for attracting the attention of NATO to Sicily." Then he patiently explains that what happens in the political world means nothing, because all the politicians and journalists are paid either by Qaddafi or by Sicilian "industrialists." "It's that way in other places too, only here in Sicily it's really everyone, everyone."

Who are these "industrialists"? They are people who "want to make a lot of money with short-term investments," and therefore they finance the drugs and arms trade, and are perfectly open to the idea of a Hong Kong in the Mediterranean. Anyway, they argue, if they don't do it in Sicily, someone else will reap the benefits, as occurs now with most of the drug traffic passing through Albania. The problem is that up to now, because of the Italian national government, the Sicilian "industrialists" have not been able to ally openly with Qaddafi and use his money. If they could

do it, the profits, already calculable in billions, would increase even more.

One small detail: The businessman who is saying all these things comes from the ranks of the right-wing Falangists of Spain and he claims to be, and probably is, the friend of persons at the highest ranks of NATO. That is, he does not belong to the Mafia per se, but to that structure that uses the Mafia and its greed to enact strategy by means of "business." His role is the same as that of Licio Gelli, the grand master of the Propaganda-2 Freemasonic lodge which was exposed ten months ago in a coup plot against the Italian government.

The Falangist's admiration for Qaddafi is matched only by that expressed by an important local Communist, organizer of the Comiso demonstration to protest the emplacement of NATO nuclear missiles in Sicily. He says, like everyone in Sicily, that he *knows perfectly well that Sicily is already full of nuclear missiles*, and that the Comiso rally will change nothing from this standpoint, whether or not the installation is made. The unacceptable detail about Comiso is that its missiles will be aimed against Qaddafi's Libya.

The ecologists themselves maintain that the construction of the Comiso base, given the narrowness and indefensibility of the location, is in reality extremely improbable. Everything that is going on around Comiso, from the construction of the site to the movements against it, is a scenario around which rotate two orders of converging interests, however much differentiated they may be in the multicolored disguises of Mafia and ecology movements. The first is that strategic interest of NATO, which, far from being interested in problems of defense, looks to the overthrow of governments important for international political stability like that of the current Italian Prime Minister Spadolini. At the second level, the Mafia is mobilized for the financial advantages of Sicilian independence to traffic in arms and drugs.

In Sicily today billions of lira are circulating from this illicit traffic. But all you have to do is to go into the alleyways of Palermo to find yourself in the blackest wretchedness. The independence advocates demagogically ascribe this poverty to the policies of the "continental government." In reality, it is the fruit of the fact that up to now, the Italian government has not done enough to defend the Sicilians from the Mafia's oppression. The reason for this is the high-placed protectors of the Mafia: The P-2 apparatus of the "friends of Haig" in NATO. It is they, in many cases the relics of the fascist regime selectively salvaged by Charles Poletti and the Dulles brothers, who today use Qaddafi as an arm for crushing republican governments.

Until they are eliminated, the commemorative plaque of Frederick II on the Norman Palace will remain only the pathetic testimony of Sicily's glorious past, in the midst of a sea of misery.

An Anglo-American intelligence project: the Mafia and Sicily's separatism

by Michelle Steinberg

Were it not for the officers of the Anglo-American intelligence forces that occupied Sicily beginning in 1943, and which struck up a strange alliance with organized crime and Freemasons to shape the future of Italy, the so-called Sicilian Mafia would have remained the confederation of petty criminal overlords used for centuries by the Sicilian oligarchy to settle the affairs of the island. But with the assistance of British and American elites, such as British Special Operations Executive head, Sir William Stephenson; former New York Governor and Republican Party scion, Thomas E. Dewey; former Central Intelligence Agency Counterintelligence chief, James Jesus Angleton; and OSS Station Chief Allen Dulles; the Sicilian Mafia was reorganized and upgraded into a sophisticated enforcement apparatus, interlinked with the London-directed Scottish Rite Freemasonic lodge Propaganda-2.

The setting up of Sicily as the Mediterranean base of operations for international narcotics smuggling, arms traffic, and terrorism was one feature of an international reorganization coordinated by operatives of the British Royal family in both Europe and the United States, to exert social control in an international arena no longer dominated by the British Empire. The tools of this new order were to become terrorism, drugs, and regional destabilizations coordinated through international criminal networks like the Sicilian Mafia.

Over the last three years, a series of scandals involving Italy has begun to peel away the cover of the decades-old criminal enterprises created by the Anglo-American intelligence cabal in the post-war period. In early 1980, the Billygate scandal surfaced, revealing an organized crime network inside Sicily which functioned as agents for Libyan dictator Muammar Qaddafi, and headed locally by Michele Papa, a leader of the Sicilian separatist movement. By June 1981, it was revealed that among Papa and Qaddafi's criminal friends were the members of a secret Freemasonic lodge in Italy, controlled out of London, and responsible for almost 15 years of terrorist bloodshed in Italy.

The networks presently involved in the Sicilian separatist operation are the same as those identified in the Billygate affair, and in the Propaganda-2 scandal. In the

early 1960s, these same networks operated an international assassination bureau under the name of Permin-dex—Permanent Industrial Expositions—and successfully carried out the assassination of President John Kennedy, and Italian industrialist Enrico Mattei, as well as more than 30 unsuccessful attempts on the life of Charles de Gaulle. In December 1981, these networks once again emerged as the controllers of the leftist terrorists who kidnapped NATO Gen. James Dozier.

One of the major assets of this network is the Italian Socialist Party headed by Bettino Craxi, a party which owes its existence and influence to the Anglo-American Mafia and Freemasonic networks. The following report will document the interconnections among these networks since 1942, and provide the basis for an international effort to shut down the criminal enterprises they are using to destabilize Italy and the European-American alliance.

Operation Underworld

The recent round of indictments of alleged Mafiosi for drug and arms smuggling in Sicily is aimed at a long-standing network of organized crime figures who were recruited from the ranks of the Sicilian separatist movement by British and American intelligence, and who are related not only by blood and business, but in their long-standing desire to see Sicily as an independent base for their operations. Taking a step back in history makes the picture clearer.

In spring 1942, on the heels of the first "total war" on organized crime carried out by then-New York gubernatorial candidate and former special prosecutor Thomas E. Dewey, the New York B-3 Section of the Office of Naval Intelligence began a project to recruit leading organized crime figures to provide intelligence on enemy operations and protection for allied ships docking in New York.

The prime target for recruitment into this project was Salvatore "Lucky" Luciano, then serving a 30 to 50 year jail sentence in New York as a result of the celebrated show-trial prosecuted by Dewey. Ironically, it was Dewey, through his long time second-in-command, Murray Gurfein, head of the New York District

Attorney's Rackets Bureau, who initiated the plan to recruit Luciano into the secret project, and incidentally, to provide an arrangement whereby Luciano could meet several times monthly with his syndicate lieutenants—Meyer Lansky, Frank Costello, and Joe Adonis (Giuseppe Doto)—in a private visiting room of the Great Meadow Prison in New York.

The Luciano project, later a source of scandal against the ambitious Dewey, was in fact the basis for the entire restructuring of Mafia operations in Italy after the war. Though disputed in some detail (the records have allegedly been destroyed by the Office of Naval Intelligence), the key contact for ONI and later OSS was not a Sicilian or Italian-American, but Meyer Lansky, the still top-ranking boss of organized crime in the United States.

From 1942, when Operation Underworld began, till long after the July 1943 invasion of Sicily, Lansky met weekly with Commander C. Radcliffe Haffenden, the head of the ONI's B-3 Section, and later with Gurfein, who left the District Attorney's office to join ONI for this project and later became a colonel in the Office of Strategic Services.

In fact, many of the staffers of Haffenden's organized crime unit—which grew to a staff of dozens of men—had been part of Dewey's investigative team. When the British command and Prime Minister Winston Churchill prevailed over U.S. military leaders and President Roosevelt to make Sicily the first point of Allied invasion into Europe, Haffenden received clearance from Washington to bring his organized crime network into the secret plans. His first contact was Lansky, who assigned Joe Adonis to make contact with Sicily.

The Luciano/Lansky group already had an inside source in Fascist Italy. In 1932, Vito Genovese, New York's leading narcotics trafficker, fled the United States to avoid prosecution for murder. Armed with between \$1 and \$2 million, Genovese was a generous

contributor to the Fascist Party, and became an intimate of the Mussolini inner circle in Rome. One of Genovese's principal jobs was supplying some of Mussolini's intimates, most notably his son-in-law Count Ciano, with cocaine and other narcotics.

By 1944, Genovese, who could have been tried as a Fascist collaborator, was working as an official interpreter for the Allied Military Command. This was arranged through Col. Charles Poletti, appointed as the Governor of Sicily under the Allied Military Government of the Occupied Territories (AMGOT). Poletti, who had been the Lieutenant Governor of New York under Herbert Lehman, and Acting Governor briefly in 1942, was, according to Luciano, "one of our good friends." During his one month in office, Poletti had pardoned a number of Luciano's organized crime friends serving prison terms.

Genovese was soon accused of stealing military supplies and returned to the United States to stand trial for the 1932 murder, but the witness died while in the protective custody of the District Attorney's office, and Genovese was let off. Before long, however, Luciano himself would be in Sicily to set up organized crime operations.

Separatist plans

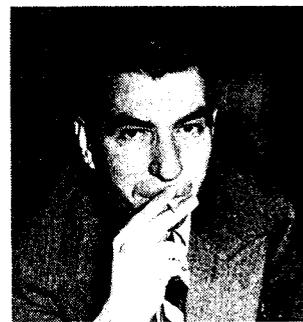
Within a year of Genovese's return to the United States, Luciano submitted a petition for executive clemency and freedom to Governor Thomas Dewey. On Jan. 3, 1946, Dewey, with the approval of the State Parole Board, announced that Luciano would go free, on condition he would be deported, permanently, to Italy. In the clemency statement, Dewey states, "Upon entry of the United States into the war, Luciano's aid was sought by the armed services in inducing others to provide information concerning possible enemy attack. It appears he cooperated in such efforts. . . ."

Luciano's return to Italy intersected a far more strategically important series of events—the organiza-

The kingpins of 'Operation Underworld'



Thomas Dewey, New York District Attorney, later New York governor and presidential hopeful, recruited leading organized crime figures to Operation Underworld.



Salvatore "Lucky" Luciano, the mobster who was jailed, then freed by Dewey, deported to Italy, and positioned as an overseer of the independence movement in Sicily.

tion of the post-war Italian government. By this time, an ideological war was being waged between the British and American forces, with the British, specifically Prime Minister Winston Churchill favoring the restoration of the Monarchy of King Vittorio Emmanuel III.

In Sicily itself, the monarchist forces had already forged an alliance with the local Mafia, led then by Don Calogero Vizzini, a local boss who had been rewarded with a mayorship, and had a brief alliance with Vito Genovese during Genovese's time as leader of the Sicilian black market in stolen military goods.

The climate for the creation of a Sicilian separatist movement had been nurtured by Luciano's "good friend" Charles Poletti, who, as military governor of the island following the Allied victory, had banned all political activity from Sicily except that of the independence forces.

In September 1945, an extraordinary meeting was convened in the outskirts of Palermo attended by the local nobility, including Duca Guglielmo Paterno di Caraci, Barone Stefano La Motta, Prince Alliata di Monreale, and Don Calogero Vizzini. The purpose of the meeting was to decide on a strategy for Sicilian independence. The nominal leader of the independence movement, Antonio Canepa, a long-time asset of British intelligence, had recently been assassinated for being a communist. The Duca di Caraci, regarded as the most likely candidate to head a Savoy monarchy in Sicily, determined that Salvatore "Bandito" Giuliano should be recruited to head the military side of the separatist army.

Sometime later, during 1946, Luciano was personally on hand, meeting with Don Calo Vizzini at a Palermo hotel during the founding meetings of the Sicilian Separatist Party. Already in Sicily was Luciano's boyhood friend, Frank "Three Fingers" Coppola, who had been deported from the United States for criminal activities shortly after 1945. In addition to planning the separatist operations, Luciano, Don Calo,

and Coppola were using Giuliano's bandit army to create the future leadership of their underworld operations.

By April 1947, the hopes of a Savoy restoration were destroyed in a referendum, but rather than allow the Communist Party the victory they gained in the election, the Sicilian nobility hired Giuliano through Prince Alliata for one final job—the massacre of Communist leaders in the trade unions and municipal governments, carried out on May 1, 1947. In return, Giuliano was promised freedom and sanctuary in Latin America—possibly on the Brazil estate of Prince Alliata. But after the Communists were eliminated, Giuliano became dispensable, and was assassinated by one of his own lieutenants on July 4, 1950.

Despite the demise of the separatist option by 1950, the separatist movement provided the recruitment grounds for the cadre of Luciano's Italy-wide organized crime operations. From the ranks of Giuliano's army came Gaetano Badalamenti, the boss of Sicily's narcotics trade until his Mafia murder in August 1981, and Tomasso Buscetta, a patriarch of the Gambino family which dominates the Sicilian organized crime networks today.

While the death of Sicilian separatism and Bandito Giuliano ended one chapter of the Anglo-American building of the Sicilian Mafia, a parallel operation to secretly establish a British controlled Freemasonic network in northern Italy provided the basis for a future alliance. The leaders of the Freemasons were one of Mussolini's secret police operatives, Licio Gelli, and his controller Prince Valerio Borghese, who was protected by OSS operative James Jesus Angleton.

By the mid-1950s, the arrival of Luciano lieutenant Joe Adonis in Italy would become the basis for establishing Milan as a center for organized crime, and the Italian Socialist Party as one of the principal protectors of terrorism and the narcotics traffic.

To be continued



Meyer Lansky, to this day the top-ranking boss of organized crime in the United States, was the Office of Naval Intelligence's key contact in Operation Underworld.



Murray Gurfein, Dewey's long-time second-in-command and head of the New York District Attorney's Rackets Bureau, initiated the plan to recruit Luciano into Operation Underworld.



Vito Genovese, New York's leading narcotics trafficker, fled New York for fascist Italy to avoid a murder rap in 1932, and established himself in Mussolini's most intimate circles.

Allen Dulles, William Buckley, and the Nazi International

by Scott Thompson

Over the last two years a global reorganization of the fascist Malmö International has occurred, pulling out of the woodwork the postwar remnants of the secret police and intelligence services of the defeated Axis powers, especially the Nazis who regrouped in networks like Odessa, HIAG, and Die Spinne (“The Spider”). Together with their heirs, these old Nazis are being used to assist in preparation for a wave of regional destabilizations by separatist armies and for political assassinations by both left- and right-wing terrorist groups.

Marching orders for this reactivation of the Malmö International have been issued by the same Anglo-Swiss-Venetian oligarchy which imposed fascist regimes upon Europe in the 1920s and 1930s, and protected the relocation of thousands of leading Nazis and their quisling allies to “safe havens” after World War II. Daily coordination of this fascist international is carried out through monarchical cults like the Knights of Malta, whose many branches unite the oligarchy; through the British Secret Intelligence Service and its factional allies in other nations; through an interlocking network of banks, corporations, and law firms, many of which helped fund Hitler and Mussolini; and through such affiliates of the Malmö International as the European Center for Documentation (EDCI), Pan-Europa Union, Euro-Droit, and the World Anti-Communist League.

In the United States, it is the political faction represented by Undersecretary of State for Security Assistance James Buckley and *National Review* publisher William F. Buckley, together with some members of such groups as the East Side Conservative Club and Gotham Club, which functions today as the principal controllers of Malmö International terrorism. The Buckyleys have inherited this role from the Dulles family; John Foster and Allen Dulles used their respective positions as Secretary

of State and Director of Central Intelligence to incorporate elements of the Malmö International into U.S. cold-war operations ranging from the 1956 “Operation Splinter Factor” destabilization of Eastern Europe to the 1963 Bay of Pigs invasion fiasco. They also drew upon lifelong ties to the financial interests that put Hitler in power and upon Allen Dulles’s fellow Office of Strategic Services veterans to mount major private intelligence operations using the Malmö International. On the U.S. end this private channel includes members of such law firms as Sullivan & Cromwell, Coudert Brothers, and Corcoran, Foley, Youngman & Rowe, as well as the United Brands Company.

The Malmö International regroupings

As part of the regroupment a new centralized command for the Nazis has been created with European headquarters in Geneva, Zürich, and Liechtenstein, and Latin American headquarters in Caracas, Venezuela; Montevideo, Uruguay; and Guadalajara, Mexico. A move is now underway to bring the Nazis and their allies into the United States in the near future.

One of the premier banks still used to launder funds to branches of the Malmö International is the Lombard Odier bank of Lausanne, on whose board sit two relatives of George Oltremare, the head of the fascist National Union Party of Switzerland. Another major funding conduit is the Banque de Liechtenstein-Vaduz, which is also used by Permindex, the center for “Murder, Inc.” networks combining former Nazis and Jewish gangsters under British SIS control that carried out the assassination of President John F. Kennedy and over 30 unsuccessful attempts to assassinate President Charles de Gaulle. Ironically, this is also the bank led by the Israeli gangster-terrorist Samuel Flatto-Sharon, who

has formed hit teams with a section of the Mossad affiliated with Rafi Eytan in the name of fighting fascism.

Several arms companies and other firms have been created to provide logistics for the Malmö International. After the British intervened to secure his release at Nuremberg, SS Col. Otto "Scarface" Skorzeny, Hitler's "favorite commando" and the son-in-law of Nazi Finance Minister Hjalmar Schacht, set up an export-import firm called Adsap in Madrid and another named World Armco in Paris. These supplied the five divisions Skorzeny boasted he could raise for special operations. Otrag is another firm that is suspected of supplying arms to elements of the Malmö International. As part of the recent regroupment, Otrag relocated its center of operations from Libya to Pakistan.

In almost every area of the world, the Malmö International and its affiliates are actively a part of destabilizations and terrorism. Increasingly since May 1968 and the implementation of NATO's "strategy of tension," the fascists can be found as behind-the-scenes controllers of left-wing terrorism.

A few examples of this global activation include:

In the Balkans, Lord Nicholas Bethell is currently overseeing a Balkan destabilization that includes playing off Serbo-Croatian hostilities in Yugoslavia and pitting Yugoslavia against Albania. In order to play the Balkan Card, Bethell has drawn upon networks established by British SIS officer Fitzroy MacLean, who established contact with all the major fascist parties, their monarchist supporters, and their underground opponents during World War II.

Among these are the Croatian Ustashi, the dreaded secret police of the Nazi puppet "Independent State of Croatia," whose "skull-crusher" units brutally murdered 200,000 Serbs, Gypsies, and Jews. Under the umbrella Croatian National Council headed by Mirko Vidovic of Lyons, France, the Ustashi have been linked to terrorism by the rightwing Otpor and by a leftwing Croatian National Liberation Front that is believed to have ties to the Red Army Fraction in Germany.

A parallel Albanian fascist group known as the Bali Kombetar is headed by a former premier of Albania Fan Noli. The Bali Kombetar has been agitating for the annexation of the Yugoslav province of Kosovo by Albania. The group is believed to have ties to the Red Flag, a leftwing terrorist group based in Germany which has carried out several assassinations of Albanian exiles.

In the Middle East, the Lebanese Falange has long served as a vehicle of the British and the warhawk faction of Israel to keep the region unstable. The Falange was spawned by members of British intelligence's Arab Bureau in 1936 and consolidated by agents



Adolf Hitler and his Finance Minister, Hjalmar Schacht, inspect Nazi slave-labor battalions.

of the Abwehr's Brandenburg Division during World War II. Pierre Gemayel, the founder and current head of the Falange, traveled to Germany in 1936 to attend the infamous Nazi Party Congress in Nuremberg. The congress was also attended by other Arab fascist groups under the ideological sway of the Grand Mufti of Jerusalem, including the "Green Shirts" and Muslim Brotherhood, who are the Falange's behind-the-scenes allies.

In Mexico and Central America, the Lebanese Falange and allied networks in the Antiochian Church run much of the left-wing terrorism. One of the key figures in this is Archbishop Antonio Chedrawi, head of the Antiochian Church in the region, who is also an agent of influence for British SIS and the KGB. Chedrawi works with the Abumbrad brothers, who made their fortune in cocaine trafficking and act as a financial conduit to the 23rd de Septiembre terrorists in Mexico. One of the brothers, Marwan, also works with the PLO training camp in Puerto Cabeza, Nicaragua which was massively expanded after a \$100 million Libyan-Nicar-

aguan friendship deal was signed. Caracas, Venezuela serves as a center for Lebanese Falange funding of both left- and right-wing terrorism in the region.

These left-wing groups are pitted in gang-counter-gang warfare with the fascist death squads that are one of the principal reasons why the horrible warfare in Central America is rapidly becoming uncontrollable. Among the major death squads are Mano Blanca ("White Hand") in Guatemala whose head, Sandoval Alarcón, is a member of the World Anti-Communist League (WACL) and a presidential candidate in Guatemala's recent election. Another major group is the Alianza Anti-Cummunista Argentina ("Triple A") death squad in Argentina. The creator of the Triple A was José López Rega, the astrologer and principal adviser to Argentine dictator Juan Domingo Perón and the controller of Perón's widow, Isabel Martinez de Parón, herself President of Argentina from 1975 to 1976. López Rega, a member of the Propaganda-2 Freemasonic lodge, was on intimate terms with P-2's founder, the former OVRA (Mussolini secret police) member Licio Gelli. During Perón's exile in Spain in the 1960s, López Rega also became an intimate of the fascist circles around Otto Skorzeny. It was through his connection that members of the French Connection heroin route were put in contact with the Triple A.

In Corsica and the Basque region of Spain, major separatist armies also exist. The Corsican Franc-tireurs et Partisans, a terrorist unit of the Corsican separatist army that maintains close ties with its Mafia-dominated counterpart in Sicily, took part in an April 1981 attempt to assassinate President Giscard d'Estaing on the eve of the elections of France. They were assisted by remnants of the Organisation Armée Secrète (OAS) formed by Vichyite officers in exile in Spain with the assistance of Skorzeny and Reinhard Gehlen, the former head of Abwehr intelligence on the Eastern Front, who was picked up after the war by Allen Dulles.

The Basque separatists, including their two armies ETA-Militar and ETA-Politico-Militar, are expected to be far more active in the near future. Over 10,000 people packed a stadium in San Sebastian last month at which masked members of the avowedly terrorist ETA-M burned the Spanish flag. Founded by Jesuits associated with the Basque National Party (see *EIR*, Jan. 12 and Jan. 19, 1982,) the ETA has recently established ties with the fascist "Grey Wolves" of Turkey who provided protection for Mehmet Ali Agca on his journey to attempt an assassination of Pope John Paul II.

Allen Dulles and 'Operation Land of Fire'

The Dulles brothers had been an integral part of the operation that put Hitler in power in Germany to serve as a marcher lord for a drive east into the Soviet Union.

John Foster Dulles, accompanied by his brother Allen, was one of the principal agents for Jean Monnet, Bernard Baruch, and Thomas Lamont of the Morgan banking family, who imposed a crippling debt reparation upon the German economy after World War I that opened the door for fascism.

During the 1920s and 1930s both Dulles brothers played major roles in the "Rearming of Germany by Night." One of the principal entrees to Germany was through the law firm of Sullivan & Cromwell, whose German representative, Dr. Gerhardt Alois Westrick, was simultaneously a financial agent for Hitler and an Abwehr spymaster in the United States. Through Sullivan & Cromwell the Dulles brothers stood at the center of financial and political deals joining such firms as the Standard Oil Company with I.G. Farbenindustrie, one of the principal beneficiaries of Schacht's slave labor program.

It was as a result of these connections that John Foster Dulles was chosen to take part in the Dawes Plan loan renegotiations that allowed Schacht to fuel the blitzkrieg economy. During one trip to Germany in the late 1920s, Dulles not only took part in extensive discussions with Schacht, but also held a private meeting with Hitler. Allen Dulles was also a director of the J. Henry Schröder bank, whose German chairman, SS General Baron Kurt von Schröder, was one of the main assistants to Schacht in organizing the fund that financed Hitler's 1933 rise to power. Allen Dulles remained on the board of the Schröder Bank until 1944, well after he had taken his post as chief of the OSS in Switzerland.

In Switzerland, Dulles used these private channels to enter into negotiation with every section of the military, intelligence, and party apparatus in Germany, Italy, Austria, and the Balkans. It was Dulles who as part of a joint operation with the British SOE blew the "generals' plot" to assassinate Hitler, simultaneously turning over several thousand names of Humboldt-trained Prussian aristocrats who were part of the coup plot. When the back of the German war machine was broken at Stalingrad, it was only natural that leading members of the SS and Abwehr turn to Dulles to help execute "Operation Land of Fire"—a plan to transfer a large part of the Third Reich's funds to havens abroad, where trusted personnel would use these assets to reconstitute a fascist international for joint postwar operations. "Operation Sunrise," the surrender of SS Gen. Kurt Wolff and his Nazi units in Italy, was one of the more publicized parts of this scheme.

The scope of "Operation Land of Fire" was staggering. Over \$500 million in gold was shipped via South Africa to India and Hong Kong. Equivalent sums were laundered through Swiss banks to others in Liechten-

stein, Austria, Portugal, Argentina, Uruguay, and other South American countries. A 1946 report issued by the U.S. Treasury said that some of these funds had been used to purchase controlling interests in companies, including 200 in Switzerland, 150 in Portugal, 110 in Spain, 100 in Argentina, and 30 in Turkey.

A multi-tiered system of escape routes was set up. 1) A "spiderweb" of "underwater canals," or escape routes, was set up heading via Switzerland to Italy or Spain and thence to final destinations in the Middle East, North Africa, and the Latin American Southern Cone. Over 100,000 Nazis and their wartime allies used this route to escape to Argentina alone. 2) The Sovereign Military Order of Malta, whose members included King Victor Emmanuelle and Umberto II of the House of Savoy, Italian dictator Benito Mussolini, Argentine dictator Juan Perón, and the brother of Reinhard Gehlen, gave special diplomatic passports to the monarchist supporters of the fascists. 3) Britain and the United States intervened to save leading Nazis as a nucleus around which to group other SS, Abwehr, and paramilitary specialists. Among these special cases were Gehlen, Skorzeny, Schacht, and the former head of SS foreign intelligence, Walter Schellenberg.

Sir William Stephenson, head of British Security Coordination in the United States, later admitted that he had been personally informed of the relocation plans a year in advance by Admiral Wilhelm Canaris, chief of the Abwehr, but instead of pursuing the Nazis to ground, Stephenson used the Gouzenko atomic spy case to redirect others in the intelligence community along Churchill's "cold war" policy line. Nelson Rockefeller, wartime Coordinator for Inter-American Affairs, was ultimately fired by President Truman for his support for Perón and the Nazi-relocation in Argentina. John J. McCloy, former chairman of the Chase Manhattan Bank and of the Rockefeller Foundation, personally intervened on behalf of Schacht, leading executives of firms like I.G. Farben, and high-ranking SS officers while serving as U.S. High Commissioner in Germany.

The Buckley inheritance

The Buckley family and certain of their friends in the East Side Conservative Club are among the inheritors of these Malmö International networks.

In 1976, the year when the last major activation of these Nazi networks occurred, a grid of the travels of William F. Buckley and Lt.-General Vernon Walters (now Haig's personal briefer), placed these two in every major terrorist hotspot: Greece, where the same Paladin fascist networks involved in the assassination of CIA officer Richard Welch set out to destabilize the Karamanlis government immediately after their arrival; the Caribbean, where, as the Buckley-Walters visit oc-



Allen Dulles in Switzerland, overseeing his OSS networks in the Third Reich.

curred, Orlando Bosch's Cuban terrorist group CORU bombed an Air Cubana flight, killing 77 passengers; Chile, where they met with officials of the Chilean junta and the DINA, its secret police arm; Spain, where Buckley used a meeting of Otto Hapsburg's European Documentation Center (EDCI) as cover to meet with participants at an earlier Paris meeting of the World Anti-Communist League to give them final marching orders for a wave of assassinations and bombings that followed in Spain, France, and Italy by Nazi and anti-Nazi groups; and, the United States, where acquaintances of the Buckley family in the Movimiento Nacional Cubano, an affiliate of CORU and WACL, carried out the assassination of former Chilean Foreign Minister Orlando Letelier with backing from the DINA.

The Buckley family's involvement in activities of the Malmö International was established through their father, William F. Buckley, Sr., who worked with Standard Oil, Royal Dutch Shell, and Morgan-Lamont interests to stage multiple coup attempts against the Mexican Revolution until he was thrown out of the country in 1921 as a "pernicious foreigner" and his oil holdings confiscated. Buckley next moved to Venezuela, where he gained control over two-thirds of the country's oil deposits as a junior partner of Standard Oil. Buckley, Sr. personally trained Nelson Rockefeller who worked with him at Standard's Venezuelan subsidiary, Creole Petroleum, to carry out a series of revolving-door coups that used networks of Buckley, Sr.'s close associates,

Argentine dictator Juan Perón and Spanish corporatist dictator Francisco Franco.

Creole Petroleum was later to provide cover for operations run by the Dulles brothers in the Caribbean, working hand-in-glove with the United Fruit Company to orchestrate the 1953 Arbenz coup in Guatemala and the 1963 Bay of Pigs invasion. Coudert Brothers, the law firm for the Buckleys' estimated \$110 million miniature oil empire, also had a fascist pedigree as the legal counsel to Vichy France. Sol M. Linowitz, a senior partner in the Coudert law firm, was also on the board of directors of United Brands (formerly United Fruit), in which Allen Dulles was a major stockholder at the time he was CIA Director.

William Buckley, Sr.'s children were brought directly under Dulles' wing when three of them joined the CIA at the height of Allen Dulles' cold-war deployment of the old Nazi networks as part of his "liberation rollback" policy in Eastern Europe and a string of coups d'état in the Middle East and Latin America. William F. Buckley worked directly under E. Howard Hunt, then CIA station chief in Mexico, helping to weave elements of the Malmö International into the U.S. intelligence establishment.

Other members of the family also played a role in the coordination of the Malmö International. In Spain, F. Reid Buckley served as liaison with the Franco regime, which had provided a base of operations for Skorzeny and other top Nazis. Others with whom F. Reid, a member of Franco's Falange from his youth, was in contact included: Leon DeGrelle of the Belgian Rexists; Vichyite war criminals who helped found the OAS; and Ante Pavelic, the infamous butcher from the Nazis' "Independent State of Croatia."

L. Brent Bozell, a brother-in-law of the Buckley brothers, has plunged deeply into the pseudo-Catholic networks associated with the heretical Archbishop Lefebvre and the Sovereign Military Order of Malta that has been condemned by the last two Popes. Bozell formed *Triumph* magazine in Washington, D.C., and he even created his own red beret shocktroop, Sons of Thunder, which he led in street battles with U.S. police while chanting "Christo Rey" ("Christ the King"). In the summer of 1970 the Bozells organized the Christian Commonwealth Institute in El Escorial, Spain, which brainwashes Catholic youth in the formula that the Church must return to the Jesuitical doctrines laid down by the Council of Trent in 1563. "The new Christian tribe is forming here . . . preparing themselves to shape the modern world," one Institute bulletin proclaims.

It is such heretical Catholic layers that dominate part of the East Side Conservative Club, through such members as Dr. Henry Paolucci, Timothy Mitchell of St. Michael's Forum and *Pro Ecclesia*, and Tom Bolan,

the Club's chairman, who is also a member of the Sovereign Military Order of Malta. Through his membership in the Order, Bolan is not only part of the group that provided diplomatic immunity for many monarchist collaborators of the Nazis, but also directly connected to leading members of the Propaganda-2 Freemasonic lodge. Almost every intelligence and military chief ousted for their secret membership in the P-2 lodge were also members of the Order. Bolan was recently appointed to head the Overseas Private Investment Corporation, despite the fact that he was indicted on civil charges and his law partner and close friend Roy Cohn was indicted on criminal charges of bribery, conspiracy, and blackmail stemming from their involvement in the Fifth Avenue Coach Line scandal.

Cohn, another East Side Conservative Club leader, is linked to the Malmö International through his involvement with Permindex. In 1959, Cohn joined the board of directors of the Lionel Corporation along with mafioso Joseph Bonanno. Lionel became a founding stockholder in Permindex (Permanent Industrial Expositions). While on the board of directors of Lionel, Cohn brought in Gen. George Medaris, Jr., who had been fired by President Eisenhower for his activities on behalf of the "military-industrial complex," as President of Lionel.

According to an unpublished report compiling information provided by both the U.S. and French intelligence agencies, Roy Cohn's connections to the Kennedy murder go even deeper. Using a representative of Intercontinental Company of Garland, Texas, a subsidiary of Lionel, Cohn allegedly provided a Dallas-located agent to work with Permindex board member Ferenc Nagy, the former Hungarian premier, in preparing the assassination of the President. The unpublished report also places Cohn at fall 1963 meetings in Las Vegas which, it asserts, involved planning the assassination of Kennedy.

The Buckleys have other associations with the Permindex networks. George De Mohrenschildt, a White Russian leader associated with the NTS who was assassinated before he could testify on his role as a "controller" of Lee Harvey Oswald, maintained close ties with the family. De Mohrenschildt worked for Nelson Rockefeller, then Coordinator for Inter-American Affairs, during World War II; later, he joined the Buckleys' Pantepec oil firm in Venezuela which was integrated into Standard Oil's massive Caribbean intelligence operations.

When De Mohrenschildt left Pantepec, he developed several joint ventures with the Schlumberger Corporation, which is represented by the Buckleys' law firm, Coudert Brothers. Schlumberger is not only a major part of the United Fruit/Creole Petroleum, private

intelligence operation that virtually ran the Bay of Pigs, but Jean de Menil was on the board of Permindex, and his wife is one of the most prominent international sponsors of the Muslim Brotherhood terrorists.

The World Anti-Communist League

One of the increasingly important affiliates of the Malmö International is the World Anti-Communist League, which has been described as an "alternate United Nations" drawing representatives from as many as 25 governments to its meetings. It maintains chapters in 89 countries today.

The WACL was formed at a 1967 meeting in Taipei which brought together the Asian Peoples Anti-Communist League (APACL), the "Caribbean Legion" which was used for numerous coups in that region, and similar fascist and paramilitary groups from around the world. APACL had been founded in the 1950s by denazified Class-A Japanese war criminals, including the godfather of the Japanese Mafia, Ryoichi Sasagawa; by Taiwan strongman Chiang Kai-shek; and by South Korean leader Syngman Rhee. Part of the impetus came from the U.S. China Lobby, whose members included Tommy Corcoran and Robert Amory of the United Fruit law firm Corcoran, Foley, Youngman, & Rowe, and Claire Boothe Luce, who is also a leading member of the P-2-linked Citizens' Alliance for Mediterranean Freedom.

The APACL itself, however, was an outgrowth of British SIS's Moral Re-Armament movement (MRA), organized after World War I by Frank Buchman and the "Oxford Group," with substantial backing from Robert Cecil, the senior peer of the most reactionary oligarchic faction in Britain. MRA's goal was to forge a German-U.S.-Japanese-British axis against the Soviet Union, and it quickly recruited Deputy Reichsfuhrer Rudolf Hess and SS chief Heinrich Himmler to its ranks. Another outgrowth of MRA in Asia was Reverend Moon's Unification Church which hosted WACL's 1970 meeting in Korea and which has been a regular affiliate of WACL ever since.

Roger Pearson, the chairman of WACL from 1976 to 78, epitomizes the British SIS control over this body. Pearson is an overt race scientist, who has been on the board of *Policy Review*, the publication of British SIS's Heritage Foundation, and on the board of a similar publication of the American Security Council along with such figures as former CIA chief of counterintelligence James Jesus Angleton and Lady Hamilton, whose husband was the man Rudolf Hess sought to reach on his flight to recruit the British into direct support for the Nazis' drive east.

The man said to be behind Pearson is Sir Robert Gayre of Gayre and Nigg (his full title), one of the more

curious specimens of the British Secret Intelligence Service. Educated at the University of Edinburgh, Gayre was a member of the Allied Military Government of Italy (AMGOT) which set up the combination of black nobility, Mafia, and Sicilian separatists used later by Gelli's Propaganda-2 Freemasonic lodge to carry out a wave of coup attempts and assassinations. Gayre has maintained his ties to the circles behind P-2 as a Grand Cross of the Sovereign Military Order of Malta, member of the Royal Academy of Sicily, and president of the Sicilian Anthropological Society. He has held many posts that proclaim him one of the leading monarchists, genealogists, and eugenicists, but among these posts the most curious was as aide-de-camp to Governor Jimmy Carter whose brother was later recruited by P-2.

Gayre is only one of several connections between WACL and P-2. Another leading U.S. member of WACL is Admiral Thomas Moorer, who was named in court testimony by financier Michele Sindona as part of a 1979 P-2 coup plot in Sicily that also involved Secretary of State Alexander Haig and former CIA Director Stansfield Turner. Moorer is also on the board of Western Goals International, whose European head, Dr. Karol Sitko, is an intimate friend of the P-2 linked Henry Kissinger and his controller, Fritz Kraemer.

The WACL joins many of the actual controllers of the Malmö International and affiliated fascist groups. Otto von Hapsburg reportedly played an important role in organizing WACL's 1979 meeting in the old Nazi stronghold of Asunción, Paraguay. WACL's 1980 meeting in Geneva, Switzerland was reportedly attended by associates of François Genoud, one of the top bankers for the Fascist International. The Buckley family has also been closely associated with WACL, through such members as Marvin Liebman, a former member of the Young Communist League, who became the chief fundraiser for the China Lobby before performing a similar role for the Buckylys' *National Review* and Young Americans for Freedom.

The WACL's Latin American regional branch, the CAL based in Guadalajara, Mexico brings together such death squads as the Triple A and Mano Blanco, as well as such Cuban exile groups as Alfa-66 and the Movimiento Nacional Cubano whose leaders, Hector and Guillermo Novo Sampol, were convicted for the Letelier assassination. In addition to the P-2 controlled group Ordine Nuovo, WACL's European branch (WCSE) joins together members of Hapsburg's Pan-European Union (PEU) and of Euro-Droit, itself an amalgam of fascist groups ranging from the MSI of Giorgio Almirante to the Belgium National Front. These are a few of the combat units that are coordinated through this fascist "alternate United Nations."

The Malmö network of right-wing fascists and the strange case of François Genoud

by Thierry Lalevee, Wiesbaden Bureau Chief

The recent arrest in Paris of Swiss left-wing terrorist Bruno Breguet and his accomplice Magdalena Knopp, members of the West German terrorist Baader Meinhof gang, brought to light once again the interface between left- and right-wing terrorism, specifically the way left-wing terrorism has been financed, organized, and manipulated by the old Nazi international which has been called the Malmö International since its second congress in Malmö, Sweden in 1951.

Investigations have revealed that this is the very same network that has been used for decades as an international assassination bureau, which under the name Permin-dex, was responsible for over 30 assassination attempts against former French President Charles de Gaulle, as well as the murder of U.S. President John F. Kennedy. Investigations also reveal close links to Italy's Propaganda-2 (P-2) Freemasonic lodge, exposed last year for its role in financing and organizing both left- and right-wing terrorism over the past several years.

Not by coincidence, perhaps, this is the very same network which is now being activated in an attempt to organize an upsurge of the Sicilian independence movement. Bruno Breguet himself, most likely arrested in error because he panicked in front of a policeman, was to be a key pawn in this Sicilian independence game. As the recently publicized letter of the international terrorist "Carlos" to French Interior Minister Gaston Deferre after Breguet's arrest pointed out, Breguet has "received no orders for any operations in France." Indeed, when Breguet was arrested there was evidence that he was on his way to Sicily: Found in his pocket was a piece of paper with the precise address of a top-secret NATO planning center in Sicily, which has become a target of demonstrations by the so-called peace movement and the Sicilian separatists. As police investigators revealed, most of Breguet's collaborators in France belong to the

hardcore right-wing separatist faction of the Corsican FNLC (National Front for the Liberation of Corsica), which has announced that it intends to use separatist-fomented events "in Sicily as a catalyst for Corsican independence."

Claimed by Carlos as one of his top aides, Breguet is a renowned international terrorist. Arrested in Israel in 1970 as he was about to blow up the largest Tel Aviv hotel as part of an operation sponsored by the terrorist Popular Front for the Liberation of Palestine (PFLP), Breguet's career would have ended there with his lengthy jail sentence had it not been for the good offices of one François Genoud. Seven years after Breguet's arrest, Genoud succeeded in freeing him from prison, going so far as to mobilize the Swiss ambassador to Tel Aviv and a score of international lawyers to accomplish this objective. Upon his return to Europe, Breguet was taken under Genoud's protection. Only several months ago, Genoud bragged to an Italian journalist that Breguet is still very active in the Palestinian cause.

We shall see that Genoud, a longtime "friend of the Arabs," and a Lausanne, Switzerland-based banker, was the real brains behind the reorganization of the international Nazi apparatus following World War II.

The mysterious François Genoud

A look into François Genoud's political career, dating back to the 1930s, reveals much about the Nazi International—what its purpose is and who its controllers have been since the end of World War II. Genoud, who won in court in the early 1950s the right to publish the memoirs of Martin Bormann and numerous other Nazi leaders, is by no means a low-level ideological fanatic living on dreams of the Third Reich's past glory. He is the son of an old patrician Swiss family, the kind

of Swiss banking family which found that keeping Switzerland neutral during the war furthered their operations to control both the German and Italian fascist leaders for their own purposes.

With such a background, Genoud, only 35 years old in 1935, was introduced into the top levels of the German Nazi apparatus through his membership in the National Union of Switzerland, led by another old Swiss banking family member, Georges Oltramare. The Oltramare family have for generations sat on the board of directors of the Lombard Odier private bank of Geneva. This Lombard Odier Bank became famous for its direct involvement in the activities of the Anglo-American Office of Strategic Services during World War II, dating from Allen Dulles's assignment in Berne, Switzerland. Lombard Odier was the bank into which Dulles carefully deposited the sums he used to pay his numerous agents in Germany and elsewhere, and which facilitated the surrender of the German SS Gen. Karl Wolff, head of the German Army in northern Italy. Genoud served as an intermediary of the Wolff-Dulles negotiations, and befriended both in the process.

Even before this, Genoud had toured the Middle East, met with Hitler's admirer the Grand Mufti of Jerusalem, and developed enough Mideast connections to establish in the early 1940s a spy nest in Lausanne under cover of a nightclub called The Oasis, which he owned jointly with a Lebanese national. As early as 1939, Genoud had decided to keep a low public profile, and to join the German intelligence service, the Abwehr. He was recruited to the Abwehr by a certain Guimann, the mayor of a small Swiss town. The Oasis then became the postal box and relay station for couriers between Germany and the Middle East and North Africa, especially the drug-smuggling and spy nest city of Tangiers in Morocco.

Evacuating the Nazis from Germany

By 1943, Genoud began using his banking connections to set in motion the networks which later became known as the Odessa. The transfer of millions of marks from Germany into Swiss banks, and the evacuation of key SS and Nazi leaders into Spain, Morocco, and Latin America were the principal aspects of this operation. For this purpose a firm known as the Deithelm Brothers was established in Lausanne under the personal sponsorship of Martin Bormann, and functioned until the end of the 1940s, transiting out of Europe thousands of Nazi leaders. In the course of these operations, Genoud befriended SS Gen. Wolff, SS Captain Reichenberg, Air Force Gen. Hans Rudel, Gen. Ramcke, and countless others, including Col. Otto Skorzeny and Skorzeny's father-in-law, Hitler's one-time Finance Minister Hjalmar Schacht.

This was not an operation set up by old unrepentent Nazis. It was conducted with high-level backing from numerous intelligence services, each of which took into account the potential future usefulness of the Nazis they helped to rescue. Indeed, countless old Nazis living in Latin America were to be extremely useful to the Anglo-American intelligence services which created the Perminindex murder network. As the case of the German-language Argentinian newspaper *Der Wag* demonstrated in 1948, Soviet intelligence also had its own Nazi connection. Taken over by two former SS officers who had been smuggled out of Europe by the Genoud-Deithelm Brothers ring, *Der Wag* editorialized on behalf of a German-Soviet alliance against the Western world. French intelligence sources soon concluded that the KGB also had a use for these former Nazis.

For his efforts on behalf of the fleeing Nazis, Genoud to this day enjoys unusual and various political support internationally. Some of the men he helped to escape found their way to the top levels of such arms of the international intelligence apparatus as the Vienna-based Interpol. Others, like Hans Rudel, who later created the Europe-Argentina Association, remained eternally grateful.

Genoud and the Middle East

It was thus not surprising to find François Genoud in Cairo in 1955, meeting with Nasser, the Grand Mufti of Jerusalem, former Hitler minister Hjalmar Schacht, and the hard core of what was to become the Algerian FLN, led then by Ben Bella and his treasurer Mohammed Khidder. Genoud's Cairo connection had been arranged earlier, when he left Switzerland for some time and established headquarters in Tangiers with some old friends including Wolff and Ramcke. The stay in Cairo, followed by numerous other meetings, was to consolidate the alliance with the Middle East's most infamous arm of British intelligence, the Muslim Brotherhood, of which the Grand Mufti was the recognized leader. Allen Dulles, then-head of the U.S. CIA which had helped Nasser into power, was perfectly aware of these meetings.

With the Algerian war of independence on the horizon, there developed a most interesting division of labor inside the old Nazi International. Genoud, the "friend of the Arabs," was fully involved from the beginning in supporting his old friends such as Ben Bella and Khidder. After Ben Bella's arrest, Genoud regularly visited him in prison. Together with Mohammed Khidder, keeper of the FLN war chest, Genoud established in the early 1960s the Lausanne-based Banque Commerciale Arabe. It is said that Hjalmar Schacht himself served as an adviser to the new bank, and its shareholders included Jalil Mardam, the right-

wing Syrian politician and former foreign minister; and Hans Reichenberg, by then managing director of the Munich-based import-export firm Arabo-Afrika, with which Genoud had worked throughout the 1950s. Reichenberg was later to become an economic adviser to Algerian leader Boumedienne.

According to reports, Genoud's new bank soon became a model for Swiss banking as a whole, due to the very careful system of multiple signatures Genoud developed for bank accounting procedures. Lausanne was soon the financial center for the FLN, the center for the financing of numerous arms deals, usually made in Germany by former Nazis who had been recycled as arms merchants.

Meanwhile, other of Genoud's friends such as Otto Skorzeny, based out of Madrid, were financing and backing the anti-de Gaulle, anti-FLN Secret Army Organization (OAS). It was a well-guarded secret that Genoud's Banque Commerciale Arabe of Lausanne was itself also financing the pro-OAS groups of Skorzeny. The point was made clearer a few years afterwards when Genoud was called on to finance a sizable arms deal between the Lebanese drug-smuggling operations known as Casino du Liban and a French organization. Genoud was asked to arrange the deal by an "old

friend," one Jean Marie Tine. Tine was the leader of the French intelligence organization SAC, which was created during the Algerian war to fight the FLN and whose permeability to the OAS was a constant source of worry for French President de Gaulle.

Today, Genoud's Arab connections are still numerous. Of special importance are his relations with Ben Bella, now freed from jail in Algeria, and the aging Dr. Said Ramadhan, the acknowledged leader of the Egyptian Muslim Brotherhood, based for years at the Islamic Center of Geneva. Not by coincidence, Ben Bella and Ramadhan, now based in London, are currently working together. At the end of last year, they set up a secret international leadership of the Muslim Brotherhood including Alem Azzam, the chairman of the London-based Islamic Council of Europe. On top of the priorities list was to "get rid of President Mubarak of Egypt." Genoud's involvement in such an operation is most likely. In late March he was seen in Algiers meeting with Ben Bella, and it may be that he was the one who mediated the new relationship between Ben Bella and Ramadhan.

The Malmö International

Genoud's activities in Europe are comparable in

Club of Rome's Peccei embraces separatists

Aurelio Peccei, leader of the zero-growth espousing Club of Rome, strongly endorsed the ideas of Richard Count Coudenhove-Kalergi, founder of the Pan European Union, and one of the ideological fathers of the Nazi and other fascist movements of the interwar years. Peccei made his revealing statements in discussion with a European journalist on April 1.

Reached at his Rome office, Peccei stated that "the healthy trend for the future" will be the transformation of Europe from a group of nation-states into a "Europe of the Regions" in which "localities would have sovereignty over issues like education, language, and environment, rather than the nation-state." Asked whether his was the same idea as that of Coudenhove-Kalergi in the earlier part of the century, Peccei exclaimed, "His ideas were good ideas for their time, but good ideas take time to mature. His concept is still far off, but hopefully many people are moving in that direction."

In the 1920s, Coudenhove-Kalergi's Pan European Union was organized into militarist "blue shirt"

units which were mirror images of the Mussolini and Hitler movements and which provided cadre for both the Italian and German fascist organizations.

Peccei identified current developments in Sicily, where "their independence movement is using the peace movement as an outlet for its ideas" as part of a larger "scattered movement for autonomy and ecology" also present in Switzerland, Belgium, Spain, and England. "In all these places, there are movements for autonomy whose advocates want many of the same things as the movements for ecology. These movements have roots in the localities."

The attempt to combine the ecology and independence movements is now a favored project of the Malmö International, also known as the Nazi International.

Peccei's advocacy of Nazi ideology complements recent statements made by his chief Club of Rome collaborator, Alexander King, supporting the Nazis' eugenicist-racist concept of the supremacy of the white race over the "non-white" peoples of the world. In combination, the statements of Peccei and King fully corroborate *EIR's* recent evaluations that the Club of Rome's ideas are identical in content and intent with those of Adolf Hitler.

number and scope to his deployments outside of his home continent. In 1981, when a score of old Nazis and neo-Nazi's met in Malmö Sweden in the private apartment of Swedish Nazi leader Per Engdahl to establish "European National Forces," Genoud was not present. But reports indicate he provided both the brains and the financial resources for such an organization to grow. In 1950, in Rome, a similar gathering drew together such luminaries as British fascist Sir Oswald Mosely, a renowned member of the British Fabian Society founded a half-century earlier by Sidney and Beatrice Webb. Present also was the Frenchman Maurice Bardeche of the Coordination Committee of French National Forces, and numerous representatives of the Italian Social Movement (MSI), later to be led by the old Venetian Count Loredan. From Germany came Heinz Priester, former leader of the Hitler youth movement and former SS officer, and Franz Richter, also known as Fritz Roessler, of the Socialist Reich Party.

Official propaganda of the Malmö International spoke of the group's hopes of establishing fascist governments once again in Europe. But the main aim of the gathering was to establish a public arm of the real Nazi networks arrayed around Odessa and HIAG, and to bring its operatives into more serious intelligence operations. In gathering together so many fanatics, the Malmö International's organizers were also able to attract public attention, diverting it from the real work which was then accomplished in other countries by Genoud and his friends. One such task became known as the scandal of the Naumann Kreis in Germany in 1954, when it was discovered that leaders of the newly created Free Democratic Party were fully involved in helping former Nazis to escape prosecution.

Officially, the Malmö International self-dissolved in 1956, as strong differences emerged on the issue of whether the Tyrol should belong to Germany or Italy. Unofficially, the real issue was between anti-Semitism and anti-communism. The hardcore fanatics like Engdahl believed the "European National Forces" had to be both anti-Semitic and anti-communist in true Hitlerian fashion. The more realistic fascists believed that the issue of anti-communism was more crucial, and pressed to make the integration of their forces into the British-sponsored Cold War drive against the Soviet Union a primary objective.

Similarly, the key issue as expressed by Mosely and others was the issue of fighting for "Europe as a third force" independent of American capitalism and of Soviet Bolshevism. This theme led the transformation of most of the original members of the Malmö International into European nationalist forces who left behind their overt national socialism.

A key instigator of this transformation was Genoud's close associate, Swiss fascist leader Gaston Ar-

mand Guy Amaudruz. During the 1940s, Amaudruz had established the Courier du Continent grouping, and the New European Order organization which was later banned. In 1946, the young fascist Amaudruz's organization took over the role of the Lausanne-based European Center for the Study of Fascism led in the 1930s by British intelligence agent Strachey Barnes. Barnes had previously deployed his center's resources on behalf of Mussolini-style universal fascism, and had several times mediated between Churchill and Mussolini.

The Courier du Continent ideology, as expressed recently by Amaudruz in an interview, supports the creation of a "Europe of the Regions." According to Amaudruz, "hypercentralization is one of Europe's gravest problems. If Europe is to survive it has to decentralize and give autonomy to such regions as Corsica, Sicily, Alsace, the Tyrol, and the Basque country." This is an outlook almost identical to that expressed by Otto von Hapsburg's Pan Europa Union, and very similar to that expressed recently by the Club of Rome's Aurelio Peccei (see box), except for the fact that Amaudruz stressed that he and his associates "reject parliamentary democracy and are in favor of a parliament made up of professionals."

Similarly, Amaudruz forcefully claimed that "ecologism belongs to us. We created it. Look at Gunther Schwab's *Dance with the Devil*, written in 1958. Everything is there. The left only used ecologism for its own purposes and it is clear that they are not fundamentally interested in it. It is in the logic of the situation that we are taking control again."

Indeed, tracing Amaudruz's affiliates in West Germany today, one finds a right-wing ecologist newspaper in Bochum, with which Amaudruz's friend Ties Christophersen was formerly affiliated. Christophersen is presently living in exile in the Benelux, with a warrant for his arrest waiting for him should he return to Germany. The warrant was issued after the publication of his book, *The Lie of Auschwitz*, in which he denied the existence of the Nazi gas chambers. Christophersen's lawyer Rieger is a leader of the Gesellschaft für Biologische Anthropologie, a think tank with international associates. According to Rieger himself, this think tank and its affiliates constitutes what people on the left refer to as "the racist international." It is associated with such institutions as the French New Right of Alain de Benoist and his Ecole Nouvelle, the *Mankind Quarterly* of the Scottish Sir Robert Garrye, a direct affiliate of the Malmö International, Armin Mohler, and numerous others who are knowingly or not, front men for the old Nazi International, and the key shadowy figure of François Genoud, who published last year *The Political Testament of Hitler* and is publishing this spring *The Last Political Notes of Martin Bormann*.

The Thatcher government assaults Monroe Doctrine

by Cynthia Rush

EIR founder and Democratic Party leader Lyndon H. LaRouche, Jr. has posed a straightforward solution to British threats to militarily punish Argentina for retaking the Malvinas Islands (also known as the Falklands) on April 1. Argentina reclaimed the islands on its southeast coast and ended an occupation which began in 1833, when the British illegally ousted Argentine residents and claimed the islands for themselves.

Mr. LaRouche has called on the U.S. government to inform all concerned parties that "military intervention into the Western hemisphere by a European power is an explicit violation of the Monroe Doctrine, bordering upon *casus belli*." The United States has the obligation to "prevent European military action in the hemisphere . . . and to nullify by all required means any temporary advantage which might be secured by extra-hemispheric military forces. . . ."

As indicated by British strategists, London's threats of aggression against Argentina are motivated by a desire to extend the North Atlantic Treaty Organization to the Third World, and blackmail the United States into supporting this. While a fleet consisting of two-thirds of the British Navy steamed toward the Southwest Atlantic to militarily confront Argentina, a team of British officials descended on Washington the second week in April to strong-arm the Reagan administration into supporting the Thatcher government. The British are reportedly threatening to "break up NATO" and strategically humiliate the United States, if it does not back Britain's right to retake the Malvinas by force.

Mr. LaRouche states in his new document, "Why We

Must Insist Absolutely that the Monroe Doctrine Be Strictly Enforced Now," that "Under U.S. law, the British have no legal claim to the Malvinas Islands. At the time of the promulgation of the 1823 Monroe Doctrine, these islands were both *de jure* and *de facto* territory of the sovereign state of Argentina. They were taken forcibly by the British, in direct violation of the Monroe Doctrine, in 1833. . . . If we permit British military action in this matter, there is no credibility remaining anywhere in the world for either the foreign policy or the strategic posture of the United States. . . ."

"The prospect of destruction of much of the petroleum flow from the Gulf region . . . means a scramble for alternative petroleum resources. . . . It means that the London-based Seven Sisters petroleum-marketing cartel can now dream of pushing world petroleum prices up to as high as \$100 a barrel. Whether the government of Argentina was or was not aware of all the details of the presently threatening developments in the Middle East, that government has broad and compelling reasons of vital national security interest for seeking to develop the Patagonian shelf. . . . Similarly, London's petroleum-marketing and associated financial interests had powerful motives of greed for wishing to seize control of as much as possible of the Patagonian shelf. This has been, broadly speaking, the strategic environment of recent conflicts in negotiations on this matter between Argentina and the United Kingdom."

Restructuring NATO

In light of reports that the British Foreign Office

had intelligence on the Argentine invasion plans as much as two weeks before the actual attack, it is likely that the British Crown and its intelligence services deliberately withheld information from Prime Minister Thatcher and other officials in order to provoke a government crisis and force a change in defense and military policy—if not dump Thatcher herself.

The crisis was also probably engineered to divert world attention away from the Middle East, where Israel is threatening to invade Lebanon. British Foreign Secretary Lord Carrington, who handed in his resignation over the Malvinas crisis, on his recent visit to Israel told Prime Minister Begin to accept the creation of a Palestinian state and give up territories for that purpose. Now the outcry in Israel over “British hypocrisy” can be used to justify a strike against Lebanon.

A senior military institute analyst indicated in a private interview in London that the purpose of pursuing a showdown with Argentina is to establish an operational precedent for completely reorganizing NATO, and moving it into the South Atlantic. NATO must ready itself for conventional confrontations throughout the Third World, this analyst emphasized. “If the British Navy backs down at the prospect of heavy casualties [in a confrontation with Argentina], it will call into question the posture of NATO. . . . It may well be that these events will cause a rethinking of the strategic redeployment of NATO navies out of the NATO area.”

British policymakers are also using the fact that Britain was allegedly militarily surprised by the Argentine attack to demand that the government adopt a rearmament policy—with special emphasis on conventional weapons. Over the weekend of April 3-4, the new Tory coordinator for defense policy, Averell Harriman's stepson Winston Churchill III, publicly called for a conventional arms buildup.

Thatcher government shaky

Margaret Thatcher is trying to appease her critics. When Carrington's resigned April 4, Thatcher replaced him with Francis Pym, the former Defense Secretary dumped a year ago for opposing her dismantling of Britain's military capabilities.

Thatcher knows that if she doesn't follow through on threats to teach the Argentines a lesson, her government will fall; if she does, she has no guarantee of political survival.

Many military experts in the United States and Britain are warning that the British Navy deployment to the Malvinas could end in new humiliation for Thatcher, given the overwhelming logistical problems facing the fleet and the lack of an adequate air cover in the event that they attack the islands.

Argentine Interior Minister Gen. Alfredo St. Jean

stated a few days ago that “we are prepared for the worst . . . Argentine troops can withstand a British attack.” President Leopoldo Galtieri has ordered a war mobilization, and Foreign Minister Costa Méndez reported at the April 4 meeting of the Organization of American States (OAS) that his government is considering invoking the 1947 Rio Treaty of mutual defense by which other Latin American nations would come to Argentina's assistance were it attacked by Britain or any other power.

The Argentines have even intimated that if necessary, they would seek aid from the Soviet Union, their most important trading partner, if they can't count on the United States to respond with “common sense.”

Eyes on the United States

Latin American diplomatic sources in Mexico City have told *EIR* that Britain's planned aggression against Argentina is motivated in part by its desire to destroy U.S. influence in Latin America. Great Britain has nothing to lose by a defeat in Latin America; but the United States most certainly does. President Reagan is under enormous pressure by the British directly and by their agents in the U.S. news media who are demanding that the President side with “America's oldest ally” Great Britain. Intelligence sources also say that Alexander Haig's State Department will block any effort to apply the Monroe Doctrine.

Latin America is watching the United States carefully to see what course of action it adopts. One diplomatic source told *EIR* that the United States must apply the Monroe Doctrine across the board—not just when it suits their interests—and two leading Mexican newspapers have published commentary discussing whether the United States will fulfill its responsibility to invoke the Monroe Doctrine.

The majority of Latin American nations—Peru, Ecuador, Guatemala, Venezuela, Colombia, Brazil, and Mexico—have issued formal statements supporting Argentina's claim to the Malvinas, but adding in most cases the hope that the conflict will be settled peacefully. In the case of Mexico, indicating a sharp internal fight over the issue, the government has called for adherence to the U.N. resolution demanding Argentine withdrawal from the Malvinas. This reflects Mexican fears over a possible invasion of Belize by Guatemala, a military conflict that would almost certainly draw in Mexico and further destabilize the Central American situation.

No Latin American country wants a war. But if the British fire one shot at Argentine troops in the Malvinas, or carry out their threat to bomb cities on mainland Argentina, the entirety of Latin America will rally to Argentina's defense—with incalculable consequences. Only the United States can prevent that from happening.

The Liberal Democratic Party: will Suzuki retain the Prime Ministry?

by Daniel Sneider, Asia Editor

This is the third and final installment of the series by Mr. Sneider based on his recent trip to Japan.

Political gossip in Tokyo invariably settles on one question: will Zenko Suzuki survive this year as the Prime Minister of Japan? Zenko Suzuki was hardly a household name in Japan, much less outside the country, when he emerged from the political deadlock which followed the summer 1980 death of then-Prime Minister Masayoshi Ohira as a surprise, compromise choice for the succession. Since that time he has been the subject of constant criticism within Japan for being a sharp backroom political maneuverer who is nonetheless failing to provide leadership to the government.

Criticism of Suzuki's leadership qualities is just as strong inside the ruling Liberal Democratic Party (LDP) and among big business backers of the party as it is in opposition circles. Even the LDP majority who support his policies feel he is a weak leader. In the fall Suzuki faces the end of his term as party president; his re-election, and hence retention of the post of Prime Minister, though likely, is far from certain. The challenge to Suzuki, if any, will come from within the LDP. The strongest card in his favor, as I was repeatedly told, is that there is no obvious successor and certainly no agreement among the various party factions on the succession. If Suzuki survives it will be principally for this negative reason; no one is ready, yet, to rock the boat.

One of Japan's veteran political journalists who regularly covers the Prime Minister's office told me, however, that he believes Suzuki will fall this year, that lack of confidence in his leadership within the ruling party will reach a point where a move will be made to oust him as Prime Minister. Such an event would be consistent with the turbulent nature of LDP politics in the previous decade, which saw four Prime Ministers come and go in rapid succession, despite the overall stability of LDP rule for almost the entirety of the post-war period.

At the root of this turbulence is the global economic

crisis, its strategic ramifications, and their reflection into internal Japanese economic and political life. Crises in Japanese politics invariably appear—including to their participants—to be purely internal affairs, often determined by byzantine battles for political power and influence within the ruling party. But the context for these events on the Japanese islands are nevertheless determined by the waves which come pounding in on Japanese shores from outside.

Two crises

The two tests of Suzuki's leadership are the economic situation and the growing tension in U.S.-Japan relations. Either or both of these can provide the crisis circumstances precipitating a successful move to oust him, perhaps even before the party elections in the fall. Even if Suzuki wins the party election, as most observers now think likely, these situations could force new Diet elections in 1983, in which a poor showing by the LDP would force Suzuki to resign.

Despite the Japanese export drive of the past two years, which left Japan in relatively better shape than other advanced industrial countries, it is clear that depressed markets and tremendous protectionism means Japan cannot count on trade to keep the economy moving. Without a shift in American interest-rate policy, the Japanese are left with a choice of either enforcing austerity and suffering deep recession, or trying further domestic stimulation at a time when they are already running a 30 percent government deficit. To try to solve the budget deficit, Suzuki until recently had planned a multi-year budget-cutting policy labelled "administrative reform," pledging to "stake his political life" on its success. In the budget currently before the Diet, virtually every item other than defense, foreign aid, and energy was kept to near zero-growth. The opposition parties, who have the backing of the trade unions, made a big issue over the fact that defense was increased 7.2 percent under American pressure, while

social welfare was cut back. Now, with exports slowing more seriously than expected, big business and certain LDP factions are demanding that the fiscal austerity policy be reversed for the sake of the domestic economy.

As serious as the economic difficulties are, criticism of Suzuki has been even more intense over the foreign policy issues, particularly on relations with America. A cardinal rule of Japanese postwar politics—whose violators either never became Prime Minister or who lost power not long after obtaining it—was to avoid antagonizing the United States even in the pursuit of national interests that sometimes required policy differences with Washington. Memories of World War II, the economic/military dependence on America, and genuine feelings of debt for America's generous and indispensable aid in rebuilding war-devastated Japan all contribute to this attitude.

Some sections of the LDP think Suzuki has violated this cardinal rule by a European-type distance from the anti-Soviet confrontationism of the Reagan administration, including resisting Washington's pressure to further hike Japanese defense spending. Similarly, there are those who argue for more concessions on trade issues lest protectionist pressures increase even more.

By far, the majority of the LDP basically supports Suzuki's policies, but even these supporters feel that he has not handled either the economic issues or the relationship with the United States skillfully, or with the strong leadership and statesmanship that the difficult times require. Suzuki's stress on maintaining "harmony," both inside the LDP and in terms of international relations, is seen as a weakness, preventing bolder, more adroit initiatives.

Under these circumstances, the threats emanating from the United States of trade war, combined with pressures to toe a tough line toward Moscow and the Third World, could be the crucial factor in unsettling the political scene. This factor, combined with economic and budget problems, will shape the political intrigues.

The inner party battle

In order to understand the political scene we must shift from this higher ground to the often murky inner world of LDP power politics. The ruling party, which in genealogy is a combination of the two major pre-war capitalist parties plus lesser elements, has ruled Japan virtually uninterrupted during the postwar period with majority votes ranging from slim to comfortable. The Opposition is made up by the Japan Socialist Party, the Communist Party, the Democratic Socialist Party and the Bhuddist Komei (Clean Government) Party, who are too divided amongst themselves and insufficiently popular to pose any prospect of taking power in the near future.

Therefore, most policy debates and political fights

in Japan take place within the LDP, which is made up of five major factions. These factions are not ideological formations for the most part, but political personality and patronage machines, grouped around individual party leaders. Though an historical policy and factional lineage can be traced, they are held together by their ability to "deliver the goods," not just to their constituents, but more so to the members of the faction. The death of a faction leader or his political demise can often lead to desertations from the faction or a splintering of it rather than simply its inheritance by a new leader. At present, the five major factions are: the Suzuki faction, formerly headed by Ohira; the Fukuda faction, headed by former Prime Minister Takeo Fukuda; the Tanaka faction, headed by former Prime Minister Kakuei Tanaka; the Komoto faction, led by cabinet member and former businessman Toshio Komoto and including former Prime Minister Takeo Miki; and the faction led by Yasuhiro Nakasone. Among lesser groupings, the most significant is the new faction around Ichiro Nakagawa, currently Minister of Science and Technology.

The Suzuki cabinet is an all-faction cabinet, but its support rests on the three main factions—those of Tanaka (the largest), Suzuki, and Fukuda. Unless Tanaka or Fukuda withdraw support, Suzuki can hold onto power. Suzuki's compromise selection as Prime Minister was largely a product of the efforts of Fukuda and Tanaka to block each other's choice. A sort of Japanese Robert Strauss, Suzuki's skills as a master political operator able to balance different factions and create "consensus" were seen necessary after years of internecine strife.

In the Japanese system, specific domestic and foreign policies emerge, not so much from the Cabinet or Prime Minister, but from the combination of the permanent bureaucracy, key business leaders, and some top political leaders, who may or may not be former bureaucrats, as Fukuda and Ohira had been. Except for extraordinary individuals, the Prime Minister's role is not to initiate specific policies, but to give a general direction to policy and to arbitrate the disputes among policy options presented by the above-cited groups. Suzuki is the extreme case of the mere arbiter, rather than policy formulator, though he does possess considerable nationalist instincts.

For the past 10 years, the internal life of the LDP has been dominated by a bitter seesaw battle between two powerful rivals—Tanaka and Fukuda. These two men are the yin and the yang of the political scene. Fukuda is the quintessence of the traditional ruling politician, a graduate of the elite German Law Faculty of the Tokyo Imperial University, a bureaucrat in the Finance Ministry from the early 1930s, and the successor to conservative political boss (and pre-war figure)

former Prime Minister Nobusuke Kishi. Tanaka is the first postwar Prime Minister to break that mold—an elementary school graduate who built a political/financial base as a construction kingpin and who then built a political machine down to the local level that would make the late Mayor Richard Daley green with envy. When the late Prime Minister Eisaku Sato (Kishi's half-brother) left office in 1972, Fukuda was the expected, and natural, successor. He was beat out in a rough and tumble party convention by Tanaka, a battle which, it is rumored, saw tens of millions of dollars passed out to buy the votes of LDP Diet members. That was only one scene in the bitter rivalry—Tanaka was ousted from office two years later under the cloud of a corruption scandal, to which, a year later, was added the famous Lockheed bribery scandal for which Tanaka and others have been on trial for the past several years. It is widely believed that Fukuda, using his extensive Finance Ministry networks, helped to leak the information which created the scandal. Tanaka got his revenge when he backed Masayoshi Ohira's successful effort to oust Fukuda as Prime Minister in 1978, only two years after Fukuda had obtained the office. (Takeo Miki was Prime Minister between Tanaka and Fukuda.)

Seasoned political observers in Tokyo believe that both men harbor intense feelings of frustrated ambition, including the desire, however unlikely, to return to the post of Prime Ministership. While both men combined to put Suzuki into power—after business leaders made it clear they would not tolerate another factional blood-letting—they did so for different reasons and neither have a long-term commitment to him. Tanaka's backing for Suzuki is stronger, stemming from the impact of the Lockheed trial, heading for a conclusion by next year. Should Tanaka lose, one expert told me, Tanaka's powerful faction may split. Already some leading Tanaka faction members, such as Shin Kanemaru, are considering such a move. This would have a tremendous impact on the entire LDP alignment. Tanaka's own major consideration at this point is to have a Prime Minister friendly—or beholden—to him as the trial comes to a close. Therefore, Tanaka will make no move to oust Suzuki and will support his re-election to another two-year term as party president.

If an oust-Suzuki move takes place, highly placed sources in Tokyo say, it will be led by Fukuda. Though Fukuda, one of the politicians most concerned with policy, has had a crucial foreign policy influence over Suzuki since the May 1980 firing of Foreign Minister Masayoshi Ito, he might move against Suzuki if there were a wider crisis of confidence in the LDP as a whole, a feeling that Suzuki's weak leadership qualities were leading the party and the country into danger. It was Fukuda, backed by Miki, who took the unprecedented step of abstaining in a vote of confidence against Ohira

in 1980 in a move to fell him. While such a move may not necessarily be repeated, some sources believe that Fukuda, charged by personal and "emotional" circumstances, might move against Suzuki in an atmosphere of political crisis.

The possibilities

It is difficult to determine the policy consequences of Suzuki's ouster, or who would replace him. His downfall could bolster Japanese resistance to Washington's Cold War and trade pressures, by strengthening nationalist leadership, or it could even be backed by American hawks who are afraid of Japan's increasing policy independence and who want to engender political chaos.

Part of the reason for the uncertainty of the policy implications is that the factions themselves are often divided on policy. Fukuda himself—who is pro-American but independent-minded—has strong views on policy, some of which his supporters may not agree with. Tanaka, while having strong views on certain issues, is much less concerned with the specifics of policy than of power and patronage. Tanaka's chief lieutenant, Susumu Nikkaido, who is now LDP Secretary-General, had been aiding a Washington-backed oust-Suzuki movement earlier this spring until Tanaka stopped him. Other Tanaka supporters are more nationalist. A victory by this faction would be an occasion for advisers and bureaucrats outside the faction to shape policy.

Should Suzuki fall, one political professional told me, "We may just get another Suzuki, another person who is unknown as a possibility and emerges out of the shadows." Tanaka and Fukuda's efforts to block each other's candidates (e.g. Nikkaido or Fukuda's political heir and Kishi's son-in-law, Shintaro Abe) might yet again yield a compromise candidate. One name mentioned is Toshio Komoto, presently Director of the Economic Planning Agency, whose faction is the smallest of the main five. A businessman turned politician, Komoto is well-liked among some powerful business circles for his economic views favoring fiscal stimulus, high growth, and opposition to Club of Rome "limits to growth" ideology. But his political base is weak. Several "younger generation" leaders, who are by no means young but simply of a later political generation, are named, such as Ichiro Nakagawa, Minister of Science and Technology, or Finance Minister Michio Watanabe.

Whether Suzuki survives, and regardless of who might replace him, the question facing Japanese politics in 1982 is if Japan can produce the kind of political leadership the times require, or if it will remain mired in machine politics that produced good intentions, such as protests against Volcker, without the political will or skill to carry them out.

Young socialist militants play havoc with national institutions in France

by Mark Burdman from Paris

It is now almost a year since the Socialist government of François Mitterrand swept into power in France. Despite the passage of time, and the results of the March 21 provincial elections in which the Socialists and their Communist and radical-left coalition partners lost 75 seats from their 1976 election totals and won very few of the 167 new seats created in an effort to bolster the power of the regime, a certain mood of euphoric illusion still prevails among the self-defined “young militants” of the Socialist Party now occupying positions of responsibility in the governing bureaucracy.

A junior partner

The fundamental nature of this illusion is that the Mitterrand victory represented a revolutionary “new chapter” in the history of France, a chapter that would also usher in the beginnings of a radical new order in global political relations with the Mitterrand team, heady with power, in the forefront. From discussions with representatives of this point of view during a recent visit to Paris, I can assert with confidence that the insistence on maintaining this illusion will not only destroy the French nation internally, but also establish that France is nothing more than a junior partner in the broader international policies of the Club of Rome and the British Foreign Office for a Malthusian restructuring of the world.

The Socialists are trying to enlist a certain degree of cooperation from North Africa on a policy of “equal distribution of misery,” but it cannot be disguised that this policy did not originate at the Champs Elysées or at Socialist Party headquarters, but at those of the Club of Rome. The racial and no-growth premises of the Club of Rome are the actual content of Socialist policy, under the cloak of radical rhetoric.

The false sense of power and ambition is especially prevalent among those self-defined as the “young militants,” now in key positions at the Quai d’Orsay, and the international department of the Socialist Party. These represent the “generation of 1968,” the veterans

of the British-orchestrated anti-de Gaulle radical ferment of that year, now experiencing the headiness of what they presume to be real power. In American terms, this is the equivalent of the crew centered at the Washington-based Institute for Policy Studies—the Warburg-created left-wing center for promoting terrorist support networks, Malthusian policies, and special operations against pro-growth policies—moving into the State Department and the Treasury.

A favorite refrain of the “young militants” is that France under the Socialists is taking its distance both from the Gaullist policies preserved to an important extent through the 1974-81 era of President Valéry Giscard d’Estaing, and from the policies of the United States under the Reagan administration especially in two areas: global economic policy and relations with the Third World, particularly Africa.

Thus, one typical young Socialist militant, now in an advisory position in the Ministry of Economic Cooperation, told me with a great flourish that France was actively opposing the “destructive high-interest-rate policies of the Reagan administration, which are largely responsible for the threat of depression and the fact of high unemployment in Europe.” What, then, I asked, was the alternative being offered by the Socialists to the Reagan policy? Again with theatrical effusiveness, the Mitterrand militant said that France was trying to bring West Germany into “greater independence of the Americans,” to create a “more independent Europe” that would “increasingly rely on the European Currency Unit [ECU]” in global monetary and financial affairs.

But the “alternative” policy prescription was nothing more than a rehashed version of the much-discussed design to establish a “Third Way” of crisis management between East and West and replace the dollar as the international reserve currency of account. This is hardly a revolutionary departure in policy—especially since the “Third Way” can only be brought into existence through a conscious exacerbation of international mili-

tary-strategic and economic situations over the coming period.

African questions

The brutal domestic and international realities behind the rhetoric were apparent in a broader way during a discussion with a top militant now working under Socialist Party international relations head Jacques Huntziger, himself a leading "Third Way" advocate. Huntziger's aide, also with melodramatic exertions, insisted on the fact that Mitterrand's France was "reversing the mistakes of the Giscard era" in respect to dealings with France's former northern Africa colonies, now the independent nations of Algeria, Morocco, and Tunisia. The Socialists, so the account went, would be open to dealings with "liberation movements" such as the nomadic Polisario guerrillas fighting Morocco, and would seek to "cooperate to all possible extent" with the countries of North Africa on matters of vital mutual concern. "To France, North Africa is an area of key strategic interest, not dissimilar to the concern the United States has for Central America and Mexico, so we feel the importance of a new era of relations, more equitable and open to dealing with all the parties than was the Giscard team."

The Club of Rome era

It was, then, with a certain shock that I listened to the Socialist militant describe exactly what this "new era" meant concretely. The Club of Rome itself could hardly outdo the analysis presented. "We are particularly concerned with the extraordinary demographics of North Africa with the explosion of [numbers] of young people proportionately to the rest of the population. This represents alarming trends for the year 2000. You must understand that we cannot allow more immigrants from this region into France. Our attitude must be similar to those who feel that the border must be closed between the United States and Mexico. We already have two million unemployed in France, and therefore cannot tolerate more influx from Algeria, Morocco, and Tunisia."

But isn't this only accommodating to the laws of a Malthusian universe, I asked. "Not at all," came the reply, "It's just reality. If we allow more immigrants into the country, this will make French workers more xenophobic and racist, under the conditions of unemployment that are prevailing now in France. It cannot be done. We have to work together with the countries of North Africa to jointly clamp down on illegal immigration. We also hope they will more actively promote policies of population control, although at this point mothers in these countries keep having babies. So what else can we do?"

Under further questioning, Huntziger's aide freely

admitted that this sealing the border policy would be a catalyst for extensive social unrest throughout North Africa in the coming years. "The Muslim Brotherhood and similar groups would like nothing more than to play upon the discontent of the young. The first signs of this are already being played out in Morocco; we hear of troubles there. And in France itself, workers from past waves of immigration are feeling more alienated from French society. There is a return to the mosques going on here as well. It is a new phenomenon."

My Economics Cooperation Ministry official repeated the refrain that "Giscard's mistakes have to be corrected" and that France must "provide an alternative to the misconceived Africa policies of the Reagan administration." The critical error to be corrected, he stressed, is the "adoption of the Western model of development for African countries. Africa doesn't need large-scale Western industrial projects. This only encourages an exodus from the rural areas of the cities, and this exodus is the main cause of social unrest and the gains of the communists on the African continent. "The cities of Africa are ready to explode," he assured me. "Nigeria is the worst case, the most likely to experience violence, but it is not the only one. It is the rule rather than the exception. Cities are breeding grounds for violence."

'A Third Way'

"We must help Africa to concentrate on rural development; on a type of re-ruralization," he continued. "Africa needs appropriate technologies, for example, solar energy in the energy field. Western model technologies and projects are totally unnecessary, and in fact destructive."

If there were any doubt as to the ultimate implications of this policy, it was soon dispelled. "I personally feel strong affinity for the argument of [Colonel] Qaddafi [of Libya] against the Western model of development for Africa. This has struck for good reason, a strong resonance throughout the Third World. I may not like Qaddafi's expansionist military policies and power ambitions, but I fully concur with his critique against the Western model of development for Africans. Africa needs a new model of development, neither East nor West, but toward a "Third Way."

Just as in the March elections French voters expressed their disgust at the militants' destruction of France itself, reports from Africa have indicated that many of France's traditionally close partners are hardly eager to march down the road to suicide as suggested in the paragraph quoted above. They are becoming more openly critical of the latest mouthings from Paris. In view of this pattern of rejections, the remaining question is how much longer the "generation of 1968" will be allowed to play out its fantasies in positions of power.

Mitterrand economics: too little, too late

The Socialist regime's attempt to impose austerity by decree is provoking unrest in both trade unions and employers.

Eleven months have gone by since Mitterrand promised to solve the unemployment problem. In that time, unemployment passed the 2 million mark and French firms have had social and financial costs increased by 15 to 18 percent.

There was much trade union anger and many government factional disagreements the first months of this year before Prime Minister Mauroy's complete Keynesian work-sharing plan could be decreed on March 31. As insiders know, "Tonton" Mitterrand flew into one of his tantrums when he learned of the Socialist losses in the March cantonal elections (see article, page 43). Political family quarrels are warring Mitterrand down, and there is talk of cabinet reshuffling over the economic issue.

Without consent from either the trade unions or the French "patronat," the industrialist business association (CNPFF), the government is attempting to impose policies by decree. The patronat has categorically refused to condone the program of progressively moving towards a 35-hour-work week in five years, let alone ensuring 40 hours' pay. The CGT, the Communist-dominated trade union, continues inflexible on the 35-hour demand. The Mitterrand government was accused by its radical faction, led by Labor Minister Jean Aroux, of having given in to CGT pressure when it decided to guarantee 40 hours' pay for 39 hours'

work. But the government warned that any further work reductions will be only partially compensated. Force Ouvrière, the American-linked union led by André Bergeron, is now siding with the CGT on the 35-hour-week issue. Only the Socialist-dominated CFDT is demanding that workers should work less, and accept reduced living standards.

Labor Minister Aroux calculates that he can "create" up to 100,000 jobs in this way by the end of 1982. But some 600,000 young people will enter the labor force by that time. Some will be absorbed in Mauroy's cheap-labor plan, but a good half will remain unemployed.

The social atmosphere remains very tense. Between 80,000 and 100,000 farmers demonstrated in Paris in late March, demanding a 16 percent increase in agricultural prices in the Economic Community negotiations (see article, p. 10) a question still pending due to failure of negotiations with the British. At the same time, some 20,000 union-organized truck drivers blocked the major highways around the largest French cities, to obtain a gasoline tax cut.

Up to the present, the government has been trying to ameliorate the situation by printing more money and running on a huge budget deficit. Reprimanded by International Monetary Fund director Jacques de Larosière in late March, the Socialists are now stat-

ing that the government can no longer afford to give in to constituency demands.

The weakened franc only worsens the economic situation. After Mitterrand's trip to Israel, Gulf Arab investors pulled capital out of France on a massive scale. Even the Algerians—supposed to be more friendly to the French Socialist government—are apparently participating in the anti-franc operation.

After having demanded and received March 25 an immediate cash payment of 2.15 billion francs provided for in the terms of the recent natural gas contract, Algeria promptly dumped the entire sum on the international markets. The Algerian demand for immediate payment forced impromptu budget cuts in almost all ministries.

Other rumors have it that some 20 French firms as well as American interests played a big role in the attack on the franc. Could Paris Mayor Jacques Chirac, known to have Arab friends, be indirectly involved? Did Raymond Barre, Prime Minister under Giscard, not predict in a March press conference from Lausanne, Switzerland, that the devaluation of the franc was inevitable?

Banking sources confirm Finance Minister Jacques Delors' declared intentions to defend the franc at all costs. But they quickly add that the Finance Minister would not blink if these measures meant adding 250,000 unemployed. In face of this, a look at the rate of bankruptcies is very alarming. The total for 1981 was 20,895, 20 percent higher than the preceding year. Now, 1,700 to 1,800 firms are closing their books each month in France.

Civilian internment camps?

The Trudeau government and the Queen's Privy Council have a low regard for representative government.

For those who doubt that Canada is in fact governed not by Parliament but by "administrative discretion" and the "secret consensus" of the Queen's Privy Council, the following events should help clear things up.

Yvon Pinard, the President of the Privy Council and the House of Commons leader for the Trudeau government, is quoted describing who really runs Canada and how in the April 3 *Toronto Star*.

Echoing the War Measures Act imposed during the 1970 October crisis in Quebec, when hundreds were arrested without charges, Pinard defended how the Emergency Planning Order, which went into effect without legislative authorization last spring, gives the Trudeau Cabinet power to impose sweeping measures in the event of what the *Star* calls "ill-defined war or peacetime emergencies."

According to the *Star*, "Under the new order, 11 cabinet ministers would have control over key sectors of the economy—transportation, production, energy, and manpower—in peacetime emergencies, and they would also be able to create civilian internment camps and censorship controls in the event of war or insurrection." Both the Conservative Party and the New Democratic Party have condemned the fact that no legislation sanctioning these measures have been submitted in the House of Commons. Pinard says that "because it's an ad-

ministrative order relating to the internal functioning of government, legislation wasn't required." Under this rubric, the Cabinet passed about 300 unlegislated orders-in-council over the past year.

The emerging tax revolt in Quebec and the growing separatist movement in western Canada are among the potential crisis triggers; there are indications that the Privy Council expects upheavals when Queen Elizabeth arrives in Ottawa on April 17.

Any "abnormal situation," as the order defines an emergency, including an economic crisis or labor unrest, may trigger the "discretionary authority" of the Trudeau government to impose a dictatorship, and this will be officially sanctioned by the new constitution the Queen is to present this month. "Pinard also pointed out," said the *Star*, "that the Charter of Rights and Freedoms will, when it becomes part of the constitution in two weeks, have an important bearing on matters related to emergency powers." With the new Charter, says Pinard, an emergency will be tested on the basis of "reasonableness and justifiability."

The Conservative opposition rightly protests that "the possibilities for abuse are endless." The Tories have called the order "draconian, sinister, and terrifying," because the whole thing "has been done in secret and civil liberties hang in the balance."

Conservative Ray Hnatyshyn asked: "What if a national strike were called by the Canadian Labor Congress, which would clearly cause some disruption to the country? Is this a situation which would be included under the definition of emergency under the planning order?" Pinard offered no answer.

While equipping himself with the Emergency Planning Order, Trudeau is also using more sedulous methods against constituency groups and representative government. On March 31, he addressed the founding convention of the newly formed Canadian Federation of Labor (CFL), a splinter from the 2 million member Canadian Labor Congress (CLC), and proposed that the union participate directly with the government in "a structured decision-making process. . . . I am asking you to share the responsibility for governing," said Trudeau, emphasizing that "there is no way the state can ensure [economic] recovery alone."

Although Trudeau was not explicit as to how the process would work, the intent is to break up independent unions and create a tripartite labor-business-government structure for "crisis-managing" the depression. This proposal is linked with a program that Manpower Minister Lloyd Axworthy has recently upgraded, and which is expected to "lead a new world trend." Axworthy last month announced a work-sharing program of up to \$30 million, where a worker will receive 90 percent of his normal pay while the government "tops up" the balance from its Unemployment Insurance Fund. According to Axworthy, this poverty-sharing is considered "one of the keys to solving tomorrow's unemployment."

East Africa: Club of Rome target

Tanzania, Kenya, Uganda, Sudan, and Somalia are slated for deliberate famine and chaos.

When Alexander King, a founder of the Malthusian NATO-connected Club of Rome, asserted matter-of-factly last month that "Africa will be the worst continent on the population/resource question," it was confirmation that something is being planned.

Africa is the most underpopulated continent in the world, with tremendous agricultural and industrial potential were the necessary capital input obtained. A crisis of growing population vis-à-vis dwindling resources could only happen in Africa if powerful political forces wanted it to happen.

King and the Club of Rome represent the leading edge of those who are determined to reduce the world's population. These circles regard Africa solely as a source of raw materials, and hence seek to prevent the consolidation of sovereign nation-states in Africa, on the basis that those nations' economic development would entail the resource controllers' loss of an enormous raw-materials stockpile.

Now King is saying that "Africa is the most disturbing continent, since it has the highest rate of population growth." (See *EIR*, April 13.) He went on to single out Sudan, Somalia, Kenya, Uganda, and Tanzania, where British influence and intelligence connections predominate (all these countries were colonized by the British, except for southern Somalia, which was Italian). King predicted that this re-

gion would become "the most chaotic area in the world," as food shortages emerge.

King made it clear that his primary motivation in depopulating the Third World is fear that the white populations will become dominated by the Third World population.

The policy is to be carried out by "decoupling" the Third World from the developed economies. According to Prof. Joseph Nye, Jr. of Harvard, head of the North-South group for the Council on Foreign Relations 1980s Project, which advocated decoupling the Third World from the developed sector, "Africa for the most part is being hived off from the world markets. . . . Most African countries are being made to do without financing altogether: countries like Tanzania are being forced to limp along on their own."

A disastrous economic situation characterizes every one of the countries in East Africa singled out by King. In Sudan, Kenya, and Tanzania, IMF delegations regularly refuse to provide quarterly installments of scheduled IMF loans.

As of early April, Tanzania has enough foreign reserves for only a few days' imports, and the country must import food even though most of the population is rural. Last year, exports amounted to only half of imports. A transport system dislocated by the inability to import spare parts further complicates the

economic situation. Agriculture there has tremendous potential but only 5 percent of the land is cultivated because of a lack of capital.

Tanzania has long been a favorite of the World Bank and other such institutions because of the government's policy of forcing communalization at gunpoint and withholding technology from the "self-help" villages.

Yet the IMF is pushing for a 50 percent devaluation. President Julius Nyerere has only devalued by 10 percent, and is instead pressing his National Economic Survival Programme, the content of which is making do without any capital input. Nyerere has just announced that all development programs for 1982 have been cancelled, thus "decoupling" his own country.

Kenya, considered the free-enterprise success story in Africa, is now in an economic depression, with exhausted foreign reserves, large balance-of-payments deficits, rising government borrowing and a worsening ratio of debt-service to income. Kenya was explicitly attacked by King for having one of the highest birth rates in the world.

Uganda has been unable to get its economy off the ground after Idi Amin's downfall in 1979, due to armed opposition groups backed by Israel and Libya. Sudan uses one quarter of its budget to repay loans and President Numeiri is now enforcing drastic IMF austerity measures. Rumblings of civil war are coming from the south, where Israeli-backed rebels fought a 17-year civil war which ended in 1972.

Somalia is moving out of President Siad Barre's control, according to British sources, who predict either a civil war or secession by the formerly British northern region.

A growing sense of urgency

Saudi Arabians say that unless the superpowers press a regional peace settlement, Iranization lies ahead.

Saudi Arabia's Crown Prince Fahd is reported to be revising his eight-point Mideast peace plan, which calls for Israel and the Palestine Liberation Organization to recognize each other as legitimate entities. Lebanese sources say Fahd now favors bringing the U.S.S.R. into a peace conference modeled on the October 1977 U.S.-Soviet declaration, which was undermined by the Camp David separate peace between Israel and Egypt. Previously, Fahd had called for a Geneva-style international conference without specifying Soviet participation.

The Saudis are impelled by an awareness that only the superpowers *jointly* can restrain the greatest threat to the Persian Gulf: Israel and the Israeli-armed Khomeini regime, which has been battling Iraq for 19 months.

Saudi Arabia intensified its diplomacy following a turn in the war late last month, when Iran subjected the Iraqi occupying forces to their first big setback. The prime focus of that diplomacy is the Reagan administration. Abdul Aziz Qureish, director of the Saudi Arabian Monetary Agency, the kingdom's central bank, informed Washington in early April that Saudi Arabia may be forced to withdraw some of its assets from U.S. banks to continue to support Iraq in the latter's effort.

In West Germany on April 6, Saudi Oil Minister Ahmed Zaki Yamani delivered a blunt and, in

his words, "urgent" speech to the equivalent of the Council on Foreign Relations. Yamani reiterated the essence of Fahd's peace plan: if Israel will recognize the Palestinians' rights to self-determination, the Arabs will recognize Israel and begin overall peace negotiations.

Yamani warned that unless the Western nations take the initiative to resolve the Mideast crisis, Khomeini-style "revolutionary movements in the Mideast and Africa" will spread.

Arab sources report that Riyadh's concern about the Iran-Iraq conflict reflects a fear that continued war might mean the fall of Iraq's Saddam Hussein, and his replacement by a more radical regime.

The Soviet leadership is divided over Mideast policy. One faction identified with Boris Ponomarev of the Central Committee and Gen. Kim Philby of the KGB welcomes the way Israel's actions are radicalizing the Arab world. The other faction around President Brezhnev continues to seek détente with the West, which would entail a Geneva-style Mideast conference.

A Georgetown University Mideast analyst recently told *EIR* that Saudi Arabia is trying to use all its diplomatic influence to foster détente. In late March, the Interior Minister from the United Arab Emirates made his first trip to Moscow, with which the UAE had no diplomatic relations. He was re-

ported to have urged Moscow to contain Soviet-allied radical movements in the Arab world as a prelude to an Arab-wide Interior Ministers' meeting in May called by Saudi Arabia to tighten regional security.

On April 3, Saudi Defense Minister Prince Sultan visited Baghdad to assess the course of the war. Two days later, the Saudi cabinet met to weigh another cut in oil production, the second in as many months, in order to share exports with other OPEC producers faced with depressed oil demand. Britain has led the drive to cut world oil prices by dropping the price of North Sea crude to \$31 a barrel in order to put maximum pressure on Riyadh, which has vowed to keep OPEC's price at \$34. British policy has been to undermine the Saudis and—as witness the BBC's 1978 role in bringing Khomeini to power—encourage the emergence of anti-American regimes committed to neo-colonial backwardness and reductions in oil output.

The alternative to a Saudi withdrawal of funds from the United States to fund Iraq, reports a Jordanian source, would be for Washington to force Israel to halt its arms supplies to Iran.

The Reagan administration is reportedly backing the Saudi mediation effort, but whether the White House will actually move to restrain Israel is in doubt. Secretary of State Haig is an obstacle to such a course. Another is Saudi Prince Talal, who recently appeared in Washington for talks with Reagan on Mideast policy. Talal, a long-time enemy of Prince Fahd, is allied with the same Muslim Brotherhood networks which Israel and the KGB support.

Ferment in the trade unions

A 100,000 person support rally for dissident teachers is part of a major test of the union leadership.

Every observer in this capital agrees that the labor situation is becoming increasingly unstable, and that in the short term we will see some major conflicts on the union front.

This is not only because the so-called left and other political groups are becoming very active, but because within the Mexican political elite there is an ongoing battle to decide if the trade unions will be sacrificed as a political force in the current economic crisis being imposed on Mexico by the international banks.

There is no doubt that many bankers are disappointed by the recent wage-increase declared by the federal government, which goes as high as 30 percent for those earning the minimum salary.

Government circles are seeing this wage increase as vital to "buy stability" during the current electoral period, which ends in presidential elections July 4. The parties competing with the government's PRI party from both left and right are saying openly in every corner of the country that the economic crisis is the best ally they have at this moment. They are counting on the dissatisfaction of the electorate with economic conditions as the key factor weakening the PRI in the elections.

There is another factor working against the stability of the labor unions.

In the middle of March, for ex-

ample, Mexico City was the scene of one of the biggest demonstrations of recent years. More than 100,000 people from a potpourri of left groups demonstrated in front of the Interior Ministry against the current leadership of the national teachers' union the SNTE. The SNTE, which is not affiliated with the official PRI trade-union confederation, the CTM, but is closely allied to the government on its own, is the largest individual trade union in Latin America.

Starting three years ago, a left-wing coalition including pro-terrorist guru Juan Ortega Arenas, a variety of Jesuit-led groups, several Trotskyite sects, and the Mexican Communist Party (now PSUM), banded together to try to overthrow Carlos Jonguitud Barrios, governor of the state of San Luis Potosí, whose faction has been in power in the union for the past seven years.

The left-wing forces are only the front-end elements of a more powerful coalition of *right-wing* forces, headed by former teacher Carlos Hank González (now mayor of Mexico City); former governor of Hidalgo Manuel Sánchez Vite (who controlled the union before the Jonguitud Barrios era), and Enrique Olivares Santana, current Interior Minister and, like Hank, formerly a teacher himself. The group, known as *los profesores*, is the "money factor" behind the left-wing mobilization.

Two weeks after the demonstration, the Interior Ministry agreed to an opposition demand for new elections for leadership in some SNTE locals, a victory for the left. Nobody doubts that Jonguitud's forces are the majority of the union, but through pressures, demonstrations, occupations of SNTE offices, and support within the government, the left dissidents are increasing their capabilities.

At the same time another important trade union, the telephone workers, has come close to being taken over by the same combined "left" and "right" operations. Sources tell me that the board of directors of Telefonos de Mexico is following a policy of promoting left-wing radical upsurges within the union as a method of destroying it.

The company, nominally owned half and half by private businessmen and the government, is in reality run by ITT, the Troyet family, and the Vallina interests. All of them are represented by the head of the company, Emilio Carrillo Gamboa, son of one of Mexico's filthiest zero-growth ideologues, Antonio Carillo Flores, who was Mexico's Foreign Minister at one time, and today is chief Mexican representative of the funder of the American environmentalist movement, the Aspen Institute.

The company, I am told, supported the seizure of the national offices of the trade union by left radicals last month and later tried to legitimize them as the new leadership of the union. But longtime CTM leader Fidel Velásquez smelled that this was threat to his control of the CTM as a whole, and stepped in to keep the current leadership in power.

International Intelligence

Trilaterals invade Japan for conference

The notorious Trilateral Commission will hold its 13th General Meeting in Tokyo April 4-6. The Commission was created by David Rockefeller as a policy forum for the elites of North America, Western Europe, and Japan.

The meeting's public agenda places special emphasis on economics. Relations with the Soviet Union (which will probably focus on the gigantic West European-Soviet natural gas pipeline deal) will be examined, along with ways to strengthen the General Agreement on Tariffs and Trade, the major "free-trade" weapon used against the economies of developing nations.

Along with Rockefeller, among the 90 U.S. and West European participants will be Zbigniew Brzezinski; and former U.S. ambassador to Japan Robert Ingersoll; and West German Economics Minister Otto von Lamsdorff. The head of the American delegation is former Carter trade negotiator Robert Strauss, whose activities are the origin of the expression "Japan bashing."

The Japanese delegation of 40 political and business leaders includes former Asian Development Bank Chairman Takeshi Watanabe, and Yoshizo Ikeda, chairman of Mitsui and Company, the giant "trading company."

The April 4 sessions will be addressed by the current head of Japan's Economic Planning Agency, Toshio Komoto, and Indonesian Vice President Adam Malik, as guest speakers.

Venetian talks about peace-movement aims

The real aim of European demonstrations against American nuclear missiles is no "mere coup in Italy," but "a world uprising, which could threaten every national government," a highly placed

Venetian insurance executive explained before the Sicilian protests at the beginning of April. He predicted that as a result, Ronald Reagan will follow former U.S. President Lyndon Johnson and be "forced to resign by the masses."

The speaker was Mario Einaudi, chairman of the international holding company of the Assicurazioni Generali di Trieste i Venetia, the oldest and largest insurance company in Venice. The board of Generali includes Fiat's Giovanni Agnelli and Baron Elie de Rothschild, along with other representatives of Venetian oligarchical families.

"You should worry about Germany, France, and the United States," Einaudi said, terming the protest "a movement of the greatest possible size, scope, and significance."

Of President Reagan he said: "He is already being forced to change his policy on key issues regarding nuclear warfare. He knows his position is weakened. Major demonstrations are coming in the United States, and he will not be able to stop it. . . . Either Reagan will change, or he will not be able to disregard the masses. No government can disregard the masses."

Mario Einaudi's father Luigi, a protégé of American OSS Director Allen Dulles, was the founder of the postwar Italian central bank. His son, also named Luigi, is Alexander Haig's adviser.

Salvadoran oligarchs behind new killings?

In the first prominent political assassination since the Salvadoran elections, the body of a newly elected delegate from the ultra-right ARENA party was found in a waste dump north of San Salvador on April 4. The victim was a deputy of ARENA head and new Salvadoran strongman Maj. Roberto d'Aubuisson.

According to U.S. congressional sources, the assassination was carried out by a group within the Treasury Police, on orders from members of the De Sola

family, which is one of El Salvador's coffee-plantation-owning "fourteen families."

The Treasury group and the De Solas are reportedly angry that death-squad founder d'Aubuisson has not yet carried out his election promise to exterminate the "communist supporters" who opposed him.

The De Sola family is credited by United Brands genocide-advocate William Paddock with making El Salvador the first country in Central America with government-sponsored family-planning programs, in 1968. The assassination of d'Aubuisson's deputy was apparently intended to trigger a wave of revenge killings which would return El Salvador to the "population-war" conflict which has decimated the country.

Others have been urging d'Aubuisson to "stay cool" while a new government is formed out of the confusion that has followed Alexander Haig's "exemplary" elections, and thus to clean up his image for the United States.

A group of U.S. Congressmen is due for a first-hand inspection of the country on April 10.

Friedmanite flops on Mexican TV

The man whom William F. Buckley approvingly calls "the Milton Friedman of Mexico" has become a national laughing stock after a televised debate on economic policy with a leader of the pro-development Mexican Labor Party (PLM).

Luis Pazos, the scion of an old Vera Cruz oligarchical family, has been on tour since the Mexican devaluation telling Mexican businessmen that it is the government's "overspending" on capital intensive projects which has caused the country's economic trouble.

At a March 13 appearance in the northwestern state of Sonora, Pazos was challenged to a debate by Cecilia Soto, who is the PLM candidate for deputy in the state.

Briefly

● **HANS-DIETRICH Genscher**, the West German Foreign Minister, is scheming to bring Libyan dictator Muammar Qaddafi to Bonn, according to *Der Spiegel* magazine. The plan is to have the terrorist backer invited through a "European" initiative, and arrive in the fall, when Chancellor Helmut Schmidt—who opposes the visit—is out of the capital.

● **SADEG KHALKALI**, Iran's "blood judge," told the press in Dubai on March 26 that "the arms that Pakistan is acquiring from the U.S. under the \$3.2 billion deal" are aimed against India, and pose no threat to Iran. Khalkali is in a position to know, since Muslim Brotherhood forces are in control in both Iran and Pakistan.

● **AN ITALIAN Socialist Party member**, complaining that no destabilization had resulted from the combined peace/separatist demonstrations in Sicily April 3-4, told a representative of *EIR* founder Lyndon LaRouche, "This is only the beginning . . . next time we shall do better because we will make sure you don't know about the actual planning."

● **THE YUGOSLAV League of Communists** may have to postpone its 12th Congress, scheduled for June, due to an intense internal power struggle, according to émigré sources. The infighting in Yugoslavia's ruling party reflects increasing disturbances among ethnic groups in the Balkan nation.

● **PENTAGON OFFICIALS** have leaked plans to build and deploy a much larger number of Pershing II missiles than had been previously announced, in a move that will weaken the West German government. Defense Department officials refuse to deny the *Washington Post's* April 8 report that more than 108 missiles would be placed in West Germany if there is no arms-control "breakthrough."

Pazos was incautious enough to accept on the spot; the show was taped within 24 hours. It has since been re-broadcast by numerous stations, including one in Monterrey, Mexico's third largest city.

Pazos's defense of "free-enterprise" was based on maxims which "any housewife knows," such as that you can't spend more money than you take in.

"Doesn't your wife use credit cards?" Soto asked, going on to develop the notion of directed credit as the means by which a nation can determine its own growth. The alternative is the enforced peasant backwardness of China, she said, unsettling Pazos by comparing him to the late Chairman Mao. Soto explained that along with this outlook comes the narcotics-based economy of countries such as Hong Kong, Milton Friedman's free-enterprise paradise.

Press treatment of Pazos has changed noticeably since the debate.

NATO: post-industrialize the Soviet Union

The annual NATO colloquium on Problems of the Centrally Planned Economies, held in Brussels at the end of March, put forward the foolhardy proposition that the Soviet Union can be bamboozled into abandoning its military-industrial mobilization for some variety of "post-industrial" incompetence. As one Norwegian professor put it: "Now is the best time since 1917 that the West can force the Soviet Union to change its economic system."

According to these experts, the Soviets are resource-short as well as labor-short, and withholding needed technology is the best lever the West has for redirecting their policies.

Conference participants dismissed the idea that the Soviets could respond, as *EIR* has suggested, by withdrawing into a mobilized "Fortress Russia." "You can't have many Manhattan Proj-

ects at the same time," said Gregory Grossman of the University of California at Berkeley.

Private discussions with the participants made clear their own anti-industrial outlook and desires. David Dyker of England's Sussex University, who expects Soviet agriculture to be decollectivized soon, said of his own country: "We don't need any industry really.... It's just those workers who want something in their hands to play with . . . our future lies in electronics. Look at those microchips; you don't need any energy nor raw materials to produce them!"

Another NATO professor said that he hates the capitalist principle of "profit maximalization" as much as the socialist principle of "production mobilization," because both are "resource-intensive." He expects the Soviet bloc to crumble because the U.S.S.R. can't meet the raw materials need of its satellites.

Algerians warn France on Ben Bella

Algerian President Chadli Benjadid sent a strongly worded warning to French Interior Minister Gaston Defferre and the ruling Socialist Party late last month on the activities of Algerian dissident Ahmed Ben Bella, now exiled. The warning stressed that Ben Bella's activities in Paris, which as *EIR* has exposed, are devoted to stirring up Moslem Brotherhood insurgencies in Algeria and other North African states. Serious consequences are implied for future French-Algerian relations.

Ben Bella's efforts are funded by a group of Swiss bankers associated with François Genoud. Since Ben Bella was put under house arrest by former Algerian President Houari Boumediene in the early 1960s, Genoud has been his frequent visitor. Genoud holds publishing rights for such Nazis as SS General Wolff, Martin Bormann, and Josef Goebbels.

Arms-controllers take aim at the White House

by Richard Cohen, Washington Bureau Chief

Angry White House sources have confided that for three days leading up to President Ronald Reagan's prime time March 31 press conference, White House Chief of Staff James Baker III and other senior White House officials known to share Baker's views initiated an unrelenting campaign to convince the President to publicly endorse a "nuclear weapons freeze." The nuclear freeze concept was first introduced at a March press conference at American University in Washington, D.C., by Sens. Edward Kennedy (D-Mass.) and Mark Hatfield (R-Ore).

Baker's attempt to convince the President was reportedly joined by Richard Darmon, protégé of Club of Rome member Elliot Richardson and currently Baker's chief assistant; David Gergen, White House Communications Director and former senior official in George Bush's presidential campaign; and David Stockman, Director of the Office of Management and Budget. My sources report that Baker and his friends resorted to wielding recently conducted White House and other opinion polls and a series of front-page clippings from the leading Eastern press reporting a groundswell of support for the nuclear freeze, while telling the President that the best way to stall a growing, well-organized American "peace movement" which had already adopted the Kennedy-Hatfield nuclear freeze was to co-opt it by publicly embracing its cause.

Pressures on Reagan

Indeed, the day before the President's press conference, McGovernite Randall Forsberg of Cambridge, Massachusetts, the leader of the national campaign to

promote the nuclear freeze, warned that the Reagan administration would make "a mistake by opposing this movement rather than embracing it," and hardline Sen. Daniel Patrick Moynihan (D-N.Y.), who several weeks earlier had surprisingly signed on to the Kennedy-Hatfield freeze, was now echoing the arguments of the Baker group, asserting that if the President fails to take the leadership of the freeze movement, the present pressure for a bilateral freeze on nuclear weapons could turn into "a strong unilateral disarmament movement."

Instead, on March 31 Reagan not only repudiated Baker's advice, but went further in explicitly stating that the Soviet Union has "a definite margin of superiority over the United States in nuclear weapons." Reagan called the nuclear freeze concept "disadvantageous and, in fact, even dangerous" to the United States, while insisting that any freeze would maintain a Soviet advantage.

One day following the President's statements he came under intensive attack not only from those who support the Kennedy-Hatfield nuclear freeze approach, but other Senators including John Glenn (D-Ohio) and James Exon (D-Neb.), who said they were "astonished" by Reagan's statement on Soviet superiority. Chairman of the Joint Chiefs of Staff David Jones, a Carter appointee, contradicted the President by saying he would not swap the U.S. strategic defense capability for the Soviets'. Jones was backed up by Lew Allen, Jr., Air Force Chief of Staff. Indeed, neither Secretary of Defense Caspar Weinberger nor Secretary of State Alexander M. Haig, Jr., who has consistently stressed that

“our systems are more sophisticated and reliable and more technologically sound” than the Soviets’, has ever come close to the charge Reagan had made. On April 4, anti-freeze advocate Sen. Scoop Jackson (D-Wash.), who had sponsored, along with Sen. John Warner (R-Va.), a joint resolution on March 29 countering the Kennedy-Hatfield approach, appeared on national television and attacked the President’s assertion of Soviet superiority.

Yet, in a question-and-answer session with reporters on April 5, the President responded to both the widespread criticism of his statement and spreading allegations throughout Washington that he had misrepresented himself, by reconfirming his earlier charge that the Soviet Union has a nuclear arms margin of superiority.

The signal from the President’s statement on Soviet superiority is that the President is still unprepared to play the arms-control game. Implicit in Reagan’s pronouncement is that he will not entertain serious arms-control negotiations with the Soviets until the United States has approached a level of strategic equality.

The President’s own defense program retains dangerous insufficiencies and misconceptions marked by an unwillingness to deal directly with the Federal Reserve Board’s ravaging of the industrial base required for any serious defense commitment, and by license for Stockman to decimate civilian R&D potentially important for the development of new weapons systems. Nevertheless the President has still refused to cross over into the arms-control trap as charted by variously the New York Council on Foreign Relations (CFR)-dominated nuclear freeze proponents or the Pentagon and Arms Control and Disarmament Agency (ACDA)-inspired “deep Soviet missile cuts” grouping. In fact, the only solution to the national security predicament of the United States—beyond firing Stockman and removing Volcker—must include a brute-force commitment to the development of anti-missile “beam” weapons, as proposed by *EIR* founder Lyndon LaRouche in a March memorandum titled “Only Beam Weapons Could Bring to an End the Kissingerian Age of Mutual Thermonuclear Terror: A Proposed Modern Military Policy for the United States.”

Three arms-control resolutions now circulating on Capitol Hill represent serious factional forces in both the Reagan administration and Capitol Hill. In the period between now and the end of the summer, Baker and Stockman’s friends at the Bank for International Settlements (BIS) and their Manhattan-based political allies headed by the New York Council on Foreign Relations are ready to pressure and blackmail the President into adopting one of those arms-control options while continuously generating headlines geared toward building a mass-based U.S. peace movement. This “peace movement,” already absorbing environmentalist, religious, women’s, and minority groups (see

article, page 54), is slated to be the banner under which growing numbers of unemployed are manipulated to march against the Reagan Presidency.

The ‘no-first-strike’ partisans

Signaling an escalation on April 17, the CFR for the first time intervened into the “arms-control debate” explicitly on the side of the “peace movement.” At a Washington, D.C. press conference, former Kennedy administration National Security Advisor McGeorge Bundy, Kennedy administration Defense Secretary Robert McNamara, Harriman surrogate and former Ambassador to the Soviet Union George Kennan, and Richard Nixon’s arms-control negotiator Gerard Smith, urged the administration to adopt a policy of “no first use” of nuclear weapons in the European theater.

The CFR has not only openly identified itself with the stated goals of the European peace movement, but has more importantly put the administration on the spot on an emotionally explosive question—first use of nuclear weapons—that can be used to inspire the growth of the peace movement. Most of these individuals, most prominently McNamara and Smith, along with other leading figures of the Council on Foreign Relations and the Trilateral Commission including former Undersecretary of State George Ball, former Sen. J. William Fulbright, and Democratic Party patriarch W. Averell Harriman had already endorsed the initial Kennedy-Hatfield proposal on strategic weapons systems.

That **Joint Resolution 163**, now supported by 160 members of the House of Representatives and 26 members of the Senate, proposes that the United States and the Soviet Union completely halt production and deployment of nuclear weapons. They state: “proceeding from this freeze, the United States and Soviet Union should pursue major mutual and verifiable reductions in nuclear warheads, missiles, and other delivery systems through annual percentages and equally effective means in a manner that enhances stability.”

On cue, one day prior to the release of the CFR’s “no first use” position, Haig, in a major address before the Georgetown Center for Strategic and International Studies, took the opportunity to launch a defense of flexible response, and stated that the United States will not renounce “first use,” ostensibly to counter the argument of the four CFR spokesmen.

Haig’s dramatization of this issue was clearly aimed at fueling the fire of the emerging American peace movement. In reality, Haig, though he reportedly coached the President not to endorse a nuclear freeze the night prior to his March 31 press conference, is much closer to the Kennedy-Hatfield orientation, while he privately opposes the deep cuts position of ACDA and the Pentagon.

Those close to the State Department report that if Haig had the responsibility for arms-control negotiations, he would shoot for an overall agreement along the lines of the SALT II treaty.

Indeed, the Haig position is represented in **Joint Resolution 171**, sponsored by CFR Republicans Senate Foreign Relations Committee Chairman Charles Percy (Ill.), along with Senators Mathias (Md.), Danforth (Mo.), and Cohen (Me.). This resolution proposes the immediate initiation of START (Strategic Arms Reduction Talks), while "preserving present limitations and controls on current nuclear weapons and nuclear delivery systems," and "achieving substantial equitable and verifiable reductions on nuclear weapons."

The Pentagon position

In his implicit rejection of arms-control negotiations at his March 31 press conference, President Reagan stopped short of full endorsement of the Jackson-Warner **Joint Resolution 177** calling for "a major verifiable reduction of Soviet and U.S. nuclear weapons to equal force levels." Sources close to the White House report that the President's objection to this proposal is that it does not require a sizable U.S. strategic defense buildup prior to arms reduction negotiations. The Jackson-Warner Resolution—co-signed by 57 Senators, including a couple who also signed the Kennedy-Hatfield freeze resolution—proposes the same arms-control position that former Secretary of State Cyrus Vance took on his ill-fated mission to Moscow in early 1977. At that time it was reported that the basic outlines of this proposal for "deep cuts" in U.S. and Soviet strategic deployments had been drafted by the office of Senator Jackson. Then-assistant to Jackson and now Assistant Secretary of Defense for International Security Richard Perle, along with Undersecretary of Defense Fred Iklé, is reported to be the principal proponent of this proposal. Sources at the State Department also report that this "Pentagon" position is shared by ACDA head Eugene Rostow and the U.S. negotiator at the Intermediate Nuclear Force talks, Paul Nitze. This ACDA-Pentagon position has been carried forward earnestly on Capitol Hill by Sen. John Tower (R-Tex.), Chairman of the Senate Armed Services Committee.

Strategic planners close to the President were astonished when on April 1 the Senate Armed Services Committee under Tower's direction seriously cut presidential requests for a long-term civil defense program. That program is slated to be directed by the Federal Emergency Management Agency (FEMA), whose leadership, along with that of another Reagan favorite, the Bureau of Mines, has traditional ties to the military apparatus of Gen. Douglas MacArthur. Another aspect of in-depth war-fighting requirements long advocated by the MacArthurites, the purchase and stockpiling of

strategic mining reserves, a program administered jointly by FEMA and the Bureau of Mines, has also recently had its funding request significantly increased by the President.

The Armed Services Committee had also refused to approve \$715 million that Reagan had requested for preparing Minutemen ballistic missile silos to hold the proposed MX missile, and \$1.4 billion to buy the first nine MX missiles. Sources close to the Committee suggest that Tower, reflecting a growing sentiment at the Pentagon, is urging a multiple-deceptive basing mode for at least a proportion of the proposed MX's with a layer of protective antiballistic missiles (ABMs). These sources suggest that the Tower approach is consistent with both the Iklé-ACDA approach to negotiations and the Jackson-Warner resolution. The threat of a multiply based, ABM-protected new missile cutting into Soviet counterforce capability, while not the optimum, nevertheless could be provocatively put on the auction block in exchange for deep Soviet cuts.

In addition, there are those who believe that this alternative will scuttle the U.S.-Soviet ABM treaty, up for renegotiation this year. Yet on April 2 the House Armed Services Committee, directed by Chairman Melvin Price (D-Ill.), turned around and denied \$467 million for ABM research and only partially approved the President's MX request.

All three of the major resolutions circulating on Capitol Hill and sponsored by various forces in the administration—not including the President—and in the Democratic Party, stress limitations on the testing and deployment of new and "destabilizing" nuclear weapons: that is, weapons based on new or more advanced technologies.

Why the U.S. 'peace movement' is a hoax

by Lonnie Wolfe

"Peace movement? There is no such thing as a peace movement, not here, not in Europe." With these words, a former official of the Carter administration who is today a prominent spokesman for the nuclear freeze campaign, revealed that the peace movement is a hoax. "I get annoyed when people call this a peace movement," he said. "It makes it sound like we are trying to eliminate

war and that is totally impossible. We are an anti-nuclear weapons technology movement. . . . We are not opposed to conventional weapons or wars.”

The official, a member of the New York Council on Foreign Relations and of the Trilateral Commission, said that the mass protests of the peace movement will be used to bring down governments in Europe and weaken the government of U.S. President Ronald Reagan.

Interviews made available to *EIR* with NATO ambassador Harlan Cleveland and Eric Molander, the executive director of the Ground Zero organization, amplified these plans. Molander laid out a 12 to 18 month perspective for the peace movement. At first, the movement will focus primarily on nuclear weapons and nuclear weapons technology and will steer clear of unilateral disarmament proposals. In the transitional phase, “the peace movement will not come to power,” said Molander. “There will be a right-wing reaction. These governments will be anti-Soviet, but they will also make concessions to anti-nuclear feeling in Europe. They will promote a moderate conventional arms build-up to confront the Soviets.”

In the interim, Molander states, the Reagan administration will make a proposal for deep cuts in nuclear arsenals and control of new weapons technology at which the Soviet Union will balk. “The Soviets can easily be demonstrated to be the main enemy of real disarmament,” said Molander, who predicted that an anti-Soviet

peace movement would be in line with “right-wing character of governments in Europe in 1983.”

Former Ambassador Harlan Cleveland, also a former director of programs at Robert O. Anderson’s Aspen Institute which created the environmentalist movement, concurred. “If you combine an anti-Soviet peace movement in the West with unrest in the East bloc,” he said, “we might get a mutual withdrawal of troops—the U.S. out of Europe and the Soviets out of the Warsaw Pact.” This could lead to an unraveling of Soviet control over its allies. It is feasible to propose a “nuclear-free Europe—both East and West,” and have NATO meanwhile build up its conventional forces.

The objective of arms control is an agreement for non-first use of nuclear weapons. Cleveland believes that enforcing depopulation in the developing sector, a policy he advocates, will lead to conflicts. *If the threat of nuclear war were removed, genocide could proceed without risk.* “We have created a movement against the nuclear capabilities of both the superpowers,” the former official quoted above observed. “What would have happened in 1977 if we had such movements when we made our deep cuts proposal and the Soviets rejected it? They would have screamed against the Soviets. That is what will happen now. . . . The Soviets can be had right now for an arms deal, and we will make sure of that by building a movement here and in the East bloc.”

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Scientists call on the administration to uphold the fusion-energy development law

by Marsha Freeman, Science & Technology Editor

The nation's fusion program is the most crucial energy development and scientific program administered by the Department of Energy. It holds the promise of providing unlimited energy for all nations in an environmentally benign and economical way.

Scientists in the U.S. fusion program have made important progress in the past few years, which spurred the Congress to pass legislation in 1980 which set goals and schedules for achieving the commercial demonstration of fusion power by the turn of the century. Since the beginning of the Reagan administration, Carter holdovers and budget-balancers have tried to slow down the fusion program's current rate of success as well as preclude the engineering and technology development required to move fusion from the laboratory to the utility grid by the year 2000.

In response to this attempt to ignore the will of Congress and the judgment of the nation's most prominent scientists and industry representatives, the fusion community has gathered managers of the various laboratory and industry programs, Congressmen who have led the move to accelerate the fusion effort, industry supporters, and the Fusion Energy Foundation to try to prevent this turning back of the scientific clock. Excerpted below is testimony presented before the Energy Research and Production Subcommittee of the House Committee on Science and Technology on March 24.

Why fusion?

In the fall of 1980, the House passed the Magnetic Fusion Energy Engineering Act by a vote of 365 to 7, and the Senate passed it by unanimous voice vote: a show of support unprecedented in the history of energy legislation.

The reason for the widespread support is the promise of commercial fusion energy. Fusion, the energy process of the Sun and the stars, is the fusing of hydrogen isotopes at temperatures near one hundred million degrees. These hydrogen isotopes are available from sea water and will never run out, nor can supplies be controlled by any nation.

The high-energy neutrons released in the process can be slowed down to deposit energy in the form of

heat, which is used to generate electricity in the conventional steam-turbine cycle.

In addition to producing electrical energy without the waste products from fossil fuels or nuclear energy, the hot gas (plasma) that is fused can be used directly in the separation and reduction of raw materials and minerals. Common rock and minerals which are not economically exploitable today will become the resources for tomorrow, opening the possibility of an end to wars and conflict over diminishing resources.

The Fusion Act commits the nation to a 20-year program to demonstrate fusion engineering feasibility in a Fusion Engineering Device by the year 1990 and commercial feasibility demonstration by the year 2000. It is estimated that about \$20 billion will need to be spent over this 20-year period to achieve these goals.

The Department of Energy carried out two reviews of the fusion program before the legislation was drafted. Congress also convened a panel of experts which recommended an acceleration of the fusion engineering effort to begin to move the program out of the laboratory and into industry, as the last DOE report had recommended.

Now the Reagan administration, led by anti-fusion representatives of the Office of the Science Adviser in the White House, is back-tracking and disobeying the law. Each of the statements presented to subcommittee Chairman Marilyn Bouquard (D-Tenn.) is an authoritative summary of the current state of fusion policy.

As is made clear in the testimony, if the fusion program is put back on a "science only" track with the premise that it will not be commercially viable for another 70 years, it will never be developed. The other advanced-sector nations have already made their commitment to develop fusion. Now U.S. policymakers must decide.

Former Rep. Mike McCormack of Washington, a chemical engineer, was the author of the Fusion Act and the organizer of congressional support for fusion during his five terms. He testified as follows:

There is a bit of background which may be appropriate at this time. I was appointed to the Joint Committee on Atomic Energy in 1973, at about the same

time that Dr. Robert Hirsch became director of the fusion program for the Atomic Energy Commission. Dr. Hirsch and I set out on a campaign to expand the magnetic fusion program. We agreed, and the Congress supported us in our belief, that this nation could convert the concept of magnetic fusion energy into reality within perhaps 25 years with an adequately funded coherent program of research, development, and demonstration.

When the Department of Energy was formed in 1977, Dr. Hirsch resigned, and Mr. Kintner replaced him as director of our fusion program. They worked together with me and the members of this Committee and other Committees of the House and Senate to increase funding for magnetic fusion research from about \$30 million in 1973 to about \$400 million by 1979. Our goal was always the demonstration of magnetic fusion electricity by about the year 2000.

The Fusion Advisory Panel was formed in 1979, chaired by Dr. Hirsch and composed of some of this nation's outstanding fusion scientists, along with equally brilliant engineers and industrial executives. The report of the Panel in 1980 led us in this subcommittee to draft the Magnetic Fusion Energy Engineering Act of 1980. As a result, the DOE's Energy Research Advisory Board ordered a special study of our bill, directed by Dr. Sol Buchsbaum.

It was the confidence, expressed in these reports, and the concurrent successes in plasma physics research in our research laboratories that convinced us that we should enact this legislation. . . .

Unfortunately, the DOE and the Office of Management and Budget have decided to ignore the law that we enacted, and to revert back to a "research only" policy for fusion; delaying the engineering initiatives called for in this Act. Because of this unauthorized attempt at policy reversal, the United States is already falling behind in this all-important area of energy engineering development.

The time has come for the Congress to insist that the spirit of the fusion law be followed and that at least a part of the funding planned for fusion engineering development be approved for FY83. This would mean increasing funding from \$455 million for this year to \$501 million for FY83. This, you will recognize, really only compensates for inflation. . . .

The law which the Congress enacted was built on careful consideration of what was necessary to move forward with a successful program of fusion engineering development and materials testing. It called for a funding level of FY82 of \$525 million rather than the \$455 million we are spending now; and it called for a 25 percent increase above the \$525 million for FY83. Thus, if the law itself were followed, the funding level for FY83 would be \$656 million. . . .

Several individuals in this administration, none of them directly responsible to the Congress or to the people of this country . . . have taken it upon themselves to undo the fusion engineering program that we in the Congress recognized as essential . . . attempting to abrogate the law that you wrote, and to totally disregard what the Congress has directed be done. . . .

I urge the members of this subcommittee to remember the leadership that you provided in the past, and to remember that the people of this country are looking to you, now, for the same leadership. . . .

Edwin Kintner was the director of the DOE fusion office for five years and resigned from the position last winter in response to the administration's refusal to carry out the law. His testimony follows:

At the time of the energy crisis in 1973, fusion had made significant progress to justify a major role in the energy plan known as Project Independence. That plan envisioned increased financial support for fusion. Its impetus resulted in budget levels for magnetic fusion increasing to \$316 million in FY77.

Since that time, real budgets through FY83, after adjustments for inflation, have decreased 24 percent. Nevertheless, with support of these resources, the United States established laboratories, facilities, and program strategy which gave it world leadership in this field—a leadership which had been exerted previously by the Soviet Union. . . .

The proposed FY83 budget is 24 percent below the FY77 budget in real buying power, and all the initiatives designed to carry out the recommendation of the DOE's Buchsbaum panel and the act are cancelled or postponed indefinitely. The completion of the Mirror Fusion Test Facility, which was to have made possible an informed comparison between toroidal and linear confinement concepts by the mid-1980's, has been postponed up to three years. The program is in imminent danger of being returned to a "science only" orientation.

All of this would be more readily understandable if the magnetic fusion program were failing technically or organizationally, but these recent actions have taken place despite continued impressive technical advances throughout the program.

What are the programmatic effects of this decision. . . ? 1) That date on which fusion can be counted on to mitigate the many and increasingly intractable problems of energy will be postponed at least year-for-year; 2) A consensus strategy based on high-level review and congressional support will be lost. 3) U.S. world leadership in fusion and the ability of the United States to work effectively within cooperative arrangements to strengthen world programs will be weakened; and 4) The potential of developments on the technology side of fusion which were pushing the state-

of-the-art in a number of technological areas . . . will be lost. . . .

It may be that this administration cannot afford to carry out the consensus plans laid out for fusion development; but no one should assume that not doing so will be without lasting consequences. The future will appear different within ten years, and it will be different within 25.

Dr. Stephen Dean is the president of Fusion Power Associates, an industry lobbying group for fusion. Dr. Dean was formerly the director for confinement systems in the DOE fusion program. He testified:

Industry has played an increasing role in fusion development. Today there are many industries with proven skills to contribute, indeed to provide leadership, to the engineering development phase of fusion. Key areas of industrial expertise include 1) system design, analysis, and management; 2) facility construction, component development, and manufacture; and 3) fusion facility operations.

A small increase in funding would permit maintenance of the engineering initiatives called for in the Fusion Act. The increases which I recommend be added, above the administration's FY83 request, are:

- \$10 million for formation of an industrially managed Center for Fusion Engineering;
- \$21 million for construction of the Elmo Bumpy Torus-P project by McDonnell Douglas Astronautics Corporation;
- \$15 million for construction of the Fusion Materials Irradiation Facility project by Westinghouse at the Hanford nuclear reservation;
- \$10 million for maintenance of cost and schedule for the MFTF-B project at Lawrence Livermore National Laboratory.

The Fusion Energy Foundation is the only public-interest group which is educating the public about the importance of fusion development as part of the nuclear technology chain vital to this nation's economic recovery and future economic growth. The FEF played a key role in organizing the public support which resulted in the overwhelming passage of the Fusion Act. The following was written testimony:

. . . If interest rates continue at their present heights, the federal budget deficit arising from interest payments alone will wreck the positive programs in the budget. For the first time in decades, the President did not actually make the budget; the budget was determined by the policies of the Federal Reserve Board and Federal Reserve head Paul Volcker's hidden agenda for "controlled economic disintegration." . . .

Unless reversed, the Federal Reserve's policies are certain to cause a collapse of federal revenues by mass bankruptcies and unemployment before Oct. 1, 1982, and a budget deficit of \$250 billion or more for fiscal

1983. Such a deficit will destroy the current budget, whatever its particular inadequacies.

Our testimony is based on the results of a series of detailed studies conducted by the Foundation over the past three years. These studies have shown:

1) The most significant single cause of the economic and social decline of the United States in the past decade is the lack of a "science driver" for the economy, with the demise of the Apollo program and NASA's fulfillment of that role in the late 1960s. . . .

2) This lack of a "science driver" has combined with increasing obsolescence in industry, monstrously high interest rates, a plague of drug addiction, and falling birth rates to produce the current depression.

3) The consequence of this situation is a serious and continuing decline in national security. We have today a military capable of, and prepared for, fighting only the most localized conventional wars, with the objective of controlling natural resources.

4) To remedy this increasingly grave predicament requires a combination of policy initiatives. We have concentrated on the critical role that science policy, specifically policy concerning advanced energy research can play in changing the direction of this country. The studies we have conducted document our conclusion that a program for fusion energy development, like the one mandated in the Magnetic Fusion Energy Engineering Act of 1980, would provide a large measure of the "science driver" required to renew the economy.

An adequate advanced nuclear fission research budget requires the expenditure of \$500 million more than what is proposed by the FY83 administration budget request. For magnetic fusion, we believe that a budget of \$660 million, rather than \$444 million, should be invested, to fulfill the mandate of the Act. This investment would be the first step toward the engineering realization of nuclear fusion.

Will the U.S. kill its fusion program?

The *Executive Intelligence Review* is making available testimony presented to Congress by the nation's fusion experts on March 23. These statements outline the need to accelerate the U.S. fusion program, rather than gut the most important energy R&D capability, as is being proposed.

The package includes testimony from:

- former Rep. Mike McCormack, author of the Fusion Act
- Edwin Kintner, former director of the DOE Fusion program
- Dr. Stephen Dean, President, Fusion Power Associates
- the Fusion Energy Foundation

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New York, NY 10019

Stockman endangers strategic waterways

by Glenn Mesaros

Twenty-five thousand miles of navigable inland waterways are currently the target of an alliance of Stockmanite budget cutters and radical environmentalists in Washington. Both these zero-growth forces have joined to propose that the Federal budget which takes effect Oct. 1, 1982 end the historic commitment of the U.S. government to maintain this lifeblood of American industry; the government spends \$150 million annually in subsidies to the waterways.

If these cuts go through, say Pittsburgh-area industrialists who are fighting in Washington to restore them, it means the end of their steel-based economy—already decimated by high interest rates. Pittsburgh is the premier inland waterway port in America, handling over 72 million tons of commodities in 1978. By comparison, the seaport of Baltimore handled 46.8 million tons of cargo in 1978.

Ton for ton, waterway transport is the cheapest mode of shipping cargo. While the average truck can carry 13.7 tons, and a railcar carries about 61.8 tons, the average tow barge transports over 1,200 tons of material. Thus while it costs 2.4 cents to transport one ton of material one mile on the railroads, barges can move one ton one mile for 0.6 cents, about one-fourth the rail cost.

The annual subsidies in the federal budget maintain the intricate system of locks and dams, particularly in the eastern United States. The heaviest concentration of these locks lie within the 570 miles of the Upper Ohio River basin, around Pittsburgh, through which flow 60 tons of produce for every non-agricultural job in this area of 8 to 10 million people, including chemicals, coal, and steel products.

The Stockmanite budget cutters propose that only the actual users of the waterways should pay for them with "user fees"—a tax on each ton of cargo moved per mile. They are telling the waterway users: either come up with the money to run that system, or we will shut it down. This proposal represents the current craze of zero-based budgeters in Washington who want to deregulate everything under the guise of "free enterprise," and then tax it to death under the rubric of "developing new sources of revenue."

These self-styled conservatives have found vocal allies in the environmentalist camp, namely, the National Audubon Society. Its president, Russell Peterson, who heads the Global Tomorrow Coalition, addressed the January water conference of the Northeast/Midwest Congressional Coalition on the subject of "financing reform. . . . We need to establish user fees that reflect the actual cost of a waterway. . . ."

In response to this alliance against industrial growth, Pittsburgh-area river users have formed a lobbying group called Dinamo (Developing Interstate Navigability on the Monongahela, Allegheny, and Ohio Rivers). "I believe Pittsburgh is being held hostage" said one river user. And well he might. If denied water transport, Pittsburgh utilities alone would have to use 1,500 trucks daily for coal transport.

Most of the locks in the river system are 50 years old and collapsing. One crucial lock at Gallipolis, Ohio handles 41 million tons annually, but each check into the lock now averages an 8 hour delay—which costs \$3,400—due to its poor condition. Projected delays for each use of the lock by 1990 are 32 hours. Replacement of the lock has not yet been authorized.

The river users point out that since the entire economy benefits from the system, the entire tax base should maintain it. This argument has prevailed since the administration of George Washington, who started 200 years of such internal improvements.

However, the Dinamo group is resigned to striking some kind of deal with the administration for "a fairer system of user fees." Their Senator from Pennsylvania, Republican Henry Heinz has lobbied for his waterways at the expense of the Tennessee-Tombigbee River project.

Steven Douglas, a candidate for the Democratic gubernatorial nomination in Pennsylvania, not only opposes any kind of user fees, but wants the federal government to help build a long-sought-after Pittsburgh project for a canal linking that city with Lake Erie. This, he says, would greatly reduce the overland transportation of iron ore to Pittsburgh from Minnesota ore fields, and thus revitalize the American steel industry.

Meanwhile, anti-"pork barrelers" might reflect on the following testimony of former U.S. Corps of Engineer director Lt. Gen. Emerson Itschner in front of a congressional Committee in 1958: "While the [Soviet] Communists no doubt cheer the Americans who apply the porkbarrel epithet to U.S. water development, I am sure that no Russian would ever apply the term to any part of the huge Soviet river basin construction program." Since 1958, the Soviets have developed a superb inland waterway system of 79,000 miles, where a 1,500-ton barge can travel from the Arctic Ocean to the Mediterranean Sea, while the United States threatens to close its 25,000 miles.

Symms offers amendment on Monroe Doctrine

The Senate may have an early chance to vote on the questions raised by the Monroe Doctrine upon its return from Easter recess. Sen. Steve Symms (R-Id.) has two amendments pending to another piece of legislation which calls on the United States to invoke both the Monroe Doctrine and the Rio Treaty of 1947 with regard to the Soviet presence in Cuba. Co-sponsored by 19 other mostly conservative Republicans, the amendment (to a resolution concerning television broadcasting of Senate proceedings) resolves that "the United States is determined to prevent by whatever means may be necessary, including the use of arms, the Marxist-Leninist regime in Cuba from extending, by force or the threat of force, its aggressive or subversive activities to any part of this hemisphere."

Senator Jesse Helms (R-N.C.), chairman of the Senate Foreign Relations Subcommittee on the Western Hemisphere, announced on April 7 his support for Argentinian sovereignty over the Malvinas (Falkland) Islands (see National News).

Outside of Helms's statement on behalf of Argentinian sovereignty, however, none of the other cosponsors of the Symms amendment has seen the need to apply the Monroe Doctrine to the British threat to the Western Hemisphere. Among those cosponsors are Malcolm Wallop (R-Wy.), a fifth cousin to the Queen of England whose staff evinced no knowledge of the

Senator's position on the British-Argentine conflict. Another Senator's legislative assistant whose knowledge of American history seems to extend back as far as 1981 remarked that he thought the Monroe Doctrine would not apply in this instance, "because Britain is simply retaking a colony."

Mortgaging the U.S. to foreign speculators

Senator Lloyd Bentsen (D-Tex.), with the support of the Senate Democratic Conference and Sen. Malcolm Wallop (R-Wy.), has introduced legislation which would open up the U.S. residential real estate market to foreign pension funds.

According to Bentsen, in his April 1 floor statement accompanying S.2345 (the Residential Housing Financing and Investment Act), the bill "would allow foreign pension plans to provide funds for residential U.S. real estate without the imposition of U.S. taxes on the income and gains earned by the plans." The Bentsen proposal fits into the overall transformation of the United States from an industrial-agricultural economy in which residential housing was serviced by companion thrift institutions, into a rentier-financier economy controlled by international financial forces (see Economics).

Bentsen cites as two prime sources for investment in the United States the foreign pension funds of the United Kingdom and the Netherlands, both of whose

economies and pension funds are controlled by rentier-oligarchical families. To facilitate the financiers' takeover of U.S. residential real estate, S.2345 also establishes provisions whereby U.S. life-insurance companies, traditionally the conduit of such international "family funds," can compete with banks in making housing investments for foreign pension plans.

Bentsen's only Republican cosponsor, Wallop, took the floor on April 1 to not only praise the Bentsen initiative, but to point out that he and Sen. Patrick Moynihan (D-N.Y.) had introduced a more comprehensive piece of legislation, S.502, in 1981, which does not limit foreign pension funds to housing but would open up a broader sphere of investment opportunities including stocks and bonds. Wallop notes that "there are literally hundreds of billions of dollars in foreign pension trusts, with little of that amount being invested in the United States . . . it is a very genuine opportunity to bring new capital into this country for not only residential housing, but a myriad of other investment opportunities."

Kennedy attacks independent Fed

Senator Edward Kennedy (D-Mass.) attacked the independence of the Federal Reserve and hinted that he would introduce legislation into Congress to deal with it.

Speaking before the legislative conference of the AFL-CIO Building Trades Department in Wash-

ington on April 6, Kennedy declared that there must be congressional action "to restrain the Fed." He proposed that the Fed "be placed under the Treasury Department, where it belongs" and also said that he supported legislation to make the term of the Fed chairman coterminous with presidential terms.

Kennedy made sure to tar President Reagan with Paul Volcker's high interest-rate policies. Declaring these policies intolerable, the would-be 1984 presidential candidate said that although Volcker was appointed by Jimmy Carter, "he is only doing the Reagan administration's dirty work. . . . He is following their strategy of savaging the housing industry to save the Reagan tax cut. . . ."

Since it is unlikely that the President will take action to reduce interest rates, Kennedy stated, it will probably become necessary to introduce legislation to allocate credit to "suffering" industries, "diverting it away from corporate mergers." The proposal for credit controls, which Kennedy has floated several times in recent months, is supported by Lane Kirkland and the AFL-CIO Executive Council, whose representatives have been meeting with Volcker to discuss the idea.

Provided that opposition from President Reagan is overcome, Volcker reportedly has no opposition to the scheme since it would not significantly increase overall available credit.

Kennedy's office reported that the Senator was responding to pressure from constituents in an

election year "who are demanding that something be done about those high interest rates." But Kennedy has no plans for quick action. His aides report that any legislation challenging the independence of the Fed is "still quite a while off." If Kennedy does move on anything, the aides say, it will be on the credit controls.

Asked why the Senator feels that special legislation is required to deal with the "independence of the Fed" when existing law already makes it clear that the Fed is not independent, but under the control of Congress, the aides would only reply: "We must emphasize that the Fed is carrying out President Reagan's policies. . . . Reagan is the real problem."

Hawkins bill would make schools 'drug-free zones'

Senator Paula Hawkins (R-Fla.) introduced legislation on March 23 which would make it a federal criminal offense to distribute controlled substances within 1,000 feet of a school. Cosponsored by Senate Judiciary Committee Chairman Strom Thurmond (R-S.C.) and Sens. Dennis DeConcini (D-Ariz.), Harrison Schmitt (R-N.M.), Joseph Biden (D-Del.), Mark Andrews (R-N.D.), and James Abdnor (R-S.D.), the Drug Distribution Deterrence Act (S.2263) would change the federal criminal code so that first offenders would receive twice the current punishment for the commission of this crime in areas not adjacent to a school, and second offenders

would receive a *mandatory* sentence of not less than three years.

S.2263 grew out of an investigation conducted by Hawkins's Investigations Subcommittee (of the Senate Labor and Human Relations Committee), and culminating in a Jan. 27 hearing. Referring to the investigation, Hawkins said in her March 23 floor statement that "All the witnesses interviewed—including school counselors, juvenile justice judges, and other experts—believe that threatening pushers who approach our children near schools with stiff penalties will help reduce drug use in schools." The Jan. 27 hearing also heard from five young people who are undergoing drug rehabilitation and who testified to the ease with which children—some as young as 11—can get marijuana, PCP, quaaludes, and LSD around schools.

A spokesman for Hawkins added that the Senator does not view her legislation as a panacea for the drug problem, but hopes that it would be a first step in restoring the nation's schools as a "sanctuary" against drugs.

The legislation has been referred to the Criminal Laws Subcommittee of the Senate Judiciary Committee. Subcommittee Chairman Charles Mathias (R-Md.) has not cosponsored the legislation and no subcommittee action on the legislation is currently scheduled. Rather than pursuing the cumbersome process of moving the bill through the Senate Judiciary Committee, however, Hawkins may seek to attach it as a rider to an appropriate piece of legislation in the future.

National News

Governor rejects *Global 2000* for Texas

Texas Governor William Clements released his *Texas 2000 Commission* report the week of April 5, rejecting completely the limits-to-growth premises of the Carter administration's *Global 2000 Report* of 1980.

In the report, Clements, a Republican, endorses nuclear power development, including the development of fusion energy, and calls for large-scale projects to bring desperately needed water into the state.

Clements is facing re-election this year. His report was prepared by a 23-man bipartisan commission.

The report states that "We have accepted population growth . . . as the driving force that will, to a large degree, influence Texas's future." It calls for the creation of 170,000 jobs annually, pointing to the effects of high interest rates and the national economic crisis as a threat to continued growth in Texas. Recognizing that a rapid leveling off of the oil boom is imminent, the report bases its growth projections on the development of nuclear energy, infrastructural expansion, and oil-for-technology trade with Mexico.

'Green Mole' at NRC predicts core meltdowns

The *New York Times* is promoting absurd and dangerous charges of an imminent "core meltdown" in some U.S. nuclear reactor, made on the op-ed page of the *Times* March 29 by Demetrios Basdekas, an NRC "safety engineer" who claimed to be writing as a private citizen.

Basdekas appeared April 7 on the nationally televised "Today" show to repeat his fraudulent claims that embrittlement of nuclear reactor containment vessels by neutron flux, a phenomenon known long before the first nuclear reac-

tor was built, would soon cause some reactor to "break like glass." Basdekas has been called an "employee without portfolio" by those familiar with the anarchic internal situation of the NRC, where anti-nuclear agents known to be complete frauds even by their fellow employees are able to produce "NRC reports" for a loyal following of media journalists.

Monroe Doctrine on Malvinas

Senator Jesse Helms (R-N.C.) issued a press release April 7 calling upon Great Britain to accept Argentina's sovereignty over the Falkland Islands and upon the Reagan administration to mediate the dispute from this standpoint. While Helm's statement does not necessarily reflect the position of the full Senate, as chairman of the U.S. Senate Foreign Relations Committee Subcommittee on the Western Hemisphere and a ranking Republican Senator, he has significant influence upon the administration. The following are excerpts from the statement which is titled, "The Falkland Islands Dispute:"

"The United States faces more than a simple controversy as a result of Argentina's assertion of its claims to the Falkland Islands [Islas Malvinas]. What we face is a possibility of severe strains to the Inter-American System as a result of the dispatch of the British fleet to the Western Hemisphere.

"U.S. diplomacy has failed in allowing even a highly regarded European ally to display force in the South Atlantic, thereby polarizing the Americas. For more than 20 years a variety of Argentine governments, of widely differing political ideologies, have sought to negotiate that country's claims to the strategic islands. Yet, Great Britain has refused to respond. . . .

"Britain's intervention into the Western Hemisphere in 1832 violated the Monroe Doctrine, specifically pro-

claimed to contravene interventions by Imperial Russia in Alaska and from the British, French, and Spanish Empires into Latin America and the Caribbean.

"The Rio Treaty to which Argentina has appealed was envisioned as a tool to use against the Soviet and Soviet-backed activities in the Hemisphere. It was cited by the OAS in its resolution against Cuban aggression and by the United States in going to the aid of the Dominican Republic, but legalistic interpretations of the Treaty will be of little avail in preventing most of the nations of the Americas, left and right, in uniting against British Imperialism. . . . Can Britain's claim to a colonial outpost 8,000 miles from London be upheld in the face of the overwhelming trend against colonialism?"

LaRouche proposes reform military policy

Lyndon LaRouche, Advisory Committee Chairman of the National Democratic Policy Committee, issued a policy discussion memorandum, *Only Beam-Weapons Could Bring to an End the Kissingerian Age of Mutual Thermonuclear Terror* in March. Citing the discovery that recent and current Soviet military expenditures have been approximately 50 percent more than the largest estimates of the Central Intelligence Agency, made by the combined staffs of the *EIR* and the Fusion Energy Foundation, and first presented at a conference in Washington, D.C. in February, LaRouche warns that "at the same time that U.S. policy has been committed to attempts to roll back Soviet-bloc borders and . . . destroy the Soviet Union from within through promotion of insurrections from so-called national minorities, . . . Federal Reserve Chairman Paul A. Volcker has been doing Moscow's work of destroying the military capabilities of the Western Alliance." Calling this growing economic weakness, accentuated by the eruptions of strategic "hot spots" throughout the globe, which could culminate in a Eu-

romissile showdown with Moscow in early 1983, a "totally unacceptable strategic shift for the United States," LaRouche emphasizes that these are the very conditions threatening political subordination of the United States to the Soviet Union that could even make thermonuclear confrontation thinkable.

The only solution to this balance of nuclear terror, LaRouche insists, is the development by at least one of the superpowers of a capability to destroy all threatening thermonuclear missiles. Such a capability, for a relativistic-beam anti-missile weapons-system, now exists in principle. A crash program to develop such a system must be the reformed military policy of the United States. LaRouche identifies the dangerous fallacies of the anti-technology "nuclear freeze" advocates and discussed how nations have historically developed genuine war-winning capabilities through commitment to the most advanced technologies, combined with the political commitment to a republican nation-state, the very policies that the international "peace movement" is attempting to destroy.

NDPC spokesman tours North Dakota

Lyndon LaRouche's National Democratic Policy Committee held its first series of public events in North Dakota from March 31 to April 2.

The tour by NDPC National Political Coordinator Anita Gallagher included two taped television interviews and three public meetings, one in Minot, and a two-part seminar on Federal Reserve Chairman Paul Volcker and the genocidal *Global 2000 Report* in Bismarck.

The NDPC representative also addressed the Kiwanis Club and the Sertoma Club, both service organizations in Bismarck. The NDPC public meetings, around the theme of "Kicking Out Paul Volcker and Stopping the Global 2000 Policy of Genocide," drew homebuilders, right-to-life networks, farmers, and small businessmen, as well as two former

candidates for office.

Planned entirely by the NDPC chapters in Bismarck and Minot, the tour made a notable impact on the state. At the present time, incumbent Sen. Quentin Burdick, a Democrat, is being opposed by Republican Gene Knorr, who has worked in Washington, D.C. for the past eight years for the Charles Walker Company, whose corporate clients adhere to the Global 2000 strategy of "locking up" Western resources. At the same time, there is a strong environmentalist, anti-corporate wing of the North Dakota Democratic Party.

The NDPC's program of throwing out Paul Volcker, building the gigantic "water from Alaska" project, constructing 100 nuclear plants by 1985, and building up U.S. exports to a level of \$200-\$400 billion per year defines the way the Democratic Party can take on both the anti-development Republicans and the Democratic Party's environmentalist wing. This political vacuum means rapid NDPC growth in the state, Gallagher said.

Pennsylvania passes 'slave labor' legislation

The Pennsylvania legislature passed the most extreme "workfare" bill of any state in the nation at the beginning of April. The bill would slash general assistance welfare rolls by 50 percent, requiring those cut off to work at minimum-wage jobs to receive only \$172 per month in benefits. 140,000 recipients of Aid to Dependent Children would also be forced to take jobs or lose their welfare benefits.

The bill grants tax benefits to businesses hiring welfare recipients at the minimum wage; businesses could get up to 90 percent of their Pennsylvania taxes written off under the provisions of the bill. Speculative trading of unused tax credits among businesses is permitted, encouraging use of welfare labor in a state faced with a collapsing steel industry, user fees on its waterways threatening the economic base of Pittsburgh, and accelerating unemployment.

Briefly

● **SEN. EDWARD KENNEDY**, despite his Irish origins, issued a statement April 6 endorsing the use of the British Navy to forcibly retake the Malvinas Islands from Argentina. "The Senator finds the Argentine use of force totally unacceptable," his statement read.

● **THE KEMP-GARCIA** "free-enterprise zone" bill has gained the support of 95 members of the House and 24 Senators. The bill, which will set up unregulated sweatshops in designated areas of U.S. cities, is strongly backed by the White House.

● **THE CALIFORNIA AFL-CIO** officially endorsed Gov. Jerry Brown for the Democratic nomination for the U.S. Senate March 31. During Brown's eight-year environmentalist tenure in California, unemployment has grown to the current 9.4 percent, above the national average.

● **McGEORGE BUNDY** met a challenge by *EIR* correspondent Stanley Ezrol at the April 7 press conference in which Bundy and three other Council on Foreign Relations spokesmen proposed a "no first strike" nuclear policy. Ezrol accused Bundy of supporting protracted conventional warfare as a means of population control, and cited Bundy's collaboration with Club of Rome founder Aurelio Peccei. Bundy chuckled, "You have the wrong man," then after persistent questioning conceded that he had helped Peccei found the International Institute for Applied Systems Analysis.

● **SOURCES** close to the House Banking Committee report that it will soon come out with a report highly critical of the Fed's monetary policies. The prospect so upset Fed Chairman Volcker, a banking committee source claimed, "that he has called every member of the committee to try to block its publication. The Fed doesn't like to be told what to do."

Editorial

The superpowers and the Malvinas

The United States must not "come in as a cock-boat in the wake of a British man-of-war."

—*U.S. Secretary of State John Quincy Adams, architect of the Monroe Doctrine, in written advice to President Monroe in 1823.*

We are certain that all among you are already aware that the British Navy is now steaming to wage war against the armed forces and people of Argentina. You are also informed that, unless the British fleet is stopped, shooting war will erupt probably during the third week of April.

We have very little time remaining to act.

Once that war begins, the populations of all Latin America will turn with hatred against Britain, and will also direct that same hatred against the United States. We shall therefore lose, rapidly, all of Central America, and shall probably witness the rapid internal destruction of Mexico as well. If Chile allies with Britain, then it is almost certain that a general war will engulf all of South America.

The consequences are not means limited to the Western Hemisphere. While the United States and Britain are preoccupied with war in this hemisphere, it is nearly certain that a chain reaction will be unleashed in the Middle East. At some time, beginning on or about April 26, Israel will invade Lebanon in force. At the same time, the war between Iraq and Iran jointly backed by Moscow and the U.S. State Department now threatens to destroy the entire Gulf region in a chain reaction of military actions and internal destabilizations. If this development occurs, it means the destruction of the petroleum supplies of our allies in Western continental Europe and Japan.

British military actions in the Western Hemisphere must be stopped. They must be stopped ruthlessly. They must be stopped now.

The only strategically valuable element of the North Atlantic Treaty Organization (NATO) is the joint military command, SHAPE. Admittedly, Britain and Joseph Luns control in fact all of the non-military aspects of NATO, and the British government does in fact have the means to destroy those non-military departments and functions, as well as to pull British military forces out of NATO.

However, the United States has solemn and efficient military treaties, independent of NATO as such, with not only each of the member nations of NATO, but also with France and other non-members of NATO. Any government of continental Europe which attempted to repudiate its military treaties with the United States would be promptly overthrown by forces of its own nation for attempting to do so.

However, Western continental Europe's economic and political existence depends upon export markets of Latin America, Africa, and Asia. The net portion of those exports is chiefly through the Federal Republic of Germany and Sweden, with other European nations' economic existence hanging on the margin of their trade with, chiefly, the Federal Republic of Germany. Once Britain begins major military actions against Argentina, no continental European nation can withstand the pressures of hatred against Britain and its supporters, spreading from Latin America.

It is true that the British secret intelligence community is presently observed in frantically escalated negotiations with the secret intelligence services of Moscow. It is also true that Moscow presently chooses to support Britain against the United States, in what Moscow describes as "inter-imperialist rivalry."

In the larger strategic reality, such British double-dealing against the United States has the same long-term significance as naughty children giggling and exposing their sexual organs behind some barn. The United States and the Soviet Union are the thermonuclear powers of this world. Either they negotiate openly and realistically with one another, or the only alternative is thermonuclear war.

I predict that Moscow will become realistic in a crisis. If Moscow wishes to deal with the United States, it will negotiate directly with President Reagan and the President's friends, and not go behind the barn with a bunch of naughty British schoolboys from Chatham House and Whitehall.

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