

EIR

Executive Intelligence Review

August 9, 1983

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LaRouche-Riemann model debunks Fed's swindles
Why Reagan must be liberated from Henry Kissinger

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pledge unity against the IMF**



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EIR

From the Managing Editor

This week we bring you the products of three trips by our correspondents. Latin America Editor Dennis Small was in Caracas for the July 24 Andean Pact presidential summit celebrating the 200th anniversary of the birth of Simón Bolívar; his statements on the need for an Ibero-American debtors' cartel and economic integration for industrial development were carried on Venezuelan television and made banner headlines in the Venezuelan press. Our International section includes exclusive coverage of the summit, and the steps it took toward precisely those goals.

Our Special Report was written by European correspondents Webster Tarpley, Edith Vitali, and Konstantin George, who returned from Romania with a passion to tell Americans and others what this strategically key nation has accomplished, and the dangers it faces from the same International Monetary Fund policies that have devastated Ibero-America.

Also in this issue is a report on Kampuchea following Asia Editor Daniel Sneider's second visit there. We are also happy to note that EIR founder Lyndon H. LaRouche, Jr. and his wife Helga Zepp-LaRouche made a televised presentation to the vice-premier of Thailand and other cabinet officials of their proposal for "Great Projects" in Asia to bring the vital Pacific Basin and its tremendous wealth of population into the 21st century.

In our Economics section you will find a summary of the latest LaRouche-Riemann quarterly forecast for 1983-84. The complete forecast is available from William Engdahl in Special Services, at (212) 247-8820.

Coming up in future issues are an analysis of Japan's industrial success—using the methods that used to distinguish the American economy—and an evaluation of the U.S. laser technology breakthrough at Los Alamos, which brings us even closer to the beam-weapons development required to carry out President Reagan's March 23 announcement of a strategic doctrine of antiballistic defense securing "Mutually Assured Survival." Having just returned from a trip to what was the industrial and agricultural heartland of the Midwest before the era of Paul Volcker, I am struck by the absolute moral and economic—as well as military—necessity of an all-out mobilization of the American population to fulfill this task, a mobilization which will restore our sense of national and international purpose.

Susan Johnson

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Correction: Due to a production error, paragraphs were out of order in the article "Kissinger revives the British Empire's tactics," in the July 26 *EIR*.

The paragraph beginning on page 48, "The 1971 Bangladesh war. . ." should be placed on page 47 just *before* the paragraph beginning, "Consistent with this view. . ." The entire four-paragraph section on page 48 beginning with the subhead, "Birth of Khalistan" should be placed on page 47 just *before* the paragraph beginning, "The Khalistan drive has taken. . . ."

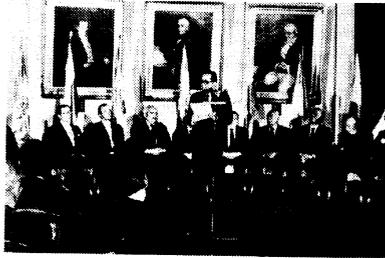
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International



Heads of state and leaders of international organizations hear an eulogy on Simón Bolívar read to a special session of the Venezuelan Congress in Caracas July 23. From left to right: President Osvaldo Hurtado of Ecuador, King Juan Carlos of Spain, Presidents Luis Herrera Campins of Venezuela and Hernán Siles Zuazo of Bolivia, General-Secretary of the Latin American Economic System Carlos Alzamora, Presidents Belisario Betancur of Colombia and Fernando Belaunde Terry of Peru, and Vice-President of Panama Jorge Illueca.

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LaRouche-Riemann model debunks the Fed's swindles

by David Goldman

The U.S. economy continued to decline during 1983, and will shake out recent short-term gains in consumer-goods production between September 1983 and April 1984, according to *EIR*'s just-released Quarterly Economic Report.

The report, which has the only accurate forecasting record among economics services over the last four years, uses the LaRouche-Riemann economic model as a basis for judgments about U.S. economic behavior. Developed by *EIR* founder Lyndon H. LaRouche, Jr., the model has successfully tracked the decline of the U.S. economy since Paul Volcker took office in 1979.

Although the tangible output of the U.S. economy will rise at a 2.6 percent annual rate during 1983, the productive potential of the economy (measured by net investment in labor and capital) will continue to decline, the report shows. This contradictory situation includes strong rises in auto and housing production, combined with continued deterioration of basic industry.

Auto production now exceeds 7 million units per year at an annual rate, and housing starts are at a 1.7 million annual rate, low levels by historical standards, but substantially higher than the 1982 low. The financial means by which these increases have been achieved are rapidly exhausting themselves. The 1.5 percent rise in short-term interest rates from the January low point will continue, and an additional 1 percent increase in short-term rates will be sufficient to trigger an end to the consumer-financing cycle. The housing boomlet, the most important single factor in the supposed recovery, depends on a \$100 billion per annum flow of "off-budget financing" to the secondary mortgage market; this in

turn depends upon Federal Reserve provision of funds to the banking system, which is carrying a disproportionate share of financing a total \$350 billion per annum Federal borrowing requirement.

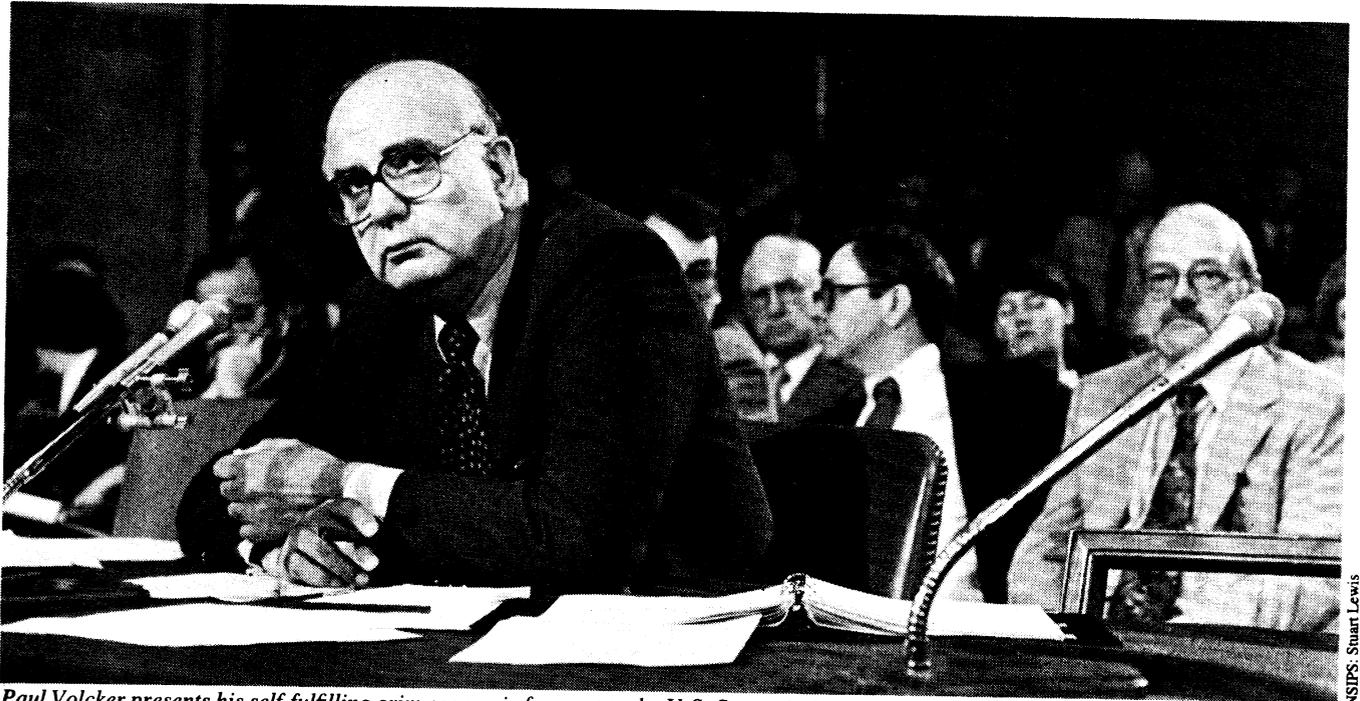
The apparent recovery in the consumer sector will be aborted either when short-term interest rates reach a "trigger" level of roughly 10.5 percent, or when major trouble emerges in the international banking market. With the effective default of Brazil on \$3 billion of interest payments since May, the international debt crisis has reached its penultimate phase; barring a comprehensive debt reorganization, the crisis will continue to unwind, with deleterious effects upon the American economy.

On the foreign side, we expect a trade deficit in the range of \$65 billion, prompted by a 10 percent overall reduction in exports during 1983, including a 50 percent reduction in exports to Ibero-America as a result of the world debt crisis. The size of the trade deficit, combined with problems for the dollar emerging from the international debt crisis, may produce a sharp fall in the dollar later in 1983.

As a result of falling foreign sales, rising interest rates, and possible trouble in the banking system itself, we project a 5 percent drop in output during 1984, bringing the economy as a whole below the 1982 low point. This may be avoided only if Reagan deals satisfactorily with the world debt crisis.

For two fundamental reasons, the economy remains in continuing decline, according to the LaRouche-Riemann model's measure, despite the short-term, and short-lived, increase in tangible output.

First, the economy's productive base of labor and capital



Paul Volcker presents his self-fulfilling grim economic forecast to the U.S. Senate in September 1981.

NSIPS: Stuart Lewis

continues to deteriorate. The rise in output occurred while productive investment into the goods-producing sector declined; corporations financed the output increase by reducing capital spending and extracting more production from a shrinking segment of their existing plant and labor force.

Second, the Treasury and Federal Reserve financed the public-relations recovery through the “off-budget” agencies of the federal government and the printing-press.

To summarize the events of the past six months: the Federal government undertook a \$100 billion annual subsidy to the housing market, a \$30 billion subsidy to the nonfinancial corporate sector through various tax breaks, and a \$20 billion increase in agriculture supports, among other forms of largesse, raising the actual deficit (including the various off-budget operations) to the range of \$350 billion. This astonishing exposure of the public credit of the United States did not crush the domestic credit markets because:

1) The Federal Reserve increased non-borrowed reserves at an unprecedented 13 percent annual rate during the last quarter of 1982, and the first two quarters of 1983;

2) Federal Reserve chairman Volcker’s “banking deregulation” diverted the entire expansion of the financial sector into commercial banking deposits, while drastically lowering the reserve requirements for such deposits;

3) The banking system, in turn, bought government debt at a \$100 billion annual rate during the first half of 1983, quintuple its previous highest rate of purchase of government securities;

4) Goods-producing corporations financed themselves through attrition of capital and labor, rather than obtaining credit from the banking system. In short, the banking system

became, to a great extent, a captive financing agency for the Federal Reserve and the Treasury, and the “banking multiplier,” enhanced by the manipulations of “deregulation,” financed the enormous Federal deficit.

To sustain this chain-letter expansion, the American financial system undertook a vast program of arbitrage, i.e., turning short-term money pouring into the banking system courtesy of the Federal Reserve into medium- and long-term financing for the Federal government and its agencies. The U.S. government dominated the housing “recovery.” In 1981, the U.S. government accounted for 28 percent of all funds advanced for housing. But in the fourth quarter of 1982, the start of the 1983 federal government budget fiscal year, the government accounted for \$88 billion, or more than 100 percent of the total \$84.1 billion housing money advanced in that quarter (the S&Ls and commercial banks drew down their mortgages, in that quarter). In the first quarter of 1983, the government accounted for \$76.9 billion or 57 percent of all funds advanced.

Commercial banks bought 10 to 11 percent Treasury and “agency” paper with 8 to 9 percent short-term money; the Federal Reserve strove to suppress the rise in interest rates, which would, were rates to rise an additional 1 to 2 percent, shut down the arbitrage process in the financial system and terminate the “recovery.” Once short-term rates cross a threshold at 10.0 to 10.5 percent—the interest rate on the government paper financial institutions are now holding—the flood of mortgage-market paper will dry up, housing starts will collapse, and the economy as a whole will ratchet backwards. As described in this report, the financing of low-interest auto loans depended upon the same bag of tricks.

The appearance of recovery vanishes once the United States economy is examined in its proper, global, context. The same means which the Treasury and Federal Reserve employed to produce the appearance of recovery have pushed the world to the brink of the worst international financial crisis of the century. And, contrary to the usual mode of presentation, this "debt bomb" in the developing sector is not an exogenous threat to an otherwise healthy American recovery.

The disappearing foreign subsidy

The collapse of Brazil's, Mexico's, Argentina's, Venezuela's, and other nations' external finances is not the product of events internal to their economies, but of the methods employed to sustain the American dollar while the real-economic position of the United States in the world collapsed. Without the deterioration of the Third World's terms of trade by half between 1979 and 1983, and without an estimated \$50 billion inflow of "flight capital" into the United States during the past year, the juggling act performed by the Federal Reserve would not have been possible. As noted, Paul Volcker and Donald Regan could not have ballooned the federal deficit into a \$350 billion mechanism for sustaining major flows of mortgage and related consumer credit, except at a high price for the dollar and a low price for credit. The "strong dollar" has been subsidized by the collapse of the Mexican peso, the Brazilian cruzeiro, the Venezuelan bolivar, the French franc, and the Italian lira, as well as the deterioration of other currencies. American interest rates could not be suppressed, even temporarily, without massive flows of money across legal exchange-control barriers into the American banking system.

The financial subsidy exacted from the countries least able to provide it has a parallel in world flows of tangible wealth. America's estimated \$60 to \$70 billion trade deficit for 1983 is not the result of demand-led recovery: it is a subsidy by the rest of the world, emphatically including the developing sector. As documented in this report, the foreign trade deficit not only compensates for the unremitting decay of American capital-goods production, but the decay of electrical capacity. Electrical output has continued to fall through the first half of 1983, an unprecedented event during periods of postwar decline until last year's decline, and an inexplicable anomaly in a period of supposed recovery. The United States is importing embodied electricity in the form of chemicals and primary metals.

There are two potential breaking-points in the world flow of available capital into the United States, Ibero-America, and Western Europe. The present crisis over the Brazilian debt, to be followed within six weeks by parallel crises in Venezuela, Chile, and perhaps Argentina, represents the most immediate detonator for world financial crisis. In Western Europe, however, France, Italy, and Spain, are only somewhat behind the Ibero-Americans in an evolving financial crisis.

Europe's financial crisis is indissolubly linked to the Ibero-American crisis through the mechanism of the global interbank market. In financial terms, France, Italy, and Spain are moving rapidly into the position of Ibero-America now, except with a six-month delay. The other difference is that these three worst-off countries cannot go to the IMF: Although between them they can legally demand over \$25 billion in loans under the "enlarged access" formula, the IMF does not have the funds and could not get access to them; the IMF is already struggling to reduce its commitments.

France, with close to \$100 billion in external debt, is rapidly becoming another Brazil, but with perhaps fewer resources respecting the world market with which to postpone its crisis. Italy, if possible, is in even worse condition; Spain is on the verge of major political as well as economic dislocation. Federal Reserve specialists view the interbank market as the most visible fuse with respect to the European debt bomb.

At what point will the Federal Reserve's juggling act come apart? The fragile stability of the U.S. economy is at jeopardy in each of the series of cliff-hanger negotiations with Ibero-American debtors. The first significant default by a major debtor (Mexico, Brazil, Argentina, Venezuela, Chile) will at best force a sharp contraction of credit, and at worst, a general banking crisis. Such a crisis could emerge at any moment between now and next September.

The illiquidity of Ibero-America and Europe, the attrition of oil-producing countries' deposits in the Eurodollar market (due to the continued worldwide collapse of oil demand), and fears of a banking crisis have combined to drive Eurodollar rates up sharply during the past six weeks. It is possible that the warning tremors of financial crisis alone will be sufficient to force up interest rates and destabilize the juggling-act in the domestic American credit system.

Whether the short-run production indicators will head down rapidly upon the outbreak of a banking crisis, or slowly, due to a gradual rise in interest rates, is a political question whose answer lies outside the scope of economic analysis. In our present forecast, we indicate the direction of the economy defined by deterioration of domestic credit conditions through the remainder of this year.

Apart from slightly better results in auto, housing, and related sectors, the fundamental feature of our forecast has remained unchanged. The LaRouche-Riemann model views the economy as a physical system. Its most basic measure is the rate of free energy of the system: the portion of tangible goods output available to expand future production as a percentage of total output. This defines the economy's potential for future growth as a function of its present output.

Within the limitations of the present generation of the LaRouche-Riemann model, which can only treat the physical reality of the production process, i.e., its efficiency of energy-conversion, as an external input, this measure is nonetheless the most accurate "leading indicator" of economic development available. According to our forecast, it stood at negative

2 percent at the beginning of 1983, moving toward negative 6 percent at the beginning of 1984. This means that the economy is now destroying its productive capacity at a 2 percent annual rate, trending towards 6 percent. This corresponds to the continued collapse of capital investment, measured against the minimum replacement needs of American industry.

This measure is a potential rate of growth or decline; at what point the potential decline will be realized, or even exceeded under conditions of financial crisis, is a political question whose possible answers we may examine, but not specify in advance.

The economic forecast

We have adjusted our "baseline" scenario presented in April of 1983 to reflect the impact of the chain-letter financing game described above, taking into account the complex of means employed by the Treasury and Federal Reserve to promote the appearance of recovery. By one, most important measure, the scenario remains unchanged, in the sense that the "free energy ratio" of the economy, reflecting the change in its productive potential, has not changed. However, the artificial, and temporary, stimulus to certain industries has changed some of the sectoral forecasts. The accompanying figures show the difference, if any, between our April forecast and the present one. The present forecast is, therefore, doubly complicated. The relationship between the intentions of policy-makers and the outcome of specific decisions has been severed by the immediacy of world financial crisis.

The adjusted baseline scenario has the following conclusions and assumptions:

1) That the additional 1.5 percent rise in interest rates (six month Treasury bills at 10.9 percent) will lead to a resumed decline of the U.S. economy during the second half of 1983. This rise in interest rates, as noted earlier, will interdict the flows of housing and, to a certain extent, automobile consumer credit, shutting off the source of short-term production gains. The net gain of tangible output will be 1.5 percent, or approximately \$17 billion 1972 dollars, for the year 1983, partly due to a projected 8 percent fall in the output of one of the largest sectors, agriculture. This projection is considered "most likely," with the proviso that it may be complicated by a sharp deterioration of the world monetary situation.

2) That the combined continued pressure of Treasury borrowings \$150 billion in excess of normal sources of financing, as well as the continued rollover pressure of developing-sector nations on the international markets, will bring the interest rate for short-term credit to above 10.5 percent by the fourth quarter of 1983, as opposed to 8 percent at the beginning of January 1983.

3) That credit is widely available for users of short-term credit, but that long-term credit either for capital investment or for consolidation of debt remains in short supply due to the extraordinary demands of Treasury financing during the next two fiscal years.

Figure 1.
Tangible profit and overhead in the total U.S. economy
(in billions of 1972 dollars)

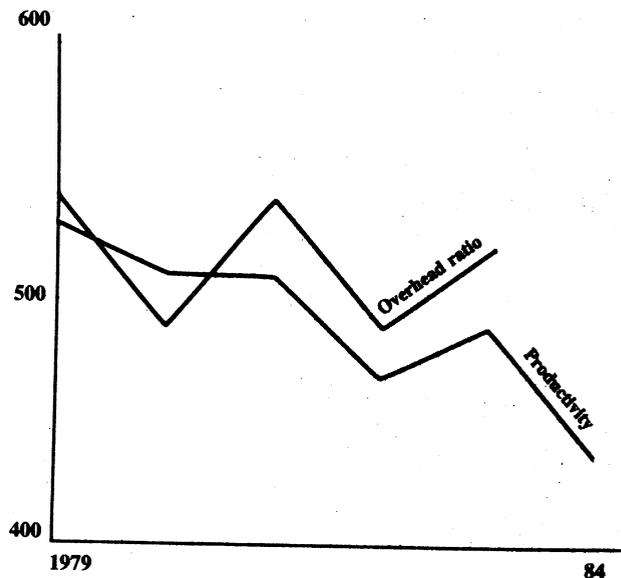


Figure 2.
Growth rate of tangible profit of the total U.S. economy in dollars
Percent growth

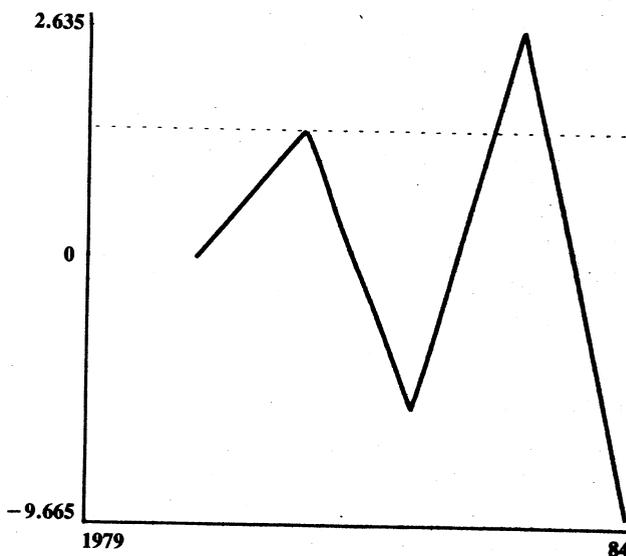


Figure 3.
Tangible wage bill (V) of total U.S. economy
in billion 1972 dollars

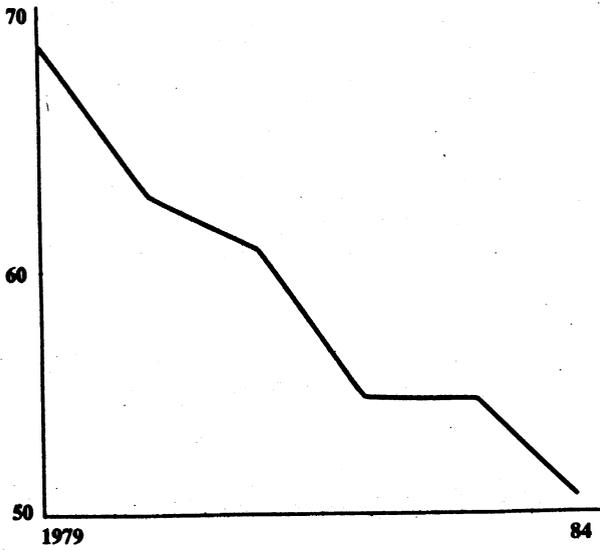


Figure 5.
Replacement cost of plant and equipment (C2) of total U.S. economy
in billion 1972 dollars

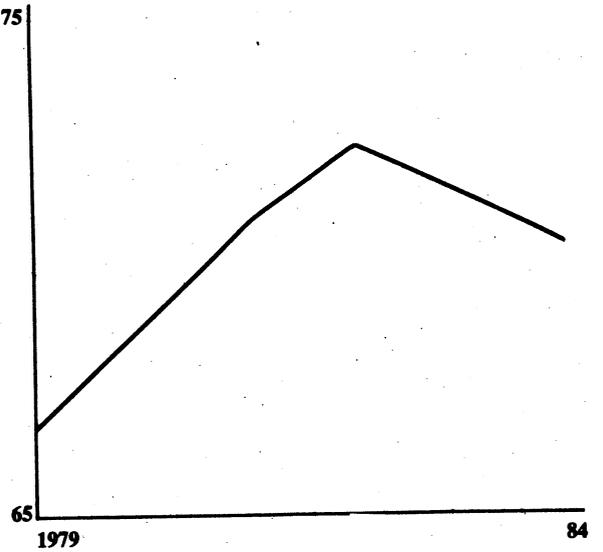


Figure 4.
Productivity (S/V) and overhead ratio (O/V) of total U.S. economy

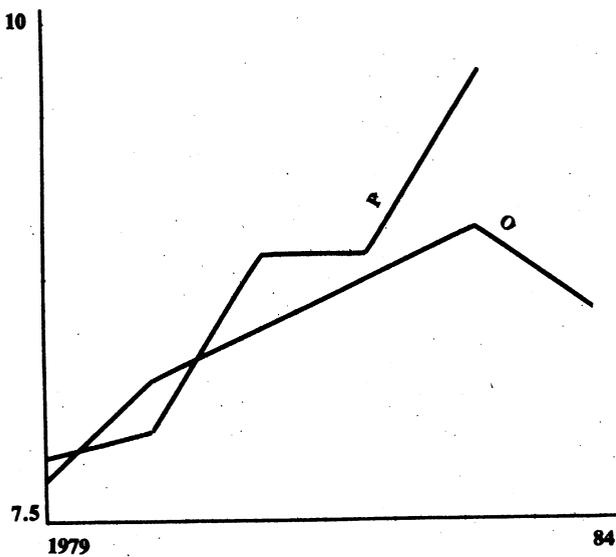
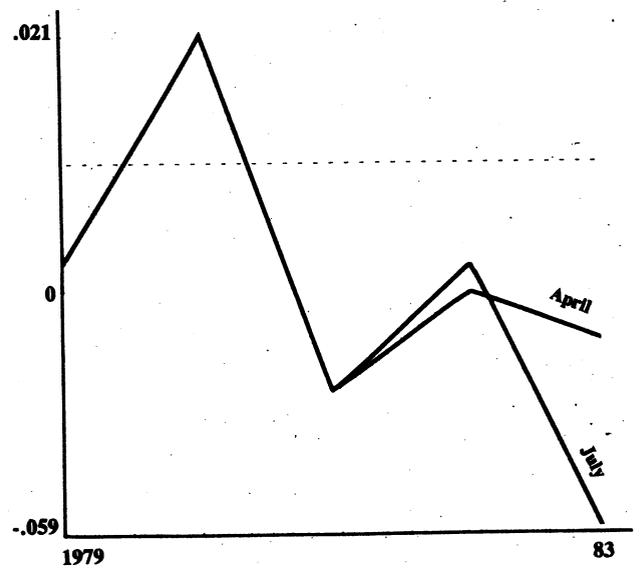


Figure 6.
Instantaneous growth rate (S'/(C+V)) totals for the U.S. economy; Comparisons of the April and July forecasts



4) That the rise in interest rates will trigger a general reduction of availability of large-scale mortgage credit and discount-rate auto loans.

5) That the overhead costs of the economy, defined by both the military budget and the additional cost of unemployment compensation and other social welfare programs, will remain high as a result of depression.

Figure 1 shows the production of tangible profit and the overhead spending in the U.S. economy from 1979 to 1983-84. Tangible profit has fallen from a 1979 level of \$521 billion 1972 dollars to a level, in 1982, of \$468 billion. As shown, overhead spending has exceeded tangible profit for three of the past four years, and this gap is shown to increase to \$40 billion 1972 dollars in 1983. Note that no specific prediction of overhead is made for 1984, since this is a derived quantity in the model.

Figure 2 shows the growth rate of tangible profit. The figure indicates a modest rise (2.6 percent) in 1983, followed by a fall of 9.7 percent in 1984. This rapid decline is the consequence of both an anticipated worsening of the world financial situation and the exhaustion of the productive capabilities of the economy without reinvestment, during the current period.

Figure 3 shows the tangible wage bill for the entire productive economy. Wages considered net of inflation and "service" costs have been falling throughout the period from 1979, and the "recovery" of 1983 will no more than slow that fall. The figure indicates a new decline in 1984, in synchrony with the overall economic deterioration.

Figure 4 shows the labor productivity of the economy as defined by the LaRouche-Riemann model, the ratio of tangible profit to the tangible wage bill of the productive work force. This ratio has continued to rise and the increase between 1982 and 1983 is not unusual. However, the figure shows a decline between 1983 and 1984, as the increased productivity "wrung out" of the economy is not sustained. The ratio of overhead to the tangible wage bill is also shown, an indication of the burden placed on the productive work force by the current structure of the "service-oriented" economy, as well as by continued high costs of maintaining a large unemployed population.

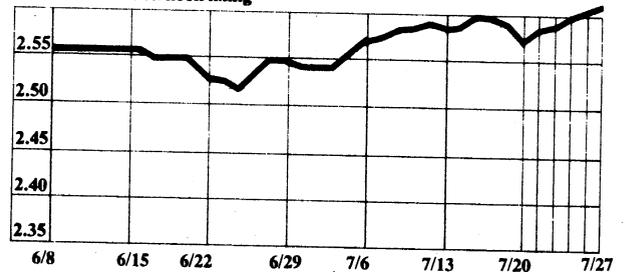
Figure 5 shows the replacement cost for all plant and equipment in the economy. The decline from \$72.5 billion 1972 dollars in 1982 to \$70.5 billion in 1984 reflects the decreases in capacity which are occurring as plants are shut and obsolete equipment is not replaced.

Figure 6 shows the ratio of net reinvestment to total operating cost, $S'/(C+V)$, as predicted in our April forecast and now. This ratio can be considered the potential growth rate of the economy, and while the economy is not declining in 1983, the potential for such a decline has not been reversed. In our forecast, the current expansion, based only on productivity increases without capital investment, leads to a more negative rate of reinvestment, and thus a more negative potential for growth in 1983-84.

Currency Rates

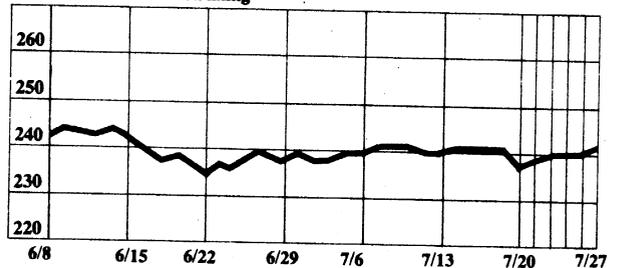
The dollar in deutschemarks

New York late afternoon fixing



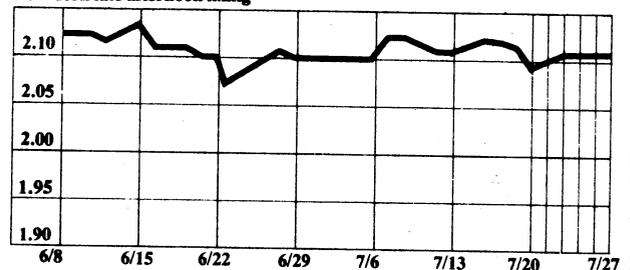
The dollar in yen

New York late afternoon fixing



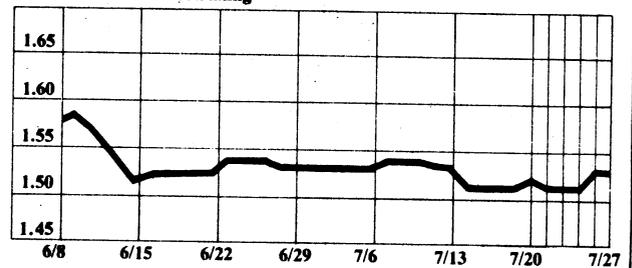
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



How inflation produced the 8.7 percent rise in GNP

by David Goldman and Leif Johnson

With 2 million fewer production workers than 1979, one-third fewer autos produced, 10 percent fewer homes under construction, 40 percent less steel poured, and devastated capital investment, Commerce Secretary Malcolm Baldrige had the nerve to say that the U. S. economy "completely buried the 1981-82 recession" during the second quarter of this year.

The occasion for the Commerce Secretary's euphoric outburst was the publication by his own department of the second-quarter 1983 Gross National Product (GNP) figure for the U.S. economy. According to that yardstick, the total market value of all goods and services produced in the U.S. increased by 8.7 percent over the first quarter of the year.

We can understand the Bureau of Labor Statistics dropping more than 1 million unemployed workers from the workforce since last December to make the unemployment rate look good, or shaving the price index to depress cost-of-living increases. We can even understand the Commerce Department running an "Index of Leading Indicators" which drops items that show a downturn (such as oil prices), on the grounds that indicators showing no recovery must be inappropriate.

But of what possible use is an economic index that shows an increase consumer durable expenditures of 6.7 percent from 1979 to 1983 when the actual production of consumer durables fell 8.6 percent? Or that shows consumer non-durable expenditures up by 8.4 percent in those four years where the real production was only up by 0.5 percent? Or that claims expenditures for producers' durable equipment is down 1.3 percent while in fact production of business equipment is down 12.6 percent since 1979? *And these GNP statistics are supposed to be fully deflated to account for price changes.*

The GNP indicator is truly extraordinary in that it rises while the economy is in depression. Consider the miniscule 0.9 percent GNP drop from 1981 to 1982 compared to the extremely large 8.3 percent drop in total industrial output.

The hoax

The truth is that the GNP does not measure real economic activity (as Commerce Secretary Baldrige asserts) but reflects

the admixture of debt into the prices paid for goods, an inflation not measured by the GNP price deflator or by the consumer or wholesale price indices.

The biggest category of Gross National Product is "personal consumption expenditures," which makes up two-thirds of the pot. Of this, the biggest portion is "personal consumption expenditures for durable and non-durable goods."

Supposedly, the "real GNP" takes inflation into account. It does not, except marginally, as is demonstrated by **Figure 1**. Between 1979 and the second quarter of 1983, consumer durable goods production fell 8.6 percent—this reflects the much lower levels of auto, housing, and other consumer durable production since Jimmy Carter gave Paul Volcker the keys to the store. Although auto production and housing production have risen since the abysmal levels of October 1982, they are still well below the 1979 peak level.

However, according to the Commerce Department's GNP tables, "personal consumption expenditures for durable goods" are up by 6.7 percent since 1979—while production fell by 8.6 percent. The combined "error" is 15.3 percent. Where does this come from?

The trick is in difference between cash price and actual contract price of goods, especially durable goods. A measure of the inflation which "prices" goods at their cash sale price instead of adding the cost of credit to the price, is necessarily enormously deficient. For example, a \$10,000 cash price for a car, financed at 13 percent (the average current rate) over a 48 month period yields a real price of \$12,877. Or suppose you buy a \$75,000 home (today's average sale price) financed with a \$60,000, 13 percent mortgage: the real price to you, leaving aside the \$15,000 down-payment, is \$239,638.

The spurt in housing and auto sales this spring (not recovery to 1979 levels) has, despite an abatement of usurious interest rates, increased the overall component of interest in the price of consumer durables. This occurs because consumer credit is repaid in constant monthly or weekly payments, which means that the first payments are almost entirely interest; the principal is only paid off towards the end of the term.

What the GNP does in fact measure, in disguised form, is the implicit increase in prices due to the usury imposed by

Federal Reserve Board chairman Paul A. Volcker since 1979. Today's consumer loan and mortgage loan rates are approximately 5 to 6 percent higher than they were before Volcker took office—and Volcker promised to cure inflation!

Additional interest charges have pushed up your actual cost of buying most durable items by over 15 percent; you are spending (if you are the "average consumer") about 44 cents on the dollar more to buy 9 percent less of the same items. Fifteen cents of that 44 cents represents additional interest charges; the rest is inflation of the base price of the item.

In the case of consumer non-durable items (food, clothing, cosmetics, and so forth), total production is only 1 percent higher than 1979, but "consumer expenditures for non-durable goods" is shown to be 8.4 percent higher.

This is true down the line of the major GNP items, and business investment, as **Figure 1** shows.

If we adjust the GNP tables for the uncounted cost of Volcker's usury since 1979, about \$80 billion in "expenditures" goes up in thin air. What is doubly ridiculous is that the GNP tables also include *interest payments* as a "sale of a

service." Interest payments, of course, have gone through the ceiling since Volcker took over the Federal Reserve. Interest, rental income, dividends, and "transfer payments" (unemployed and pensioners) now account for \$884 billion of Gross National Product, or 27 percent of the total; in 1979, it was only 23 percent.

If we simply adjust GNP since 1979 for the encroachment of payments that represent *expense*, not *income*, another \$60 billion goes off Gross National Product.

If it meant anything, we could continue chopping up the Gross National Product tables in this fashion for some time. We have already knocked \$140 billion (in 1972 dollars) off GNP, or about 10 percent of the total. And if Secretary Baldrige had only put a in a call next door to Treasury, he would have discovered that while his GNP figures were blooming, Treasury receipts were drying up. Last year Treasury revenues were 20.7 percent of GNP but are running 18.6 percent of GNP this year. Half the 10 percent "swing" in the Treasury receipts/GNP ratio is due to tax cuts and carry-forward losses from the previous year; the other half is due to the fluff in the GNP. While Mr. Baldrige crows of an 8.7 percent GNP rise in the second quarter, the Treasury finds it has lost \$40 billion in the first nine months of fiscal 1983 from the continuing depression, as indicated in **Figure 2**.

Figure 1

Comparison between GNP and actual production

	1979	1983	Percent change
GNP consumer expenditures on durable goods (billions of 1972 dollars)	146.6	156.4	6.7%
Actual production of consumer durables (index value)	155.8	142.4	- 8.6%
False increase of GNP (Discrepancy between GNP expenditure claims and real production)	—	—	15.3%
GNP consumer expenditures on non-durable goods (in billion 1972 dollars)	354.6	374.3	8.4%
Actual production of consumer non-durable goods (index value)	148.8	150.4	1.1%
False increase of GNP (Discrepancy between GNP expenditure claims and real production)	—	—	7.3%
GNP expenditures for producer's durable equipment (in billions 1972 dollars)	114.8	113.3	- 1.3%
Actual business equipment produced (index value)	171.3	149.7	- 12.6%
False increase of GNP (Discrepancy between GNP expenditure claims and actual production)			11.3%

Why GNP is stupid

An economy is the sum of a population's intervention into nature to sustain itself. Look at an economy as a single agriculture and industrial firm: the industrial and agricultural goods it produces are its *product*. The capital goods it buys and the labor it hires are its *production expenses*. The sales help, clerks, and other white-collar employees are its *overhead*. The overhead cost of white-collar salaries does not represent income in addition to the total value of the firm's physical product, as any plant manager can tell you; they are a fraction of the price of the firm's output.

An economy is no different. Services, which now employ about four-fifths of our workforce, represent an overhead cost for production; the income of the services sector is counted as a fraction of the total price of goods sold.

Of course, the incomes of all employed Americans add up to more than the price of goods sold. That is because people who earn incomes (wages and profits) through production of goods buy services with a portion of their incomes (or have them extracted forcibly, in the case of the service called "rent"). But to simply add up all the goods and services sold and call this a measure of the economy, as GNP does, *double counts* the actual base of income.

Once the Commerce Department does this, the door is open to every sort of fraud and chicanery, including the specimens we examined earlier.

How to measure an economy

A competent measure of economic performance is given, by contrast, by the LaRouche-Riemann economic model,

designed by Democratic party figure and economist Lyndon H. LaRouche, Jr.

The LaRouche-Riemann model views the economy as a physical system. Its most basic measure is the rate of free energy of the system: the portion of tangible goods output available to expand future production as a percentage of total output. This defines the economy's potential for future growth as a function of its present output.

This measure is the most accurate "leading indicator" of economic development available. According to the just-released Quarterly Economic Report prepared by the authors and their colleagues at the *Executive Intelligence Review*, the "free energy ratio" stood at -2 percent at the beginning of 1983, moving toward -6 percent at the beginning of 1984. This means that the economy is now destroying its productive capacity at a 2 percent annual rate, trending toward 6 percent. This corresponds to the continued collapse of capital investment, measured against the minimum replacement needs of American industry.

Despite a brief blip upward in some consumer production categories, an event around which the Commerce Department hung tons of tinsel, the underlying deterioration of the economy has continued unabated.

'Volcker is a threat to U.S. national security'

Below are excerpts from the spoken testimony of National Democratic Policy Committee chairman Warren J. Hamerman before the Senate Banking Committee, on July 14, in opposition to the reconfirmation of Paul Adolph Volcker as chairman of the Federal Reserve Board.

Mr. Chairman, the argument has been made that it is necessary to reconfirm Paul Volcker as Federal Reserve chairman on the grounds that he will be a symbol of stability for the international economy. I would argue that it is just the reverse, that the renomination of Paul Volcker could well trigger a world financial collapse.

To that end, I would like to read at the opening a telegram received late last night from Brazil addressed to the Senate Banking Committee. It reads as follows:

"At a meeting held in Brasilia in the month of April, 93 unions representing 1.5 million workers in the Brazilian state enterprises condemned the accord with the International Monetary Fund in light of the damage that this represents for workers and for national sovereignty. At the moment when the U.S. Senate is deciding on the maintenance of Mr. Paul Volcker on the Federal Reserve Board, it is important that we register our protest against the economic directions imposed by the American government on countries such as Brazil." It is signed by Jorge Bittar, president of the Union of Engineers of the state of Rio de Janeiro.

I also received, to be read at the opening of my testimony, a telegram from Bogotá, Colombia:

"In the name of thousands of workers, we reject the policy of high interest rates which has caused poverty, misery, and unemployment. We expect the non-confirmation of Mr. Paul Volcker"—signed by Pedro Rubio and Jorge Carrillo, the president and secretary general of UTRABOC in Bogota. These two gentlemen are also on the National Federation of Trade Unions in Colombia, the UTC, which is the national labor federation associated with President Belisario Betancur.

I also have telegrams from leading industrialists and trade union officials from various nations in Western Europe, including West Germany, France, Italy, Sweden, Spain. One brief telegram: "I support the policy of President Reagan, in particular, for beam weapons. I am opposed to Volker concerning the negative effects of his policy on the world economy and of high interest rates on both civilian and military purposes in the United States and Europe. I oppose Mr. Paul

Figure 2
How the continued depression created a \$40 billion Treasury loss

(the first nine months of the fiscal year)

Treasury receipts (in billions of current dollars)			
Category	Fiscal year 1983	Fiscal year 1982	Reason for shortfall
Corporate taxes	\$ 26.7	\$ 42.0	Tax cuts, carry-forward losses and continued depression
Individual income taxes	212.8	220.7	Tax cuts, previous year's income, and current depression
Excise taxes	25.1	28.0	Current depression
Customs duties	6.1	6.6	Current depression

Total estimated revenue loss due to continued depression: \$10 billion

Treasury outlays (in billions of current dollars)			
Category	Fiscal year 1983	Fiscal year 1982	Reason for increase
Defense (DOD)	\$152.4	\$135.1	Increase in defense programs
Commodity Credit Corporation	18.5	10.4	Collapse of agriculture exports
Unemployment trust fund	26.1	17.5	Depression-level unemployment
Interest on public debt	98.4	90.2	Budget deficit caused by depression

Total estimated outlay increase due to continued depression: \$30 billion

Source: U.S. Treasury, Monthly Treasury Statement, June 30, 1983. EIR economics staff estimates.

Volcker's renomination." The telegram is from Gen. Revault d'Allones France, who is a member of France and its Army Committee and was an aide to Marshal Leclerc [the liberator of Paris alongside de Gaulle] during World War II. He has been a French military attaché in many nations of the world. He is the author of the report, "In Defense of Europe" for the Europa List, the electoral list of the RPR [Rassemblement pour la Republique, the Gaullist organization].

The other telegrams are from officials throughout the United States: in particular, trade union officials, leaders of farm organizations who oppose the renomination of Paul Volcker, and leaders of various minority organizations such as the NAACP who call upon the Senate not to confirm the renomination of Paul Volcker. I would request that all of these be put into the record. [Chairman assents.] Then, if I may proceed to give an oral summary of my testimony:

I am speaking on behalf of Lyndon H. LaRouche, Jr., chairman of the advisory board of the National Democratic Policy Committee, who has a statement attached to mine. Mr. LaRouche demands that Paul Adolph Volcker not be confirmed for a second term as chairman of the Federal Reserve System, as I do in the statement I am submitting, on the grounds of the national security of our republic as well as the sovereignty of our allies and trading partners in Ibero-America, Asia, Africa, and Europe.

All would be gravely threatened with the renomination of Paul Volcker. We are in the midst of a worldwide economic depression that at any moment could ignite into a full-fledged global financial crisis. Paul Volcker is the symbol of the cause of that depression. He is so viewed by the nations of Ibero-America, Africa, and Latin America. He is viewed as a Malthusian mechanic who, if reinstated, would cripple the economic well-being of those nations.

Most of the heads of state of Latin America have spoken out since 1979 and are currently speaking out about the policies of Paul Volcker and how they have helped to contribute to the current debt crisis, which is beyond repair within the confines of the existing world monetary system. We are dealing with a crisis which, in aggregate, involves \$840 billion in external debt from the developing nations. The nation of Brazil alone owes nearly \$100 billion in external debt: Mexico, \$80 billion. Ibero-America as a totality owes an aggregate of \$320 billion in external debt.

These nations of the developing sector fear—just as fears were expressed during the Senate committee hearings this morning—that the rumors that Paul Volcker may again raise interest rates in and of itself could cause a collapse of the world financial system. . . . Over the past six months, most of the Non-Aligned nations, under the chairmanship of Indira Gandhi—more than 100 nations—have condemned the policies of high interest rates and their contribution to the world debt crisis: specifically, the policies pursued by Paul Volcker since 1979, as well as the policies of the International Monetary Fund. . . .

The institutions of the old world economic order would

view the return of Paul Volcker as a signal to impose an even deeper round of brutal austerity on the developing nations. This would be unacceptable to the political leaders as well as the populations of these nations. Therefore, they are in the process of forming a debtors' cartel—most specifically, over this summer, a debtors' cartel among our Latin American allies. . . .

On the 24th of this month, there will be a meeting in Caracas to celebrate the 200th anniversary of the birth of Simón Bolívar. The draft documents for that conference look toward the formation of a coordinating committee of Latin American nations to deal with the external debt. There will be several other conferences held over the course of this summer. . . . On Aug. 1 special representatives of every Ibero-American head of government will meet in the Dominican Republic, to formulate these policies. Then, beginning Sept. 5, the Inter-American Economic and Social Council of the Organization of American States begins its meeting in Caracas, where political solutions to the global debt crisis will be discussed.

Indira Gandhi, on behalf of 100 nations at the June meeting of UNCTAD, the United Nations Commission on Trade and Development, called upon the conference to discuss a new global framework to the betterment and mutual advantage of both the nations of the North—namely, the advanced-sector nations like the United States—and the developing nations, to discuss an augmentation of world trade and a reorganization of the world economy. In their terminology, they are calling for a "new world economic order," to replace what Indira Gandhi correctly termed the current "neo-colonialist" system.

Lyndon H. LaRouche, Jr. has a specific plan known as Operation Juárez which would allow for a reorganization of the debt of the Third World nations around a program of augmenting economic production and augmenting foreign trade with the United States.

I believe that Paul Volcker will not pursue those policies, and that most of the political leaders and institutions, be they trade unions or heads of state in the developing sector, know that Paul Volcker will not pursue those policies. Therefore, a renomination of Paul Volcker could be the signal to ignite that process which will lead to the developing sector dropping the "debt bomb." . . .

In summary, Paul Volcker will, if reconfirmed, occupy the position of chairman of the Federal Reserve at a moment of great crisis in the international economic system. I think it is fair to ask whether Paul Volcker is a man who can be trusted at that time of great crisis, a crisis pending not only for our nation but for the governments representing the vast majority of the 4.5 billion human beings on this planet. And I would say not.

Paul Volcker publicly stated in 1979 at a conference in London: "A degree of controlled disintegration of the world economy is a legitimate objective for the 1980s." I would argue that Paul Volcker's policies since he has been the

Federal Reserve chairman have competently implemented that particular "controlled disintegration" policy. Furthermore, Paul Volcker has an entire career on behalf of that policy . . . beginning in 1971, when as an undersecretary of the Treasury, he played a principal role in taking the dollar off gold and convincing John Connally and President Nixon to carry out certain measures which created the Eurodollar market and led to world inflation.

Secondly, as is well known, through the high interest policies beginning in October 1979, Paul Volcker created the beginnings of an economic depression in the United States. That depression was then transferred, in the collapse of our production and trade, to the rest of the world.

Volcker and national security

I think that Paul Volcker has a long track record of being on the scene at every point at which a major policy decision has been made that has in fact contributed to the current world financial crisis, and Paul Volcker has played a role in making the wrong decision at each of these points. He is the wrong man at the worst time imaginable for a very great and important job, because of the shocks to the world economy we can expect over the following period. No amount of bluffing on his part or anyone else's can avert this reality.

Finally, there is a national security element here. On June 15 at the Central Committee plenum in Moscow, Yuri Andropov gloated about the dangers that the "capitalist economic system of the West" was undergoing, and outlined an entire strategy for exploiting those difficulties.

Yuri Andropov would wish to see as chairman of the Federal Reserve an individual with a proven record who would be viewed around the world as a man who would generate instability rather than solving particular problems as they need to be solved at this point. Andropov would relish the reconfirmation of Volcker.

The great financial crisis we are in may be postponed at best for a few months. There is no recovery; there is merely a hoax of a recovery, if one looks at the state of the world as a whole or, indeed, the basic sectors of our industrial capacity. . . .

Were Paul Volcker to be reconfirmed, the U.S. and world economy would not merely continue to shrink: the sovereign finances of the U.S. government itself would be threatened. The Swiss Bank for International Settlements has been demanding surveillance and controls over the U.S. internal economy. As I noted, Yuri Andropov is also presuming that the United States would not have the ability to defend itself in a financial crisis.

Paul Adolph Volcker has mismanaged the U.S. economy to the point where our national security as well as the national sovereignty of most of the nations of the North and South are threatened. A vote cast for Paul Volcker would be a vote cast against the fundamental principles on which our republic was founded and looked to as a temple of liberty and beacon of hope for all mankind.

Special Report:

KISSINGER'S PLOT TO TAKE OVER THE REAGAN ADMINISTRATION

The surprise naming of Henry A. Kissinger to head the President's Bipartisan Commission on Central America is part of a very ugly and long-standing attempt to subvert the Reagan presidency. But Henry Kissinger's return to official life is far more significant than the Central American appointment would suggest.

This *EIR* Special Report, "Kissinger's Plot to Take Over the Reagan Administration" is essential reading for any citizen concerned about the future of the United States as a republic. Researched and written late in 1982 by *EIR* Washington Bureau Chief Richard Cohen, long before anyone else had an inkling of the Kissinger operation, the report documents a process over months, using the friendly offices of Kissinger confidante George Shultz and others, of quietly inserting "Kissinger's boys" throughout the administration.

The report also supplies background dossiers on George Shultz and Helmut Sonnenfeldt at the State Department: Sonnenfeldt, currently a "consultant" to State, has been repeatedly challenged by Senate committees as a "security risk"; he has been an intimate of Kissinger's since 1945. Further dossiers include top appointees at State, Defense, the National Security Council, and the private business associates of Kissinger, including former British Foreign Minister Lord Peter Carrington and Gen. Brent Scowcroft. Kissinger's numerous private affiliations from Trilateral Commission to the secret illegal Monte Carlo masonic lodge are also identified.

The report is available for \$250.00

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The U.S. becomes an 'offshore market'

Volcker's deregulation has turned domestic banking into an imitation of the Eurodollar market.

In order to fake the current consumer-led "recovery," Federal Reserve Chairman Paul Volcker has carried out a combination of money printing and structural deregulation of the U.S. banking system over the past year which has turned the U.S. domestic banking system into a cheap imitation of the lawless offshore Eurodollar markets.

As will be recalled, the *raison d'être* for the Euromarkets was the desire of British, Swiss, and New York bankers during the 1970s to build up dollar deposits completely outside U.S. authority. They sought to avoid U.S. reserve requirements—at the time substantial—which forced banks to maintain non-earning reserve cash at the Fed at a level of 5 to 10 percent of their deposits.

Reserve requirements cost banks money. They are also a prime control which central governments keep over the rate at which private banks are allowed to increase credit, properly the privilege of the state. The higher the reserve to deposit ratio, the less credit banks can multiply upon a given deposit base.

In the Euromarkets, where reserves, like regulation, are exactly *zero*, there is absolutely no limit to this "Keynesian multiplier."

This lawless arrogation of the dollar credit-creating powers of the U.S. government by the private banks has been the cause of world inflation and the looming world debt crisis.

The present recovery has been faked, first, by tremendous money printing. The sharp drop in U.S. interest rates during the third and fourth quarters of 1982, and the continued moderate overall level during 1983 was engineered by the Federal Reserve.

On top of this, the series of deregulatory actions taken since Volcker's 1980 Monetary Control Act have in effect turned *political* control over the system in a major way over to a cartel of New York-based private banks.

The major structural effect of deregulation has been to drastically lower the reserve base of the banking system overall. The domestic banking system at this writing in effect already has a "Keynesian multiplier" exactly like that obtaining in the Euromarkets.

First, there was a vast structural reduction in legal reserve requirements on the existing deposit base, under the Monetary Control Act. Since its passage in November 1980, five reductions in reserve laws have cut a full \$9 billion in reserves (unadjusted) out of the system. Under this act, the Fed will continue to reduce reserves for some time to come.

To this must be added the creation of the completely new "hot money" accounts. Beginning May 1, 1982, the Depository Institutions Deregulation Committee, under Fed control, created a *new time deposit* for commercial banks and thrifts with a similar minimum maturity of 3½ years, no ceiling on interest rates, and zero reserve

requirements.

These deposits grew to \$1 billion during the May-August 1982 period. Beginning May 1, 1982, the Fed created a new 91-day Money Market Certificate for banks and thrifts with rates tied to the 13-week T-bill average. These deposits grew to \$5.8 billion during the May-August 1982 period.

On Dec. 15, 1982, the Fed authorized the creation of new Money Market Deposit Accounts (MMDAs) as savings accounts at banks and thrifts. MMDAs bear a reserve requirement of zero. They are insured by the FDIC, and without any interest-rate ceiling under Reg Q.

On Jan. 5, 1983, the Fed also authorized creation of new "Super-NOW" accounts. These have the same features as MMDAs, i.e., no interest ceilings and FDIC insurance, with the added feature that they permit an unlimited number of transfers and are thus classed as "checkable" deposits.

As of June 1983, MMDAs have boomed to \$360 billion, and Super-Nows to \$30 billion.

This deregulation to date has produced a bloated, still swelling deposit structure upon a tiny, shrinking reserve base. Although the size of deposits has been rising astronomically, the size of unadjusted raw reserves, on balance, due to all the factors above actually *shrank in dollar terms during the period 1979-1983*, from \$40.66 billion outstanding to \$38.31 billion.

Numbers published by the Federal Reserve, without adjustments which obscure the change in reserve requirements, show a dramatic drop in the ratio of reserves to overall deposits. The ratio of unadjusted reserves to total deposits in U.S. commercial banks as reported by the *Federal Reserve Bulletin* dropped from a 1979 level of 4.13 percent by over 30 percent at the end of June 1983, to 2.84 percent.

Slaughter in the bond market

Does the bond market have a bottom? The answer is, not necessarily.

Rising short-term rates will trigger a wave of liquidation that could make the last several months look like a picnic.

Fed chairman Paul Volcker's testimony before congressional committees July 20 and 21 was misconstrued by news media which have been trained to salivate at the mention of monetary aggregates, about which Volcker has never particularly cared for very much. In fact, the Fed chairman said truthfully what most concerned him: that the important factors determining interest rates were out of his control.

These were, first, the federal budget deficit, his usual theme in congressional testimony, and, more significantly, the problem of capital inflows.

According to the International Monetary Fund economists who look at the U.S. situation, capital inflows (including \$40 to \$50 billion per year in flight capital) saved the United States about 2 percent in interest rates during the past year. Cessation or reversal of these flows, Volcker maintained (correctly), would push U.S. rates up.

A survey of the capital-flows situation indicates that the flows have already dried up to a great extent:

1) Latin American capital flows into the United States, a major depressant on U.S. interest rates, have dried to a trickle since the financial crisis makes it hard to bring money out.

2) European portfolio managers have stopped shifting money into dollars and are shortening maturities of their existing dollar paper, anticipating higher rates. A shift downwards of Euro-Swiss franc rates shows some funds moving to Switzerland.

3) OPEC deposit attrition from the Euromarket continues.

4) European borrowers are still heavy users of the interbank market to finance payments deficits.

5) Treasury revenue and outlay data released July 25 show worsening deficit prospects, not the "improvement" due to "recovery" presented in some inaccurate media reports of an OMB mid-year review that, in fact, contained absolutely no new information whatever.

In short, the supply of funds to the market is dwindling as a result of the staggering OPEC reversal from an average \$100 billion surplus position in 1980-81 to a \$50 billion-plus deficit position in 1983, while the demand for funds—due to depression-level government deficits here and abroad—continues to increase.

Despite a campaign early in the week of July 25 to promote a mood of optimism, and the 1¼ point rally in the bond market on Monday, events took their predictable course later in the week, and the slaughter on the bond markets continued.

At this point, it is ridiculous to speak of discounted inflationary ex-

pectations and other strange beliefs by way of explaining the bond market's misery. The long-term market is falling under the sheer pressure of funding requirements.

When short-term rates reach a trigger level about 1 percent higher than the present commercial paper rate (i.e., when domestic rates reach the present Eurodollar three and six-month rate), the bond market will probably surpass the low point registered in 1982.

The federal government has been issuing agency paper at close to a \$100 billion annual rate, principally mortgage pool bonds, (GNMA, FNMA, and so forth.) Financial investors bought Ginnie Maes (Government National Mortgage Association bonds) during the first quarter at an average yield of 11.96 percent. The financial investors financed the purchase of Ginnie Maes by either borrowing money, or taking deposits, or the equivalent, at the prevailing short-term money market rate.

According to interviews with money managers at large institutions, financial investors are not buying Ginnie Maes as long-term investments, but as short-term high yield investments (see *EIR*, July 26). They are presumably as safe as Treasury securities and bear higher yields. But if the cost of short-term funds rises, investors will try to dump their agency holdings as fast as possible. Agency issues will become unmarketable.

Short-term interest rates have risen 1.0 percentage point since the first week of May, and now stand at 9.0 percent. An increase of another 1.5 percentage points this summer, would raise the level to 10.5 percent. At this point, most bonds purchased in the course of the year by financial institutions would lose money for their owners.

Rumblings against the dollar

Volcker will not be able to maintain tight money abroad and loose money at home in the long run.

The principal question now asked by European money managers is, how long can the overvalued dollar hold up? The discussion was not helped by Morgan Guaranty Trust's widely quoted "World Financial Markets" newsletter, which argued in July that unreported "services income" actually made the American current account payments deficit look better than it was. Morgan's economist Rimmer de Vries argued, in effect, that flight capital was holding up the dollar nicely, reducing the pressure on the U.S. currency resulting from the \$30 billion per annum current account deficit.

As Olivetti chairman Carlo de Benedetti warned in June, the Third World debt situation represents a "floating mine for the dollar." Morgan's analysis failed to make explicit the fact that the "unreported services income" reflects large doses of international flight capital, especially from Ibero-America. Since most Ibero-American trade is conducted in dollars in any event, the collapse of Latin American currencies does not benefit the dollar vis-à-vis the major European currencies.

However, Ibero-American capital flows into the U.S. have dried to a trickle since the financial crisis makes it hard to bring money out. Venezuelan capital flows replaced Mexican after Mexico's bankruptcy late last year, but now it is virtually impossible to bring funds out of Venezuela, or any

other Ibero-American country.

The short-term determinant of the dollar's relationship to other major currencies is not so much the Ibero-American situation as the Western European position. More to the point than inaccurate reporting of current-account flows are capital-account flows. European portfolio managers have stopped shifting money into dollars and are shortening maturities of their existing dollar paper, anticipating higher rates. A shift downwards of Euro-Swiss franc rates shows some funds moving to Switzerland.

Most of the Western European institutions are poised to move out of the dollar, and could leave in one great rush. However, they are not likely to do so immediately.

The Europeans, for the most part, believe the dollar will continue to strengthen in the short run, due to the funding problems of European countries and their national banking systems in the Euromarket. As Union Bank of Switzerland's foreign exchange group argues in UBS's current markets report, European dollar debt on the Euromarket is about \$300 billion, with annual interest of about \$40 billion; a large chunk of the interest must be paid by converting local currency into dollars, supporting the dollar. This compensates for the U.S. current-account deficit of about \$30 billion per year. The dollar has been held within a relatively narrow trading

band by this odd equilibrium. Slowly rising dollar interest rates and a persisting overvaluation of the dollar are both due to the worsening world liquidity situation.

There is no immediate reason for this state of affairs to change. *EIR* does not believe American rates will come down nor that the financial position of the weaker European nations will improve. On the contrary, the brief respite accorded the French franc following the introduction of Finance Minister Jacques Delors's austerity program will not last long. The question may well be asked, why should the dollar not remain high indefinitely?

This is where the Ibero-American financial picture becomes decisive. Fed chairman Volcker has played a balancing act between an extremely loose monetary regime in the United States (since the third quarter of last year) and a tight monetary regime abroad. The two are inseparable, i.e., the Volcker reflation at home could not work if the dollar fell in response to domestic liquidity creation. The Fed's ability to preserve this anomalous and unstable situation depends on America's role as the world's major creditor.

When the Ibero-American bomb explodes, the Fed will abandon what is now a neutral policy stance and discount banks' loan-paper in huge volume, triggering a major fall in the dollar. Bank of England sources look for a big and sudden, rather than gradual, drop in the dollar early in the fourth quarter, due to the triggering of the debt problem, or perhaps due to announcement of a series of very bad U.S. trade numbers.

It is impossible to assign a date to any of this, since the anticipation of trouble could become self-fulfilling at any time the major European fund managers decide to act.

Business Briefs

Energy

Gandhi turns on first Indian-built nuclear plant

Prime Minister Indira Gandhi turned on India's first domestically built nuclear power plant on July 23. Located in the southern state of Tamil Nadu, which has been hit by chronic power shortages, the plant's two 235-megawatt reactors were entirely designed and built by Indian scientists and engineers.

This is the first of several reactors in a program designed to give India 10 gigawatts of nuclear power by the turn of the century. India's plans also include the development of a breeder reactor using thorium, which can be mined inside India.

Energy is India's greatest single economic problem. Innumerable factories throughout the country are operating at only half-capacity due simply to lack of energy. The transport network is tied up carrying scores of tons of coal hundreds of miles. Rapid construction of nuclear power plants could multiply India's production quite rapidly even with current capital stock.

International Credit

IMF defends itself: 'We're not sadists'

International Monetary Fund alternate executive director for Spain José Luis Feito defended the "Politics of Economic Adjustment of the IMF" against its critics in the Madrid daily *El País* July 23.

"The economic policies recommended by the Fund [in Latin America] certainly have not passed unnoticed by public opinion," Feito wrote. "The observation of the criticisms that have been made from all kinds of perspectives against the Fund confirm the opinion of a known economist about that institution. This economist said that one could say of the Fund what Oscar Wilde said of George Bernard Shaw: 'He doesn't have

enemies, but his friends don't like him.'

"The reality is that the Fund imposes the economic policy that can be financed with the foreign resources available at that moment. . . . If the economic policy . . . is strongly restrictive, this is due to the constraints on foreign financing to which the country is submitted, and not to a propensity to sadism on the part of IMF functionaries."

Development Policy

LaRouche presents proposal to Thailand

On July 27, Mr. and Mrs. Lyndon H. LaRouche, Jr. were officially received by the vice-premier of Thailand, Admiral Sonthee Bunya Thai; the Thai minister of communications and transport; and the Thai deputy minister of finance. Parts of the meeting were filmed by Thai television.

Mr. LaRouche, the founder of *EIR* and the LaRouche-Riemann econometric model, presented these officials with a plan for an economic renaissance in which Asia would become the center of the world economy. Since this area has 2½ billion people, it must form the crux of turning around the world economy out of its current depression, LaRouche stressed.

The center of the plan presented by Mr. LaRouche, a 1980 contender for the Democratic presidential nomination and prospective candidate for 1984, consisted of four projects for massive development of transportation, energy, and water management for agriculture. The projects include the North-South China canal, the Mekong River Development project, the Kra Isthmus canal through the Malay peninsula, and the Indian basin project for water and flood control.

Mr. LaRouche emphasized that, under conditions of such economic cooperation, including considerable input from Japan and India, a situation of economic boom could be created in which local conflicts, including those involving China, could be solved. Within such a situation, all countries could be free to pursue their own national interests

while enjoying the benefits of this economic growth.

Debt Strategy

Spanish press: 'Operation Juárez relaunched'

The major financial daily of Spain, *Cinco Dias*, reports that the Operation Juárez proposal for joint debt renegotiation and creation of an Ibero-American common market of *EIR* founder Lyndon LaRouche has been "relaunched" by the Brazilian debt crisis.

Titled "Brazilian Debt Crisis Relaunches 'Operation Juárez': A Common Strategy to Renegotiate the Latin American Debt," the July 13 article states that: "After the confrontation between Brazil and the IMF, actions have intensified toward formation of a Latin American common market and a 'cartel' of debtor countries, following the outline of the so-called 'Operation Juárez,' that could be relaunched in some of the upcoming international meetings in coming weeks.

"Lyndon H. LaRouche, Jr., founder of the prestigious publication *Economic International Review* [sic] (*EIR*), laid out a year ago the basic lines of this 'Operation Juárez,' which in theory should allow the most indebted Latin American nations to negotiate a postponement of their debt and to obtain new credits that would facilitate continental development. . . . Great projects could be completed in the areas of energy, hydraulics, and transport, which would make possible rapid industrialization of Latin America. As the permanent secretary of SELA, Carlos Alzamora, told *EIR*, the debts should only be paid in conditions which maintain economic development and the standard of living of Ibero-american populations. . . .

"This dispute of the Ibero-American countries with the IMF is concretized in a three-month plan to reduce the international debt, based on three points of common action: '1) Establish a continuous interchange of information between the Latin American central banks on the state of negotiations of the debts of each country; 2) Force reduction

of the high interest rates weighing on the Ibero-American loans; 3) Demand change of the restrictions imposed by the IMF.' . . .

"On July 24, the heads of state of the Andean Pact countries will meet in Caracas to celebrate the 200th anniversary of the birth of Simón Bolívar: a good occasion to push forward 'Operation Juárez'. Finally, in September the Interamerican Economic and Social Council (CIES) will hold a conference in Caracas on the Ibero-American foreign debt, with participation of the finance ministers of the various countries.

"In any case, it seems clear that any declaration favorable to 'Operation Juárez', especially if it proceeds from the heads of state of the Andean Pact countries, would be immediately supported by the most indebted nations (Brazil, Argentina, and Mexico) by the simple procedure of not paying their debts."

Agriculture

Decreased exports used to justify production cuts

U.S. agricultural exports will be about \$35 billion in the current fiscal year, which ends this September—down \$4.1 billion from 1982 and nearly \$9 billion below record high 1981. Predictions for 1983 are "less than optimistic" since export value was down \$4.1 billion in the first seven months of 1983 over 1982.

However, the signal coming from the USDA is that farmers who went on a growing binge during the 1970s under the impression that the world economic situation would continue will now have to reduce production.

Further, USDA expresses little hope in the near future for an increase in agricultural exports to revive the farm economy. The reasons for falling U.S. export sales, they say are: 1) economic recession and depressed consumer incomes in major markets; 2) continued strength of the dollar, which inflates prices of U.S. goods in relation to foreign currencies; 3) greater competition from other exporting nations such as the EC; and 4) erosion of the U.S. share of the Soviet market.

European Community

Report urges an end to export subsidies

Sir Frederick Catherwood, British Conservative member of the European Parliament, has written a report calling for an end to the European Community's policy of food export subsidies. Catherwood released his report during European Parliament debate in early July on the supplementary \$2.15 billion budget proposed by the Brussels Commission to finance increased farm spending for 1983.

The report on the foreign policy aspects of EC food export subsidies also called for an agreement with the United States on agricultural markets.

The report calls for the "curtailing of subsidized surpluses by the major agricultural producers" because it "is likely to raise world prices, encouraging local production, and provide the only sufficient source of cash for irrigation and the other investment needed to avoid chronic famine and death in the next two decades." Rather, the EC and the United States should reach an agreement "under which both parties would give each other mutual assurances on the limitation of expensive export subsidies and would negotiate the major issues outstanding in agricultural trade."

Sounding very much like the Kissinger World Food Bank proposal of 1974, the report said that the EC should use its cereal surpluses to build a world food security system and should not try to unload them on the developing world, and should consider schemes to compensate them for leaving land fallow or for cutting production of foods in surplus.

According to *Feedstuffs* newspaper of July 18, the Catherwood report has infuriated the farm lobby in Strasbourg, and the Agricultural Committee appears to regard such ideas as a heretical attack on the principles of the Common Agricultural Policy. Nevertheless, the EC is operating under the same budget-cutting illusion as the U.S. government and believes the CAP's subsidy program could be slashed as is the United States's.

Briefly

● **THE U.S. TREASURY** reports in its June 30 Treasury Statement that it paid almost as much interest on the public debt for the month of June as it did for national defense. Outlays for interest reached a record monthly figure of \$17.0 billion while Department of Defense expenditures tallied \$17.9 billion. Interest payments for the nine months of the 1983 fiscal year totaled \$98.4 billion, the third largest expense of government.

● **ISLAND CREEK COAL COMPANY** of Lexington, Kentucky, one of the largest U.S. producers, has offered half of its properties for sale and dismissed half its 7,400 workers. The company blames very sluggish sales. U.S. railway freight car loadings of coal are down 14.4 percent in the first half of 1983 compared to 1982.

● **FRITZ LEUTWILER**, chairman of the Bank for International Settlements, was the subject of a scathing editorial attack in the May 1983 issue of the Buenos Aires monthly *Busqueda*. On Swiss television, the journal noted, Leutwiler demanded "the reduction of the standard of living in countries where the population already lives below the existence minimum. It's difficult but the deeply indebted countries cannot be spared this bitter course. It only needs time." *Busqueda* commented, "Unfortunately, this gentleman has the clout to fulfill his aims. Horribly enough, he's succeeding. . . . This is the enemy of the population, who appears with the abominable face of usury condemned by Christ, Aristotle, St. Thomas and all the humanist thinkers."

● **HUNGARIAN** party leader Janos Kadar used his visit to Moscow the week of July 18 to lobby for further reforms of the Hungarian economy. One measure will allow Hungarians to work in the capitalist West, if they agree to change 20 percent of their hard currency income into forints. In addition, private restaurants and small shop owners will be able to double the number of their employees from three to six.

Romania's fight for development against Malthusians— East and West

by Webster G. Tarpley

Ask an American what he knows about Romania, and the answer will surely be the most abysmal ignorance made more grotesque by the most fantastic prejudice. The first association will almost always be Bela Lugosi as the vampire Count Dracula cavorting in a castle of the mountains of Transylvania. And from then on it will be Gothic horror all the way, with denied emigration visas, oppressed ethnic minorities, and one-man rule.

Romania, as we see, has had a bad press. Whatever else they may disagree about, the KGB gentlemen at Moscow's *New Times* and *Literaturnaya Gazeta*, the Harrimanites at CBS News and at *The New York Times*, the Hapsburg-Mitteuropa oligarchs at the *Frankfurter Allgemeine Zeitung*, and Vienna's *Die Presse* certainly see eye to eye on Romania. The same gentlemen who assure us that new Hitler Yuri Andropov is truly a man of peace display the most consuming hatred for Romanian President Ceausescu and his government. The intent to destabilize is so manifest that the more canny and experienced observer of international affairs is obliged to begin wondering what Romania is doing right.

It is a matter of *raison d'état* for Americans to know the truth about Romania, and to act on it. To correct the remarkably uniform media slanders against Romania, *EIR* offers the following correspondence, which is the only accurate first-hand account of this country and its policies to be published in the West in many, many years—starting with the fact that Bela Lugosi was a Hungarian.

"Romania is a developing country" is an observation that recurs most frequently in conversations with officials of this Balkan state. And in effect present-day Romanian society provides an example unique in Europe of a nation which, in the face of oil crises, high interest rates, and world depression has re-asserted its commitment to domestic and international economic development. That this will to develop has been maintained in the face of the violent opposition of the Malthusians of the West and the Malthusians of the East, of the IMF and the Club of Rome on the one hand and of the Comecon and the Moscow Third Rome cult on the other—this makes the Romanian example all the more impressive.

In spirited defiance of IMF neo-colonialists and of Comecon *Raskol'niki*,



Courtesy the Romanian News Agency

Excavating the Danube-Black Sea Canal with Romanian-built equipment.

Romania is today committed to the installation of fully 10,000 megawatts of nuclear power by the end of the century, to a policy of investing almost one-third of its aggregate national income, to domestic growth rates of over 10 percent, to full-capacity production by its shipping industry despite the worldwide collapse of this industry, to taking its post-war tractor production to one million and beyond this year, to a demographic growth of 19 births per thousand population, equivalent to a yearly population increase of some 200,000 and one of the highest in Europe, and to the speedy completion, primarily through its own resources alone, of the Danube-Black Sea Canal, an epic work of civil engineering that ranks with the greatest infrastructural projects our century has yet seen. Romania, the poorest country of Eastern Europe after World War II with the possible exception of Albania, has reduced the peasant portion of its population from three-quarters in 1950 to one-quarter today, with further reductions planned for the coming years.

Neither a total credit embargo by the Western banking system, with brutal IMF conditionalities pressure, nor chronic economic sabotage by the U.S.S.R. and the Comecon have proved sufficient to deflect the Romanians from the developmental thrust that has informed their entire post-war history, especially since the end of Soviet occupation in 1958.

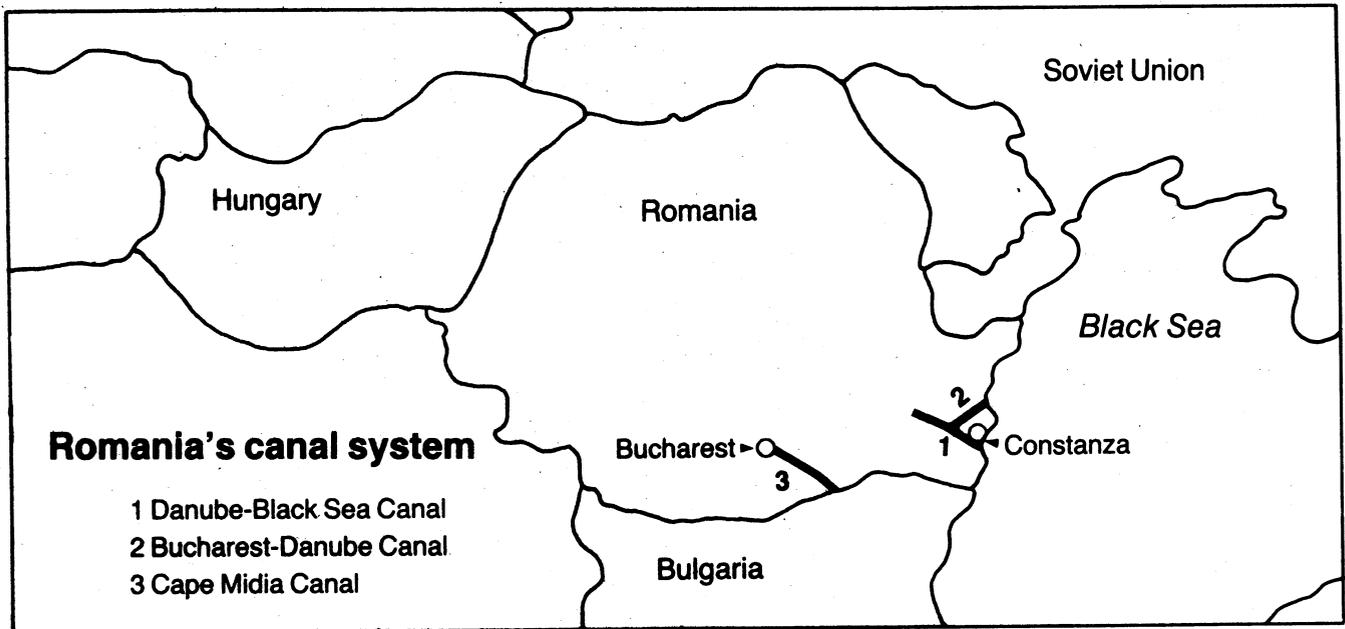
In coherence with these domestic policies, the government of President Nicolae Ceausescu is, in the words of one senior official, "committed to the struggle for the New World Economic and Political Order," whereby the "political" addition stands for the commitment to the sovereign nation-state. Romania has long emphasized its own active, world-

wide diplomatic role, among other things by the joining the Latin American grouping of the Group of 77 Developing Nations, and by assuming observer status in the Non-aligned movement—both despite Warsaw Pact membership. The country is actively campaigning for debt relief for the poor and developing nations, for international technology transfer at the highest level, for a drastic reduction in international interest rates. "Life cannot stop because of the international debt," commented one official, while at another ministry there was strong support for the emerging debtors' cartel of the Ibero-American nations, with whom the Romanians are in close contact. For the IMF, which they joined in 1972, the Romanians exhibit a scarcely veiled animosity.

A developing nation

Romania is thus indeed a developing nation in Europe, an anomaly that is underlined by the total disregard of the zero-growth doctrines of the Club of Rome on national policy. Romania's development program is exemplary for the entire developing sector, all the more so because it is proceeding against pressure from the East as well as the West. Western Europe and the United States have something else to learn from Romania, and that is the will to fight for national independence and a sovereign state against odds that Western Europeans and Americans can scarcely imagine.

In 1968, the Soviet imperialists who had just crushed Czechoslovakia without a struggle were tempted to repeat this operation against Romania, which lies directly on the U.S.S.R.'s southern border. On that day, a crowd gathered at the Romanian Communist Party Central Committee of-



fices. Ceausescu appeared, launched a scathing attack on the Soviet invasion, and announced the creation of the Patriotic Guards, an armed national militia, designed, as he said, to protect Romania from the "imperialism" which was threatening it. The signal to Moscow was clear: 22 million Romanians would fight if invaded, and would hold down one million Soviet and satellite troops for an undetermined period with guerrilla warfare in the Carpathian Mountains and the Transylvania Alps. Brezhnev and the other Soviet leaders were well advised to desist.

A violent hostility to such "imperialism" is a recurring feature of Romanian history. Romanians speak a language based on the Old Italian spoken by the Roman Legions of the Emperor Trajan, who conquered the Geto-Dacians at the beginning of the second century A.D. The grammar and most of the vocabulary of Romanian are based on that Old Italian, but many words are of Slavic and Turkish derivation. The alphabet was Cyrillic until the 19th century, then Roman. Romania constitutes the point of intersection of the Slavic, Italic, and Moslem-Turkish worlds.

Romania has been historically hemmed in by empires, and its typical predicament has been the assertion of independence against such imperial neighbors. Herodotus records the struggle of the Geto-Dacians against the Persian Empire, in 514 B.C., and Trajan had to fight his way in six centuries later. From the early 1500s to the time of the Crimean War, the Romanian principalities were under the suzerainty of the Turks, although they were able to retain some autonomy. After the revolutions of 1821 and 1848, Romanian independence had to be asserted despite the joint desire of the Ottoman and Russian Empires to block it. Romanians have en-

joyed at least formal independence for just over 100 years, and then are determined to retain it.

'We know the Third Rome'

Above all, Romanians are on their guard against the recrudescence of the Third Rome cult in Moscow. A Romanian official commented on this point: "We know the Third Rome, and we have some experience in dealing with this type of problem. If you look at the map of the Balkans of just 70 years ago, you will see that we were wedged in by three empires." His reference was to the Russian Empire, the Austro-Hungarian Empire, and the Ottoman Empire. "Now," he went on, "two of those empires have become extinct, and only one is extant." The allusion could not have been clearer. The official went on: "Around 1500, our King Steven the Great went to Venice to get funds from the Venetians to be able to stop the Turks at the Danube. The funds were not forthcoming. As for the Turks, we had to fight them as long as they insisted on acting like an empire, but since they have reverted to the status of a national state, our relations with them have been most productive and cordial indeed."

Romania's position on one of the fault lines of historical seismics has given rise to some cataclysmic reverses for the country. Like Italy, Romania has changed sides in both world conflicts of this century. In World War I, the country at first hung in neutrality, with a pro-French population and a German Hohenzollern king, until it decided for the Allies in August 1916. In 1917, the Russian Revolution and Russian withdrawal from the war left Romania as the sole allied power fighting on the eastern front against the Central Empires, so the country was overrun by Germans, Austro-Hungarians,

Bulgarians, and Turks, and concluded a separate peace with the Central Empires in October 1917. Later, in November 1918, the Romanians denounced the separate peace and re-entered the war against the Central Empires. At the Versailles conference Romania was successful in obtaining recognition for its full desired expanse of Wallachia, Moldavia, Transylvania, Dobruja, Bessarabia, and Bukovina.

Despite these gains, the interwar period was marked by a dictatorship by the Hohenzollern King Carol II, who ruled from 1930 to 1940. This was also the period of the pro-Nazi fascist anti-semitic and terrorist organization, the Iron Guards of Corneliu Codreanu, who was executed by King Carol in a power struggle in 1938. King Carol was brought down by a three-way partition of Romania during the period of the Hitler-Stalin Pact. In June 1940 the Soviet government took advantage of the fall of France, Romania's traditional great power protector, to issue a savage ultimatum demanding the cession of Bessarabia and other territories, to which the Romanians were obliged to comply. On Aug. 30, 1940 Hitler and Mussolini addressed their own ultimatum to Romania, the Vienna dictate directed that much of Transylvania be ceded to the fascist Hungary of Admiral Horthy, already an Axis partner. Again Romania was forced to comply. Then even the Bulgarians got into the act, slicing off a piece of Romanian Dobruja. The Soviet-Nazi treatment of Romania closely parallels the treatment accorded to Poland. The result of these losses was a coup d'état by General Antonescu with the support of the Iron Guard, who led Romania into the Axis. Later, on Aug. 23, 1944, after the destruction of the oil refining center of Ploesti by American bombers, and with the Red Army approaching the frontier, Antonescu was brought down by a coup and Romania switched to the side of the Allies. The Romanians then furnished the fourth largest allied army after the the United States, the U.S.S.R., and the United Kingdom, and carried operations into Hungary, Czechoslovakia, and Austria.

Romania has thus learned the lesson that its neighbors have in the recent past sought its dismemberment, and may do so again in the future. With allies remote and unreliable, they have concluded that the highest possible degree of self-reliance and autarky is their best security.

The result of this recent history is, first of all, a deep resentment of Russian expansionism. Moscow treated Romania like a conquered enemy after the war, maintaining its grip on Bessarabia while deporting numerous Romanians into central Asia and Siberia, and keeping an occupation garrison in the country until 1958. Comecon policy has persistently attempted to force Romania back into the role of an underdeveloped colony, producing agricultural goods for export. Under Stalin and Khrushchev, plans for the partition of Romania and its cancellation from the map were repeatedly discussed, sometimes in public.

Thus, the Romanians distrust the Hungarians, whom they see as nostalgic for the Hapsburg dynasty and whose Irreden-

Who are the enemies of the Romanian nation?

At the Madrid CSCE conference in October 1981, representatives of the Socialist Federation of Hungarians from Romania asked for the creation of a Socialist Republic of Transylvania which would have the right to secede from Romania and join with Hungary. Neither is the issue new, nor are its initiators. The Socialist Federation, which was created between the two world wars, last time tried to realize its Greater Hungary aspirations with the help of Hitler and his Hungarian ally, Admiral Horthy. In the 1930s, the Hungarian Count István Bethlen called for the "autonomy" of Transylvania, Croatia, and Slovakia—all regions with a Hungarian minority. Hitler wholeheartedly supported the Greater Hungary irredentism. He once told his confidant Hermann Rauschning: "Hungary must be restored in the old [empire] borders." With the Vienna Dictate of August 30, 1940, the Nazis gave northern Transylvania to Hungary.

For approximately one year, coinciding with the rise of Andropov in the Soviet hierarchy, the question of the Hungarian minority (1.5 to 2 million people) inside Romania has been played up again by the Greater Hungary exile movement, certain media in the West, and factions in the government of Hungary.

The *Mittleuropa* crowd has its spokesmen in the Balkan Institutes of Munich and Vienna; the Eastern European department of Austrian radio and television (ORF) under the Hungarian-born Paul Lendvai is full of them. At a conference in Munich last April, Lendvai hailed the rise of Yuri Andropov in the Soviet Union as a major improvement in the state of humanity. Andropov is using the Hungarian minority issue as a trump card up his sleeve, to rein in Ceaucescu, to the way Hitler used the Romanian fascist movement Garda de Fier or Iron Guard to keep his nominal ally, the Romanian dictator Ion Antonescu, in check. Horia Sima, the current leader of the Iron Guard, now resides in Madrid. Other members of this organization are based in Munich, Cologne, Vienna, and Switzerland. The Romanian monarchist emigration is coalescing around the former king, Mihail, a foreign exchange dealer in Switzerland.

The Hungarian Irredentists, Romanian fascists, and monarchists were twice disappointed in this century: Hitler lost the war, then the Anglo-American side who helped prepare the Hungarian uprising of 1956, did not rally to its support. Now, they apparently perceive that *Mittleuropa* might be brought about on the wave of a revival of fundamentalism and nationalist tensions. There is every indication they will be disappointed for the third time.

tist claim on Transylvania is played upon by both Western secret services and the KGB. The Romanians also feel that the Bulgarians are totally subordinated to Soviet decrees. By contrast, there is increasing sympathy for Poland, an old ally, and for Yugoslavia, with whom the Romanians share the experience of facing down Soviet invasions threats.

The centralized state

Romania today is a strongly centralized state, in which all areas of national life are under the direct control of the party. The personality of President Ceausescu is ubiquitous. But Ceausescu's role is not merely a matter of propaganda policy. The president undoubtedly enjoys real popularity among Romanian patriots, based on his fighting response to the Czechoslovak crisis and his frequent gestures of defiance to Moscow, as well as on the manifest results of his economic development policies. Living as they do on the Soviet doorstep, Romanians are aware of the connection between the country's ability to pursue its national development plans and independent foreign policy, on the one hand, and a regime of rigorous internal controls on the other.

The needs of national survival have also led Ceausescu to wheel and deal with various European politicians of the Socialist International, with the People's Republic of China, with Libya, and with other unsavory elements. Such Romanian *Realpolitik* was generally conducted in an effort to procure precisely those forms of international aid and support that would have readily been offered by the United States if our foreign policy had not been in the hands of Kissingerian and Harrimanite friends of the KGB.

With the unchallenged and militant ascendancy of the Third Rome in Moscow, and with the fetid vapors of Pan-Germanist *Mittleuropa* rising over central Europe, the pressure on Romania is becoming intense. A strong Romanian state, despite its compact dimensions, is a stumbling block for Swiss bankers, Danube feudal aristocrats, and the Andropov gang in the Kremlin. Projecting present trends, Romania will be more than a match for such entities as Austria, where a Hapsburg restoration is looming, and which has already signed its own industrial death warrant with a referendum against building any nuclear plants in the future. Romania wants to build 10 such reactors. Then there is Hungary, where Hapsburg networks are pervasive, but where goulash communism has reduced the country to negative economic growth and to negative population growth. In other words, if the Danube Valley and the Balkans are to be reduced to a de-industrialized, de-urbanized bucolic feudalism, then the oligarchs must find a way to interrupt the course of Romanian industrialization and nation-building.

Romanian optimism extends into the cultural realm. Pornography and violence are not in evidence in the mass media. Instead there is a significant offering of the classics. At the beginning of July, there were two plays by Shakespeare, *Richard III* and *Pericles* being performed in the legitimate theatre in Bucharest. On television, there was the second and

concluding part of a production of *All's Well that Ends Well*. At the Opera Româna, offerings included *Fidelio*, *Rigoletto*, and Cimarosa's *Il Matrimonio Segreto*. The quality of this house is excellent, testifying to a *bel canto* tradition that is very much alive and flourishing.

Support for Reagan's 'Zero Option'

With the coming of the Euromissiles crisis, Romania has taken positions which diverge profoundly from those of the Soviet-coordinated Warsaw Pact lockstep, and which indicate a conciliatory attitude towards the United States. Ceausescu has endorsed the Reagan Zero Option, calling for the total scrapping of the Soviet SS-20s in exchange for the non-deployment of Pershing and cruise missiles. Romanian diplomats also signified their support of an interim solution, again closely paralleling U.S. ideas.

Romania has traditionally stressed disarmament, and much propaganda activity is directed at halting the arms race and transferring these proceeds to development. One vital question for Romania in the months ahead will be the ability of the Ceausescu leadership to appreciate the value of directed energy beams and especially lasers for the future economic and military independence of the country. Up to now that leadership has not been aware of the sweeping implications of lasers for the increase of economic productivity, permitting the leapfrogging of entire stages of technology. Laser defenses would provide Romania with a means of securing that which she most of all desires—the ability to develop undisturbed, within secure borders, without submitting to the dictates of the colossus to the north.

Romanians are perceptive critics of the self-destructive aspects of U.S. policy toward the Soviet Union. For all their support of disarmament, they note bitterly that the United States conferred superpower status upon the Soviets with the SALT treaties and the Vladivostok Declaration of 1975. They point out that the Jackson-Vanik amendment effectively wiped out chances for world pacification through economic exchanges, and that détente based on arms talks alone was a step in the wrong direction. They object most strenuously to the Sonnenfeldt doctrine, the Kissinger-inspired madness that all socialist countries are subjected to limited sovereignty on the part of the U.S.S.R.—the degrading acceptance by the United States of the Brezhnev doctrine of limited sovereignty, proclaimed after Prague and directed against Romania in a special way. Romania has suffered most directly from the self-destruction of U.S. military and economic power over the past 20 years, while a strong United States would have permitted Bucharest to breathe easier.

Thus, Romania wishes to cultivate mutually productive, close relations with the United States. Apart from the intrinsic merits of the Romanian case, which are substantial, it ought to be clear to anyone capable of seeing beyond the end of his nose in strategic matters that the independence and territorial integrity of Romania is a matter of the most objectively vital national interest to the United States.

'Don't call it barter— that's the IMF's term'

by Edith Vitali

Romanians are a very tolerant people, but it would not be advisable for someone like Paul Adolph Volcker to set foot in Bucharest airport. The Romanian government sees in the usurious, monetarist policies of the Federal Reserve and the international financial community the main culprit for its current economic difficulties. Like any other indebted developing country, it was forced to reduce imports and slow down the growth of domestic investments, and thus the increase in the living standard of its people. It is no surprise that Romania, searching for a way out of this dilemma, is strengthening its "traditional affiliations" with Ibero-America, which is facing the same problems. One of the main spokesmen for a debtors' cartel and an integrated, Ibero-American Common Market, SELA head Carlos Alzamora, was in Bucharest in mid-June to discuss the possibilities of expanding trade relations and, one can be sure, a common approach to the debt problem.

A top-ranking official who had met Alzamora was full of praise for Romanian relations with Ibero-American countries. Those with Brazil, Argentina, and Mexico he described as "excellent." We were told that Romania, as a Latin country, feels it has "many affiliations" with Latin America, and "many things in common: common goals, views, common language," which are stronger than geographical distances. Inside the Group of 77, Romania is a member of the Latin American group.

The consequences of the high interest rate policy, which people here say are much more difficult to reverse than the policy itself, have added something else in common, namely the foreign debt burden. While it is definitely not the less-than-\$10 billion foreign debt of Romania which threatens to explode the international financial system, the feeling among responsible people here is growing that Romania should look for a solution other than just meeting its payment obligations at the price of domestic austerity.

We were told in the finance ministry that this country fully supports the idea of an informal debtors' club to arrive at a global solution of the debt problem. Reasoning here goes that the high interest rate policy has led to a situation where

there are no more financial resources for development—an unbearable situation, which is not the fault of any one country, but the result of usurious banking practices.

"The debt is not the problem of one country. It should be solved globally, maybe even with such a club of debtors. If the creditors have their club, why shouldn't the debtors have theirs?" one highly placed government official said. "Why can't the debtors also impose their conditions through multilateral negotiations?" The official suggested that the reduction of interest rates and the effects of IMF conditionalities should be discussed on the international level.

Interest on foreign debt grew from \$375 million in 1978, to \$429 million in 1979, then jumped to \$836 million in 1980, \$1,115 million in 1981, and \$871 million in 1982.

"Up to 1980, it was easy for Romania to obtain financial resources in accordance with its high growth rates," the official went on. But then, they had to rely more and more on short-term credits to meet old debt obligations, which had meanwhile doubled and nearly tripled because of Volker's higher interest rates. In 1981, when the convertible financial reserves fell under the level of the short-term debts incurred, the international private banking world sounded the death knell. "After 20 years of partnership," the official stated, "when the bankers noticed that they could plunge Romania into big difficulties, they did not hesitate to do so, by totally cutting short-term credit." The same official noted with some bitterness that Hungary, a country with zero and even negative growth rates and a much higher per capita debt than Romania, was helped by the banks, the IMF, and the BIS to avoid rescheduling.

Romania sat down in 1982 and 1983 with its commercial and government creditors to reschedule its outstanding debt for those years, which of course meant incurring new costs: "The principle of the banks is that when somebody is in difficulty, he has to pay a higher fee than what regular credits cost," the official said. At the same time, the country was forced to implement drastic import cuts—from a current account deficit of \$2.4 billion in 1980 to an account surplus of \$655 million in 1982—while Romanian exports were shrinking because of the world depression: "Under normal conditions, the surplus in 1982 would have been \$2.6 billion." In 1982, the foreign debt declined for the first time by about \$400 million; but the actual result of rescheduling is, that not so much the volume, but the structure of the debt has changed: The debt of international organizations (the IMF, BIS, and World Bank) increased by \$1 billion, while the commercial and government-owned debt decreased by \$1.4 billion! In 1984, Romania wants to avoid rescheduling, and it is relying on a standby arrangement with the IMF and World Bank to prop up its level of international reserves.

"In our view," said another senior official, "everything goes against reason in the world of finance. It is in a state of total confusion. As long as this is the case, Romania will not take additional credits, because it's too big a burden, and a threat to our independence." A moratorium on the debt of the

poorest countries—less than \$500-\$600 per capita income—and a ceiling on interest rates at 5 percent would be reasonable from their standpoint.

Discussion with representatives of different ministries confirmed the idea that Romania considers implementation of a New World Economic Order a key task of its foreign policy—equally important as removing the strategic war danger. “The larger and larger gap between developing countries and developed countries,” the senior government official said, “is one of the main contradictions of our epoch. If this is not solved, it will be a direct threat to humanity’s survival.”

Short of changing the existing economic order, Romania tries to soften the effects of the international financial crisis. This country plays a leading role concerning South-South

cooperation. Expansion of such trade without foreign currencies is one key strategy. “Don’t call it barter,” Alzamora’s friend in the government told us. “Barter is the term used by the IMF.” But as a matter of fact, while the Ibero-American countries are promoting this type of clearing-trade among themselves, one of the purposes of Alzamora’s trip to Bucharest was to step up barter deals between the SELA countries and Romania. Brazil, for example, has become the main soybean supplier to Romania, following the U.S. trade boycott in 1981, and Romania is delivering machine tools in return. It has sold its original tertiary recovery methods for oil wells to Brazil and Argentina. “You see,” said the official jokingly, “this is another example of our deep-level cooperation with Latin America.”

Romania builds up its industry despite economic warfare

by Konstantin George

Gauged by any yardstick Romania’s policy of national development is quite impressive, having scored a 10.2 percent growth rate in both 1981 and 1982, with the 10 percent annual growth rate to be maintained through 1985, the end of the current Five-Year Plan. The country’s all-out industrialization policy was proclaimed by President Ceaucescu, Romania’s then newly elected leader, in 1965. Since 1965, electrical power production, the infrastructural key to establishing a heavy-industry based economy, increased from 3,258 MW to 16,090 MW in 1980—a fivefold jump. Between 1981 and 1990, a further 17,000 MW capacity will be added, thus doubling the 1980 figure. No less striking was the advance from 3.4 million tons of raw steel in 1965 to 17.3 million in 1980, and projected at 20 million by 1985—an accomplishment achieved over many obstacles, not least of which was a Soviet embargo on iron ore exports to Romania. Romanian production by 1976 was on a par with both France, which produced 23 million tons, and Britain, which produced 22 million tons.

From 1965 to the present as we shall see below, a broad scope of entirely new integrated industries was created in Romania. These include shipbuilding, aircraft, and helicopter construction, tractor and combine production on a large scale, high performance oil drilling equipment and offshore platforms, construction and earth-moving machinery, electrical machinery, and turbines and hydraulic equipment. In all these sectors, the industry is fully integrated, and nearly all critical components for each sector are also produced in

Romania. A crucial example is now Romania’s nuclear energy program, where the nation is embarked on a major effort to build reactor component plants in conjunction with bringing 10 nuclear power plants on line by the year 2000.

As the current nuclear program and ongoing great infrastructural projects, revolving around the soon-to-be-completed Danube-Black Sea Canal (see below), the most striking feature of Romania today is that growth and progress continue into the 1980s despite the international economic depression. Romania has been affected, as the heavy import cuts and austerity belt-tightening measures of the past two to three years underscore. On the energy front, Romania has an extremely low dependency on the Soviet Union, a rate of dependency that would be the envy of several NATO members. By 1985, it will have no dependency on the Russians.

Development and national transformation

Transformation is the word that describes Romanian postwar history. In 1950, seventy-four percent of the economically active population was employed in agriculture, with only 26 percent outside of agriculture. Today the figures are exactly reversed. By 1990, only 15 percent will be in agriculture. In 1950, only 12 percent of the economically active population was in industry. Today, over 35 percent are employed in industrial production. The 1950-83 yearly average for industrial growth has been 12 percent, and the advanced composition of industry is shown by the fact that already in 1980, 35.2 percent of industry was in the machine-

building sector, a percentage which has increased since then.

As a senior official at the Ministry of Machine Building stressed, "The state policy of ours to industrialize the country is not industrialization in itself. The purpose is the development of the country, and, primarily to increase the living standard of the population. To realize this it is necessary to increase the national income and to strongly develop industry. The development of industry advances the development of other economic fields. For example, how do you double or triple agricultural production without the necessary agricultural machinery or industrially produced products, or, how do you accomplish great construction projects without an industry to produce construction machinery?"

The Central Committee Plenum of June 30, held during the stay of the *EIR* team in Romania, reaffirmed the all-out policy of national development and modernization of every sector. The following national priority projects are emphasized, all for completion by 1985:

- Completion of the 64-kilometer-long Danube-Black Sea Canal, an engineering masterpiece and infrastructural hub of national development. Inland waterway traffic will immediately double upon completion.

- Energy independence by 1985, through vast expansion of coal and lignite production, followed by a large nuclear program.

- Vast expansion of dam construction projects, with the centerpiece being the huge Iron Gate II project on the Danube on the border with Yugoslavia. These projects have the dual purpose of hydroelectric power and reservoir creation for flood control, and through hooking up into the irrigation system for drought alleviation.

- A top priority placed on a national irrigation program to double the current hectares under irrigation from 2.3 million in 1980 to 4 million in 1985.

- Tripling the production of chemical fertilizer from 1.6 million tons in 1980 to 5 million tons for 1985.

- Completing the first 660 MW nuclear plant at Cernavoda on the Danube by 1985.

Energy independence and going nuclear

Romania's decision to engage in what, for a nation of 22 million, can only be termed, a monumental program, to not only install nuclear reactors between 1985 and 2000, but also to create a nuclear reactor industry, was defined by President Ceausescu in his report at the 12th Congress of the RCP, given on Nov. 19, 1979. Romania, by the 1990s, will be self-sufficient in the field of nuclear plant equipment manufacturing, in the processing of nuclear fuels, and in heavy water preparation. The plants are built on license from the Canadian CANDU type, and parts-licensing agreements were signed with U.S. and Italian firms, too. The scope of the plan is huge, with a goal of 10 plants totalling 10,000 MW by the year 2000.

The curve of expansion looks as follows: Current nuclear

capacity is zero. In 1985, the first reactor—mostly imported—is scheduled for completion at Cernavoda on the Danube. It will have a capacity of 660 MW. By 1990 there will be six such reactors with a total capacity of 3,960 MW, which will comprise 18 percent of Romania's energy output. By 2000, nuclear capacity will total 10,000 MW.

Romania's overall energy program, again emphasized at the recent Central Committee Plenum, is to achieve energy independence in 1985. This means, first and foremost, essentially eliminating dependence on imported oil. Romania will accomplish this by drastically reducing the use of oil as a fuel, so that by 1990, the near total domestic oil output will supply the feedstock requirements for the country's large petrochemical industry. Figure 1 gives the picture of the energy independence plan for the 1980s, by energy-type as a percent of total energy used.

One can note the steep percentage rise in coal-lignite before nuclear comes on line, and then, the significant percentage drop as part of the whole, as nuclear comes on line in quantity. For the short term, to achieve independence the all-out emphasis is on lignite production. As Romanian officials in several ministries stressed: "We know it [the lignite] is of poor quality, and far from an ideal solution, but our goal is to achieve energy independence in 1985, which is too early for nuclear power to take effect." Romanian lignite production has been quadrupling each decade. From 5 million tons in 1965, it reached 20 million tons in 1975, and will reach the 72 to 75 million ton range in 1985.

The only reason that Romania today has sufficient domestic oil production to feed its petrochemical industry is because Romanian built up a modern oil equipment industry, specializing in producing secondary and tertiary recovery equipment, in quality second to none. Romania is an acknowledged world leader in the export of such equipment. The marriage of this industry with the research and facilities of the shipbuilding sector developed an offshore rig production industry, whose products have been exploring for and commercially tapping oil deposits under the Black Sea.

No 'sunset' in the shipyards

One striking feature of the country is that industries which in most of the OECD countries have been condemned to early death as "obstacles to a post-industrial society" are flourishing in Romania. This is not simply because "the state buys everything." The Constanza shipyard, with modern Swedish equipment supplied by ESAB and high efficiency, has competitively won contracts to supply Greek and even Japanese shipowners. Otherwise the great canal projects have created a boom in demand for new river craft, barges, and tugs.

The same "no sunset" story holds true in the vehicle industry. The canal projects have created a boom in production of all sorts of construction equipment, including various sizes of steam shovels, dump trucks, and bulldozers. Problems with export demand for certain kinds of trucks were solved by converting lines of truck production to tractor pro-

duction. Rumania exports tractors to the developing sector.

The mechanization of agriculture

The scale of mechanization of Romanian agriculture in the postwar era, and most pronouncedly since 1965, can be seen in the following figures concerning tractor production; 1950, 23,700 tractors; 1965, 81,000; 1981, 155,000; and 1983, 160,000. Tractor production has doubled since 1965. The figures for self-propelled combines are much more dramatic: from 292 in 1965, to 44,000 in 1981 and 50,000 in 1983. The center of the Romanian agriculture machinery industry is in Brasov, a city nestled in the Carpathians, 160 kilometers north of Bucharest. Brasov is also a center for truck and helicopter production. In June, the 920,000th tractor came off the Brasov production line. One yardstick of the mechanization is the number of tractors per hectare. In 1938, it was one per 3,500 hectares. Now it is one per 60 hectares.

Romania has been unable to achieve the gains planned in agriculture in the 1980s, because of repeated droughts, each year more severe. This year's drought was the worst in 100 years, worse than the previous drought records for the 20th century, set in 1903. Despite this, Romania, unlike the Soviet Union, has not had to import any grain, and in fact Romania only imports food products that cannot be grown in Romania's climate, like citrus and tropical fruits, and feed grains for its livestock.

The commitment to mechanization is also seen in the agriculture investment figures for the 1981-85 Five-Year Plan. Regarding agricultural investments, 34 percent is slated for mechanization, 17 percent for land improvement, 31 percent for livestock, another top priority, and 15 percent for vegetable, fruit, and vineyards cultivation. To gauge the scope of the irrigation program now underway as a top national priority, the entirety of Romania's arable land under cultivation is 10 million hectares. Of that total, already 2.4 million hectares, or 24 percent are irrigated. The 1985 goal is 4 million, or 40 percent, and for 1990, 5.5 million, or 55 percent of arable land. The present geographical area of concentration in the irrigation program is in southeast Romania, on the Wallachian Plain, just west of the Dobruja.

The further modernization of agriculture is key to increasing the labor force in industry and construction. Twenty-six percent of the labor force, or 2.8 million people, now work in agriculture, of whom over half are more than 40 years old, and over half are women. These factors combine with a generally lower skill and educational level, as reflected in the fact that this 26 percent of the work force accounts for only 16 percent of the national income. By 1990, these two percentages will be more or less equal.

Romania has had an impressive city-building policy for the last 20 years, featuring a massive housing program that continues unabated today. Everywhere one goes, one sees construction activity, old neighborhoods being torn down, and blocks of new apartment buildings rising. Bucharest is ringed by new satellite cities, most built in the 1970s.

Only the Bosphorus limits shipbuilding

by Edith Vitali

Today's world of shipbuilding is bereft of success stories, especially in the so-called advanced sector: Yards are being closed down, workers are facing mass layoffs—be it in Hamburg, New York, or Göteborg.

However, we have discovered one of the great exceptions, one inspiring example of how the shipbuilding industry can blossom if it is adequately treated as a national priority sector. On July 4, our group was the guest of Constanza's great shipyard and its director of export sales, Mr. Dumitru Muhcina. The Black Sea port Constanza, which the ancient Greeks called Tomis, and which was the asylum for the Roman poet Ovid, today handles 50 to 60 percent of Romania's exports, 40 percent of which are machine tools.

Romania has two ambitions: First, it wants to transport all sea freight to and from this country on their own ships. Second, Romania aspires to produce all components for shipbuilding domestically. On our way to the yard, we passed the rather new factory for ship engines in Constanza.

"I just love to build ships," said the director at the shipyard, while we were standing in front of several models, representing different phases in the development of the yard.

Ninety years ago, it began as two small workshops with repair facilities only. In 1938, an 8,000-ton floating dock was acquired, and in 1965, a floating dock of 15,000 tons was added. However, the two docks were utilized only for repair. A real turning point came in 1968: the beginning of actual shipbuilding. The first type was a small 1,920 dead weight ton (dwt) freighter produced for export. "We've never had any complaints from our customers," said the director proudly. In 1972, the shipyard assumed its current appearance, and in 1973—again exponential growth—a series of 55,000 dwt ships went into production. The first one was delivered in 1975 to the Romanian shipline Navrom.

In the same year, production of a 65,000 dwt bulk carrier and of a 150,000 dwt tanker started. "Our production is first of all for the domestic market," the director underlined, "but three of the 65,000 dwt type were exported to Japan, Hong Kong, and Greece. The only limit to the size of ships is the Bosphorus. If it weren't for the Bosphorus, I'd love to build even bigger ships." Right now, the fourth 150,000 dwt tanker is in production.

During a walk through the huge construction hall where large metal plates are being cut and welded into shape on

automated production lines, the director agreed that the productivity of the cutting procedure could be increased exponentially with the use of lasers. But such equipment is too expensive for the moment.

Outside the hall, huge cranes—the two largest ones, produced in the U.S.S.R., can lift 900 tons together; smaller ones, built in Romania, lift 50 or 150 tons—pick up the prefabricated block sections and carry them to the floating docks, of which there are three with two chambers each.

Are all the capacities being utilized, we asked, with the situation of the Western shipyards in mind. “Yes, until 1985 we are fully booked with orders,” he replied. This means full employment for the yard’s approximately 6,500 workers. In 1955, there were only 600.

The Danube-Black Sea Canal: a modern epic

by Webster G. Tarpley

In an office in the outskirts of Constanza we are introduced to Engineer Sergiu Ivanov, in charge of mechanization for the Danube-Black Sea Hydropower and Transport System. Ivanov is a hearty man in his late fifties, tanned by the sun of the Pontus. He has been working on the canal since its inception back in 1975. He relates with pride that his son and daughter are studying electromechanical engineering in Craiova, a center of heavy industry west of Bucharest.

Ivanov told us the first projects for a canal from the Black Sea to Constanza date back one and a half centuries. Today Romania is building the canal to facilitate the transfer of growing imports and exports, more than half of which go through the port of Constanza, built up in the last century by the Italian-Romanian engineer, Saligny. By building a canal of some 65 kilometers from Cernavoda on the Danube, which is also the site of the country’s first nuclear reactor, to a point south of Constanza, it will be possible to save a 400-kilometer trip north through the Danube Delta, which is also near the frontier with the Soviet Union. Ivanov cites figures to show that with freight tonnage rising to 150,000,000 within a decade or two, the canal will pay for itself within “only 75 years.”

To procure those savings and related benefits, the Romanian government has decided to implement what Ivanov calls “the largest single investment in the history of the country.” The canal, now in its ninth year of construction, employs a small army of workers, 30,000 in number, who are operating some 5,000 trucks and 50 separate types of earth-moving equipment to move 300 million cubic meters of earth and pour 3.5 million cubic meters of concrete. Ivanov reels off the details: his workers have completed the construction of eight bridges and 150 kilometers of roads. Most impressive, they are in the final phases of cutting their way through

the bluffs of the Dobruja plateau, where at various points the canal has had to be cut some 70 meters deep into chalk hills, with constant threat of inundations. Almost 90 percent of this work was mechanized,” says Ivanov. Ivanov goes on to say that the canal is part of a comprehensive strategy of regional development. This includes whole new towns, and new neighborhoods in older towns, for the canal workers. At Medgidia there is a large new cement factory to meet the needs of the construction. Along the canal there will be three ports, plus a seaport at Constanza.

Most important will be the benefits for agriculture. The canal will provide some 180 cubic meters per second of water, which is already being used to irrigate a land area that will shortly reach 400,000 hectares. Topsoil taken off hill-sides has been redeposited to form new arable land.

Ivanov then points to the other side of the project, which is the improvement of labor power. The Romanian economy had no skilled labor reserves to shift into canal building, so it was imperative to train canal builders and civil engineers on the job. All along the canal, schools have been built for 27 trades, and many of their graduates are young recruits from the Romanian army assigned to the project. Instruction goes up to a junior degree in civil engineering granted by a higher education institute in Constanza, created to serve the canal. The new skilled labor will be moving on to another canal to be built from kilometer 37 on the Danube-Black Sea Canal over to Cape Midia. There will also be a canal from Bucharest to the Danube which Ivanov says will make the Romanian capital a port for the North Sea and the Black Sea. Further projects will complete a national canal system.

We pile into a battered mini-bus for a ride under a broiling sun to some of the key remaining construction sites. At Agigea Ivanov shows us the massive locks under construction, designed to keep the salt water of the Black Sea out of the fresh-water irrigation system. There is another set of locks at Cernavoda at the Danube end. The dusty roads are filled with heavy dump trucks; the make is Român Diesel. Ivanov points out that the role of Romanian equipment in the building has been maximized. He shows us a striking suspension bridge, noting with satisfaction that this too is an original Romanian solution to an engineering problem.

Parallel to the canal there is a belt winding through the countryside—a 17-kilometer-long conveyer belt that is taking clay and subsoil to the Black Sea coast, where it is being used for landfill to reclaim new land. “That is our project for the peaceful expansion of Romanian territory,” he jokes.

Ivanov says that he had been in Dortmund, West Germany some years earlier to see the biggest earth mover in the world, slated for use in building the Rhine-Main-Danube Canal in West Germany, since delayed by greenies and cost-cutters.

“It is a great honor for everyone who is working on this canal,” Ivanov says. “We think that this project is a kind of epic. What we are doing here can stand comparison with the canals at Suez, at Panama, at Kiel, the Volga-Don.”

Independence in the face of the Soviet threat

by Webster G. Tarpley

Reasons of history and geography in the era after the Second World War, and certainly not elective affinities, brought on Romanian membership in the Comecon and the Warsaw Pact. The Romanians have staunchly insisted that the Warsaw Pact is only a defensive alliance, and that the Comecon has no supranational right to dictate the economic policies of its members. In practice, the hallmark of Romanian policy has been the quest for increasing degrees of independence to pursue an industrial development policy and a foreign policy oriented towards the developing sector, Western Europe, and the United States.

The postwar Soviet occupation of Romania lasted until June 1958. In 1959 Romania approved a Six-Year Plan of rapid industrialization, the radical turning point toward heavy industry.

In 1962, Khrushchev demanded that Romania revert to a policy of agricultural exports, only importing industrial goods from the U.S.S.R., the D.D.R., the C.S.S.R. This he termed "Socialist Division of Labor." The Romanians refused to change course.

Instead, taking advantage of the aftermath of the 20th Soviet Party Congress and the Sino-Soviet split, Romania issued on April 22, 1964 a sweeping declaration of intent to pursue a sovereign policy in internal and external affairs. Calling for independence and national sovereignty, non-interference in internal affairs, observance of territorial integrity, equality of rights, "mutual advantage, comradely assistance, and proletarian internationalism," Romania began to refuse to participate in the maneuvers of the Warsaw Pact on the territories of other states, or to allow such maneuvers on her territory. In 1965, Ceausescu, the designated successor of Gheorghiu-Dej, was elected General-Secretary at the Ninth Congress of the Romanian Communist Party, which confirmed the course of heavy industrialization. Soon after, Ceausescu called for the end of the opposed military blocs in Europe.

In 1967 Bucharest defied Moscow on two counts: the Romanians were the first Warsaw Pact state to set up diplomatic relations with West Germany, attracting critical tirades from East Berlin, and were the only Warsaw Pact state to keep diplomatic relations with Israel after the Six-Day War in the Middle East. Later in 1967 there were rumors of a Soviet attempt to overthrow Ceausescu. The Soviets were

most blatant in their attempt to sabotage the steel mills Romania had built at Galati; they withheld iron ore and coal, and Romania responded by concluding an exchange of Chinese coal for increasingly scarce Ploesti oil. In 1970, there were floods along the Danube, and when the Russians refused credit for flood relief, Romania turned again to China for help.

In August 1968, Romania was the only state of the Warsaw Pact to refuse to join the Soviet and satellite invasion of Czechoslovakia. Ceausescu vehemently condemned the invasion, demanding the immediate withdrawal of invading troops and the restoration of Czech sovereignty. Shortly after Soviet tanks began to roll, West German Foreign Minister Willy Brandt telegraphed through the Western press that Romania would be next to go. Ceausescu warned that charges of "counter-revolution" might soon be used to justify a Soviet attack on Romania.

Speaking on the morning after the Soviet move to 100,000 people in Bucharest, Ceausescu announced the creation of an armed militia, the Patriotic Guards.

By the middle 1970s this militia has a strength of some 700,000 men, above and beyond the regular army. During this period, Ceausescu met on several occasions with Marshal Tito of Yugoslavia, setting off speculation that the two states were planning joint defense, including joint partisan warfare, against further Soviet imperialist moves in the Balkans. Romania and Yugoslavia joined in the building of the twin-jet Orao fighter-bomber. Yugoslav-Romanian cooperation was cemented by the building of a large hydroelectric project.

In 1972 the Romanian Grand National Assembly provided for an "all horizons" defense of the country—including against Soviet and satellite invasion. The bill, similar to an earlier statute in Yugoslavia, expressly forbade capitulation to an invader, thus confronting the potential (Soviet) aggressor with the prospect of endless guerrilla warfare in the perfect partisan terrain of the Carpathians and Alps. The following year, Ceausescu visited the United States, and, in 1975, President Ford visited Romania.

In 1980, Ceausescu attended a Warsaw Pact summit but refused to sign a statement pledging increased military spending. Instead, Romania implemented a 20 percent military spending cut, equivalent to some \$500 million.

In the Euromissile crisis, Romania has supported the U.S. Zero Option, calling for the scrapping of the Soviet SS-20s in exchange for the non-deployment of Pershing and cruise missiles. Failing this, the Romanians support an interim solution, to be mediated with the help of Indian Prime Minister Indira Gandhi or other Non-Aligned leaders.

At the present time, Romania is effectively blocking a Comecon summit desired by Andropov. On the occasion of the most recent Warsaw Pact summit in Moscow, Ceausescu granted an interview to *Aftonbladet* of Stockholm in which he once again rejected any Warsaw Pact maneuvers, especially on Romanian territory. On Afghanistan, Ceausescu

spoke out "for the withdrawal of foreign troops." To top it off, Ceausescu appeared one day later at the Plenum of the Central Committee to note that "the unity of the Palestinian Liberation Organization, of Palestinian organizations, with PLO Chairman Yasser Arafat at their head, is more necessary than ever." Thus Ceausescu moved to support Arafat, whom he had received in Bucharest some weeks earlier, while Andropov and Aliyev were fully mobilized to bring the PLO leader down.

Looking to America for trade and technology

by Konstantin George

Romania desires as a national policy priority a vast expansion in trade licensing and technical cooperation with the United States. This desire, was conveyed repeatedly to *EIR* correspondents by government officials, throughout our stay in Bucharest.

A senior trade ministry official told *EIR*, regarding U.S.-Romanian trade: "We wish to create vast cooperation in many, many fields . . . our economies allow for a large increase in cooperation. What we've done so far is only marginal. Our goal is to reach the \$3 billion level in two-way trade by 1985." The same official continued in a summary review of the trade pattern till now; "Till 1981 trade grew steadily, then, starting in 1981 it began to decrease [reflecting the credit embargo and Volcker's usurious interest rates]. We wish to correct this and return to normal, steady growth."

As one official told *EIR*: "We pay special attention to our relations with the U.S." Romania's desire to expand trade and remove the obstacles impeding this expansion formed the center of discussions in Washington in May between the Romanian foreign ministry delegation, led by Foreign Minister Stefan Andre, at the State Department. During that time, parallel talks were held in Washington at the Department of Commerce with officials of the Romanian trade ministry. The delegation also held talks in New York, including one meeting with 90 people from the business community.

Removing the impediments

The May talks in Washington led to ensuring that Romania's Most Favored Nation (MFN) status in trade relations with the United States would continue, though MFN was not granted on a permanent status, as requested by Romania. Other serious obstacles to expanding U.S.-Romania trade and ties remain, both as a legacy of the policies practiced by Reagan's predecessor, Jimmy Carter, or as a testimony to plain ignorance and stupidity in some U.S. government cir-

cles, which stereotype Romania on account of its Warsaw Pact membership, and, ignoring even the most basic reality principle, make policy blunders of the most incredible magnitude.

Two critical U.S. governmental bottlenecks to expanded trade are the United States's refusal to grant Export-Import Bank credits to Romania, and the stoppage of low-interest Commodity Credit Corporation (CCC) loans to Romania for necessary feed grain and other commodity imports—a vindictive measure enacted by Carter in 1980, for no valid reason.

Romania agriculture

To understand the depth of pro-American sentiment in the country, we can refer here to talks with senior officials of the Ministry of Agriculture, who listed existing protocols and agreements with U.S. firms and institutions in the farming domain. These include two joint projects with Cyrus Eaton World Trade Corporation, one involving 25,000 hectares in the Danube Delta devoted to fattening pigs, cattle, and lamb, with all meat products destined for export. The second project is in the Oltenia region, where an integrated poultry complex will be built, plus modern slaughterhouses for poultry and cattle. Alongside this will be a specialized seed farm, for corn, soybeans, and clover. Other projects under discussion with Cyrus Eaton include a rabbit farm and a geese farm, with products destined for export. On July 15, Cyrus Eaton specialists arrive in Bucharest for talks.

Other agreements with the United States include protocols with the University of Nebraska for research in improving pig rearing; with the University of Iowa on corn growing with the U.S. Grain Association, the U.S. Soybean Association and with the U.S. Feed Grain Council; with the U.S. Department of Agriculture on agronomy and study of results from methods applied to U.S. farming. For example, on July 2 a Romanian team left for the United States to study U.S. sunflower production and yields.

Romania is following U.S. methods to boost livestock and poultry production. On pig farms, the Romanians are establishing giant units, such as the functioning 1 million head pig complex in the Timisoara region in South West Romania. More such pig complexes are planned. Giant integrated poultry units of a similar size have also been established.

The officials we met think and act "American." "We use the American experience as a model: large, mechanized farms; planting the best quality hybrid seed . . . and have a low percentage of the population on the farms, earning a high income," they told us.

They would like much more from the United States. Romania is eager to start buying, once credit is available, U.S. pesticides, soybeans for their ambitious livestock programs, more hybrid seed, and other products. As the officials summed it up: "We're not at the level of California, but we'll be closing more and more the gap between Romanian farmers and American farmers."

Andean Pact heads of state pledge unity against the IMF

by Gretchen Small

In the next few months, the July 23-25 summit of Andean Pact heads of state in Caracas, held in celebration of the 200th anniversary of Simón Bolívar's birth, will prove to have been a crucial branching point in Ibero-American history, shaping the direction of developments for the remainder of the twentieth century.

The three days of meetings brought together the Presidents of Peru, Ecuador, Venezuela, Colombia, and Bolivia, Panama's vice president, the King of Spain, and the foreign minister of Argentina for public ceremonies and private talks in the midst of the worst financial, economic, and strategic crisis faced by the Ibero-American nations since their founding. The results, Caracas insiders report, were much more successful than the Andean Pact summit's organizers had hoped for.

Expressed throughout the several documents produced by the summit's deliberations is the concept of a single "Great Latin American Nation of Republics," the initial conception of the area's most far-sighted leaders at the time of independence nearly 200 years ago. Only through full unity, or "integration" as it is called, can Ibero-American nations become "the protagonists of their own historic mission" and fulfill "their proper role in the universal order."

The calls for integration coming from the Andean Pact deliberations have already triggered the greatest explosion of Ibero-American nationalism seen in the continent since last century's independence struggles, as the region's potential for united economic self-defense and growth open up before the population.

It will likely be Ibero-America's international creditors who first taste the power of these integrationist ideas, if, as now seems assured, they continue their obsession with collecting the continent's pounds of flesh as payment for their usury. When Brazil faced a united front of its international creditors in mid-July, Brazil buckled and accepted some version of the IMF demands, a process through which Mexico, Argentina, and the smaller debtors have also passed in the past year. The discussions in Caracas centered on putting into place the mechanisms of economic defense so that when the next debtor is pushed against the wall, the creditors' cartel would face a debtors' cartel.

A manifesto of unity

Five formal documents resulted from the summit, centered around the "Manifesto to the Peoples of Latin America" (see excerpts, p. 35). Addressed to the rest of Ibero-America the statement calls upon Ibero-America's governments to formulate a "common, global strategy" to deal with economic matters, foreign policy, science and technology, and the eradication of the interwoven drug traffic and terrorist networks which threaten their nations.

The oppressive burden of Ibero-America's \$300 billion-plus foreign debt was a central feature of the presidents' deliberations, and the meeting concluded with the first public commitment by a group of heads of state to joint action to defend their nations' right to development against the demands of international usurers.

"We proclaim the need for the Latin American commu-

nity to reach an agreement on the problems arising from foreign indebtedness, and to prevent efforts to undermine our national sovereignty through manipulation of the international financial system," the final declaration states. "In the same way that the international banks have jointly formulated policy to defend their interests, so it is necessary for the governments of the debtor countries to agree, in turn, on a common strategy which attends to their own interests."

Pieces of a broader regional market were also assembled in Caracas. Separate cooperation and coordination accords between the Andean Pact and Panama and Argentina were signed during the Caracas summit. The Argentine accord mandates the establishment of a "permanent mechanism to exchange information, consult, and coordinate" between the Republic of Argentina and the regional body, specifying that "reciprocal consultation on matters relating to the world and regional financial-economic situation" must be intensified "in order to identify areas of agreement for eventual joint action."

Similar accords are under study by Brazil and Mexico, the Andean Pact document reports.

All eyes are now on the Aug. 1 meeting of special representatives of the Ibero-American heads of states in the Dominican Republic, where agreement on common guidelines in the renegotiation of each country's debt is to be hammered out. The Andean presidents in their final statement called upon that meeting—a closed-door session with representatives of all the countries, including the other three big debtors, Argentina, Mexico, and Brazil—to put together a "program of joint regional action."

In turn, agreement to convoke a Latin American Economic Conference in the fall is expected from the Santo Domingo meeting. That conference could then institutionalize and expand the emergency Common Market mechanisms now being put in place, into a full "Zollverein" (customs union) within the region.

A reserve of peace

The deployment of U.S. military force to Central America, dubbed "aircraft carrier diplomacy" in the Caracas press, was a constant backdrop to the summit—and universally rejected. "There is no cause or reason that can justify the military, political, or administrative presence of colonial or neocolonial powers in our region," states the Manifesto to the Peoples. "We maintain that Latin America's problems must be solved without foreign interference, that our continent must become a reserve of peace."

A separate statement of support for the peace efforts of the Contadora Group, citing specifically the peace program contained in the July Declaration of Cancún by the presidents of the Contadora Group members—Colombia, Venezuela, Mexico, and Panama—was issued by the presidents of Ecuador, Bolivia, and Peru, and the foreign ministers of Argentina and Spain at the summit.

In a banquet speech July 23, Colombian President Belisario Betancur warned of the universal rejection any super-

power military intervention in Central America will provoke. "We are mature sovereign nations," Betancur said; "today we do not need the great power games nor their balance of power designs. . . . Force is not government; a subregional order could be temporarily created by force, but that force will not create a stable government, because all our peoples would rise up to recover their dignity."

'Malvinazo financiero'

The presidents met as the continent girds its forces for a "financial Malvinazo" over the next two months; a head-on confrontation between creditors and debtors over terms and conditions of debt payment which is becoming the financial equivalent of Argentina's battle against Britain's colonialist forces in the Malvinas Islands last year.

International creditors, led by the Swiss, have broadcast their intentions to force a showdown with the debtor nations between now and the end of the third-quarter payments period Sept. 30. Their only hope for success, they are well aware, is if the debtor nations remain separated and isolated internationally.

Thus news of the Andean Pact summit and its outcome was blacked out internationally by the wire services, just as news of the dramatic success of the July 21 National Day of Protest against the International Monetary Fund (IMF) in Brazil had been suppressed the week before.

Instead, international financial newspapers have concentrated on Venezuela- and Brazil-"bashing" writing of the weakness of these economies and their failure of will to impose measures austere enough to satisfy the creditors. Published threats to seize Venezuelan assets in British and London banks if Venezuela did not accept an IMF agreement in the course of August provoked an uproar in Caracas this week.

Banking sources have outlined a country-by-country strategy to break the debtors over the next two months, beginning with a mid-August confrontation between Venezuela and the IMF, followed by Mexico's Aug. 20 repayment deadline of \$1.3 billion to the Bank for International Settlements (BIS), and a September crisis with Peru.

A collapse of Argentina's credit arrangements was generally expected to wait until the end of September, when the first results are revealed of a judicial investigation into the origins and use of Argentina's public foreign debt that led to a panic at the end of July that Argentina was about to declare a cessation of payments. The finding by a team of investigators under Judge Anzoategui that no records existed for over half of Argentina's (\$40 billion debt) and that Central Bank and Finance Ministry officials had taken kickbacks for contracting many of the country's debts, led to the recommendation that a judicial order be issued blocking payment on any principal and interest until the matter was "clarified"! Now an Argentine financial crisis is viewed as imminent.

A July 24 article in the Swiss financial daily *Neue Zürcher Zeitung* under the title of "The debt crisis, Act II," outlined

the Swiss bankers' hopes—and fears—on the potential for crushing possibilities for united action. What most concerned the Swiss daily was the continuing failure to secure a firm agreement between the IMF and Brazil. "The recent strikes have shown [that the situation is on] a razor's edge," the Swiss paper acknowledged.

A frequent voicebox for BIS head Fritz Leutwiler, the *Neue Zürcher Zeitung* reminded its readers that the Swiss remain committed to crushing the debtors, even if it means bringing the world financial system down. "In this game of poker, the BIS has demonstrated forcefully its determination to bring to an end the Brazilian's delaying tactics . . . the Basel institution still has the faculty of calling Brazil into default at any moment of its choosing," the paper warned.

Writing as the Andean Pact presidents issued their debt call, the Swiss voice reassured its readers that as long as key countries stick by their bilateral deals with the IMF, this "decreases the danger that the leading international debtors could gang up together and establish a cartel, and in this way dictate their conditions for debt reorganization."

The continent's creditors should study the miscalculations that surprised the NATO powers in the prosecution of the Malvinas War. Argentina was defeated in that battle, but the political will of Ibero-America was not crushed—only strengthened. It was the Malvinas War that set into motion the process of integration and unity which make possible the creation of a debtor's cartel the next time a debtor nation is pushed to the wall.

Current hardball games with Venezuela to force the government to accept a full IMF standby accord before the December elections may prove the case. Operating off a profile that Venezuela's leadership will panic and run to the IMF if pressured enough, banking circles began putting out the word that Venezuelan assets deposited abroad might be seized if Venezuela attempts to extend the 90-day moratorium on principal payments which expires Sept. 30. A *New York Times* piece July 25 citing First National of Chicago's assistant vice-president for Latin America, Robert Bond, suggesting seizure of assets as one option of the banks became front-page news in all the Caracas press.

But in the nationalist atmosphere dominating Caracas following the summit, all bets are off on how Venezuela will respond.

Presidents agree on trade and cooperation

The disintegration of the 14-year-old Andean Pact itself was reversed in the conclusions of the discussions, themselves the culmination of a month's intense preparatory work including meetings among the five central bankers, as well as among agricultural and foreign ministers to draw up docu-

ments in the month of July. Political support for the presidents' efforts was mobilized in a founding meeting of the Andean Labor Council in La Paz in mid-July, while representatives of the member nations' five Congresses met simultaneously in Caracas under the auspices of the Andean Parliament. Both the labor caucus and parliamentarians issued statements urging their governments to take the step of collective debt negotiation to combat the IMF.

Cooperation accords signed in Caracas included:

- A program to found the José Celestino Mutis Andean System for Agriculture and Food Security. The document brings agriculture under the auspices of the Andean Pact for the first time, outlining steps for transfer of technology and know-how in the field of agriculture, coordination of financing for agricultural development, and the creation of multinational agroindustrial businesses of the Andean region. A system of informational exchange on food supplies, maintenance of coordinated national food reserves to cover for emergencies, and for financing the food needs of any country in an emergency, was spelled out.

- Facilitating of **interregional trade** through a renewed commitment to reduce internal trade barriers and create new financial mechanisms for trade. In addition to committing greater resources to the Andean Development Corporation and the Andean Reserve Fund, the presidents called upon the regional organization to draw up a plan for "the gradual establishment of a unit of account applicable to certain commercial transactions within the region," to be called the Andean peso.

- The original purpose of the Andean Pact—industrial cooperation and controls upon foreign investment to ensure that it contributes to national development—were reiterated in full.

- A program of **cooperation in scientific and technological research and training** was signed, establishing permanent relations between national research efforts, mandating joint research and training programs, creation of a special fund to finance these efforts, and the organization of an annual or biannual scientific meeting, to be called the Simón Bolívar Congress on Science and Technology.

- The reiterated demand for scientific and technological developments throughout the region perhaps best reflects the renewed cultural optimism infecting the continent in spite of war, pestilence, and misery. "Scientific research elevates the cultural level of the people, and is an indispensable tool of economic and political development," the Manifesto to the Peoples of Latin America states. "Science, whether as a cultural contribution or in its multiple technological applications, is fundamental to achieving the full independence of our countries. . . . We wish to make use of it as an instrument of transformation that will enable the aspirations of the Latin American people to be realized."

'We commit our efforts to economic, political and cultural integration'

The following is a translation of the manifesto issued by the Andean Pact Presidential Summit in Caracas, the 24th of July, 1983. Subtitles are in the original.

I. Message of Unity

1) The anniversary that brings us here today and the necessary reflection provoked by the life and works of Bolívar, invite us to examine the great dilemmas that condition Latin America today, in good measure the same ones which motivated the struggle of the Liberator then and which today constitute for the peoples of the Third World an obligatory reference point in their efforts to create a new international order which will enable the elimination of all forms of political, economic, and cultural domination.

2) The unity of the nations of Latin America as an historical necessity and as a fundamental political objective so that our people can fulfill the role that corresponds to them in the universal order, was proclaimed by our liberators as an unavoidable prerequisite to face foreign entrapments and to promote internal prosperity from the crucial moments of the war for our independence.

This conviction has been concretized in numerous accords and declarations which, under the inspiration of the Treaty of Unity, League and Confederation issued by the Congress of Panama in 1826, was agreed to by the sister nations. The importance of this idea is as alive as ever in the face of the threats or aggressions that could be posed to the sovereignty and freedom of the Latin American states, so as to offer the unanimous and unified response that circumstances demand.

II. The Contemporary Reality

3) Territories left behind in the decolonizing process, reverses and weakens achievements on the road to securing economic independence; an unsatisfied desire for progress and social well-being; and constant efforts to reduce the educational and technological gap, testify to the necessity of the extraordinary effort our people are carrying out to achieve and consolidate their total independence and to project it to the most diverse areas of national life.

4) A great longing for liberty, united to a tenacious spirit of struggle, orients the daily efforts of the developing peoples

of the world who want to be the protagonists of their own historic mission and to carry it out without conditionalities of any sort.

Within the countries of the Third World a new sentiment is developing: that of consciousness of one's own identity. In Latin America we witnessed the appearance of a powerful and captivating tendency, which translates into a commitment to affirm sovereignty in all areas, particularly in economics, through the full exercise of our legitimate rights over our natural resources and their exploitation for development.

As an expression of this feeling, a process against the subjugation of our peoples by foreign powers is being reaffirmed, a fight which together with the affirmation of our Latin American identity, demands the categorical rejection of all vestiges of colonialism.

There is no cause or reason that justifies the military, political or administrative presence of colonial or neocolonial powers in our region.

5) Deplorably, new forms of oppression and hegemony have appeared which can be easily perceived in the totality of conditions which limit development and impede its financing.

Economic supremacy leads to political and cultural penetration while political and ideological domination also imply economic control and exploitation.

Frequently programs of cooperation hide new forms of colonialism, reinforcing existing injustices and contributing to the intensification of differences between rich and poor nations.

Similarly, foreign investments are called upon to serve as a useful complement to national savings, not to become one more instrument in the enrichment of the industrialized countries at the expense of the developing countries.

6) The exceptional indebtedness which burdens the developing-sector countries along with its excessively onerous terms, commits a disproportionate amount of their resources, limiting—when it does not paralyze—their own economic development.

Just as the international banks have jointly formulated policy to defend their interests, so it is necessary for the governments of the debtor countries to agree to protect their own interests within a global frame of reference.

7) The deterioration of the terms of trade continues to be

a factor which limits the development possibilities of the countries of the Third World, and is aggravated by the effects on our economies of the inflation in the industrialized countries.

To establish an equilibrium in the terms of trade, joint action is required in defense of remunerative and stable prices for basic products and for fluid access of our raw materials and manufactured goods to the markets of the industrialized countries.

The deceptive results of the UNCTAD VI congress in Belgrade have only been checked by a hopeful fact of undeniable significance: the growing unity and solidarity of the developing world.

8) Under the current circumstances, the world situation presents, besides an unprecedented economic crisis, an unrestrained arms race which has overtaken the developing countries and counters the desire for peace and prosperity that gives hope to their people. It therefore becomes an urgent necessity to concentrate resources on the tasks of development and to limit arms expenditures to the indispensable minimum for the security of the countries.

9) The promotion of balanced and harmonious development of the Latin American countries presupposes overcoming certain specific obstacles which limit the improvement of their inhabitants' living standards. In this sense, the lack of sea coast implies a genuine limitation to development efforts and to the benefits derived from direct access to the sea.

10) Development cannot be reduced to the establishment of exclusively political and economic objectives. It must also encompass the entirety of all aspects of social life. To establish a society which recognizes man as the final object of said development, it is necessary to establish not only fundamental changes of an economic character which assume a reallocation of resources, but also the introduction of innovations in cultural, educational and scientific policies. . . .

11) Science is an essential part of culture because it influences education and technology. Scientific research elevates the cultural level of peoples and is an indispensable tool of economic and political development, contributing the most important means by which to recognize, study and resolve problems such as poverty, marginalization, illiteracy, malnutrition and infant mortality, disease and agricultural and industrial backwardness. Science, whether as a cultural contribution or in its multiple technological applications, is fundamental for achieving the full independence of our countries. We therefore wish to make use of it as an instrument of transformation that will enable the aspirations of the Latin American people to be realized.

III. Integration Efforts

12) Latin American integration is an historical imperative bequeathed to us by our liberators and one of the most precious Bolivarian ideals.

The Latin American Integration Association and the Latin American Economic System are concrete expressions of these regional integration and cooperation efforts which must

be encouraged and deepened.

The challenge posed by the international economic crisis to Latin American development confers on this task an even greater urgency. The regional market must be revitalized, the human and material resources of our countries mobilized, cooperation in all areas strengthened, and coordination of common positions on economic, financial and commercial problems which affect the region encouraged.

In the same context, the processes of subregional integration represent steps toward achieving the objective of Latin American unity and, in that sense, should also be strengthened and its convergence actively promoted.

Within this, the Andean Group constitutes the most ambitious integration project undertaken in the region. Launched 14 years ago, subregional Andean integration—despite the external and internal difficulties it has encountered—remains fully in force. . . .

Inserted as part of this proposal to continue promoting Andean integration is the adoption of an Andean system of agriculture, food security and environmental preservation known as "José Celestino Mutis," in honor of the brilliant naturalist whose first great expedition coincided with the year of the Liberator's birth and which, like the other agreements and pacts which make up the subregional system, defines a new path toward the dynamic presence of Latin America among the nations of the contemporary world.

Similarly, the Caracas Program for Cooperation in Research and Scientific and Technological Training, in homage to the birthplace of the Liberator Simón Bolívar, proposes to strengthen the collaboration of our countries in these fields of human endeavor through joint programs of research, teaching, information and diffusion, convinced that this will contribute to accelerating our scientific and technological development.

IV. Latin American Solidarity

13) Aside from the complex road of integration, there also exist other expressions of Latin American solidarity which have their origins in a common and shared perception of values considered vital to the autonomous development of our peoples, such as occurred in the emancipation endeavor, when unity was based on the necessity of winning independence and of preserving it at all cost. This solidarity today cannot be renounceable, given that at this very moment Latin America is facing manifest threats and dangers derived from the world crisis; from the unjust international order which the great powers persist in maintaining; from the resurgence of bloc policies; from anachronistic colonialist incursions and from the existence of conflicts which find no just and reasonable solutions, all of which heighten the ever more burdensome tensions.

14) In the context of absolute respect for national sovereignties, flexible mechanisms are required to allow for rapid consideration of urgent and common-interest situations that threaten the independence or territorial integrity of the states of Latin America, the stability of their democratic regimes,

or the general peace.

15) In the political sphere, agreement on the critical problems of international scope must be reached. A mechanism for systematic consultation and periodic interchange of ideas on the most important subjects of political reality, can pave the way toward an indispensable unity which can facilitate the design of a global strategy for Latin American foreign policy. . . .

V. Human Rights in Effect

16) The Bolivarian ideal orients toward the organization of a political and social system inspired by respect for the fundamental rights inherent in the dignity of the human being, where the necessary conditions for achieving the fullest development of the individual and the community, within the full exercise of freedom, are guaranteed.

The fight for freedom is one of the most outstanding and admirable constants of the history of America, but the mission of the Liberator will remain incomplete as long as there exist on our continent political systems that trample freedom, dignity and the basic rights of man underfoot.

17) . . . On the regional level there has also been progress in establishing a regimen of international protection of human rights, defined in general outline by the American Declaration of the Rights of Man, which has been incorporated into the Inter-American system by the Charter of the OAS and developed institutionally within the most advanced tendencies through the San José Pact, a mechanism that merits the support and backing of the free republics of America.

VI. Peace and Violence

18) No less fundamental and unanimous is the common and unbending determination of our countries to defend the stability of our institutions and our right to live in peace, liberty, and democracy in the face of those who resort to violence with the aim of exchanging this system for a totalitarian one.

Besides individual and collective condemnation and repudiation, the effective overcoming of violence imposes a special political, social and cultural dynamic that serves to identify the origin of these phenomena and apply appropriate solutions with a constructive criteria.

An effort of social reforms much be undertaken to enable the great popular masses to derive the benefits of contemporary society and to improve the quality of their lives in terms of food, clothes, housing, education, health, and recreation as rights consubstantial with the dignity of the human person. Social justice and political freedom lay the basis for a stable peace that will put an end to the state of generalized violence.

19) The often-made proposal that the problems of Latin America be resolved by Latin Americans takes on special significance at this time through the initiatives of the "Contadora Group"; but this goal can only be fully reached with the firm will of all Latin American peoples, acting as one and guided by the solidarity informed by its community of struggles, interests and hopes.

State Department never heard of Andean summit

U.S. State and Commerce Department officials responsible for monitoring economic and political developments in Latin America and the Andean Pact nations were unaware of the resolution issued by the Andean Pact presidential summit July 24, and in some cases even of the summit itself, *EIR* has learned.

State Department spokesman Alan Romberg had no comment on the summit declaration at the July 26 department briefing.

A Commerce Department official, whose full-time responsibility is the Andean Pact, told a reporter he had not heard they were having a summit that weekend. When told the contents of the communiqué, he responded, "They always make declarations. I'm not sure how much attention we ought to pay to them. . . . There is a great deal of non-compliance within the group right now [with Andean Pact economic regulations]."

Another Commerce Department official had not seen the summit declaration. The official agreed that in some ways "more inter-regional trade makes sense for them," but "coordination on the debt" will create problems. The official then pointed out that while Brazil hadn't met the IMF program, Mexican officials were boasting to Commerce that they had met and exceeded IMF targets and did not even need to draw down their credit lines. Commerce "is the department of this government most concerned about IMF conditionalities," the official went on, "because they are slashing their imports and we're catching it from our exporters." Mexico had exceeded the IMF targets for reducing imports, and "in this case, they're going further than we want them to with the conditionalities."

A bureau of Latin American economic affairs official at the State Department had not heard of the summit. In a meeting the week of July 18, Treasury officials had said case-by-case negotiation and the recovery will take care of everything. Both State and Treasury officials had jointly reviewed the program for the Economic Commission on Latin America (ECLA) written by Enrique Iglesias [which called for joint action on the economic crisis] and did not like it. The official summed up the situation by stating, "I'm just watching Brazil and Argentina go down the tubes, and Colombia and Venezuela are also in trouble."

This unity of purpose becomes especially necessary to resolve the grave situation afflicting Central America, where at the present time violence has acquired the most tragic characteristics.

The imposition of authentically democratic regimes is an essential factor for re-establishing peace. This is only possible through the free expression of popular will, exercised through elections where pluralist participation, the honesty of the process, and respect for its results are guaranteed. . . .

VII. Democracy, Freedom and Pluralism

20) . . . The vicissitudes the countries of America have faced for more than 150 years of republican life toward the construction of democracy, far from signifying a sociological determinism that would make the regimen of public freedom a utopia with no basis in reality, in fact is proof of the unequivocal will of the peoples of our continent to establish, effectively and against all types of adversity, a political regime of authentic popular representation at the service of the common good of the different national collectivities.

21) The systematic and repeated practice of elections not only represents the only means to validate legitimacy in the exercise of power but by the natural alternation that it generates, when protected by the necessary guarantees so that through these it effectively manifests the popular will, it constitutes the most effective means by which pluralism can become not only the possibility of expressing ideas, tendencies and opinions under purest freedom, but also so that respect for rights other than one's own can become firmly rooted in the hearts of men and becomes a permanent way of life, the only way to make development of civil society in peace possible.

Therefore, democracy and its daily practice are not just a goal that can be reached once peace is established, but on the contrary, the ideal means by which this goal can be reached on a solid basis.

To postpone or dispense with an appeal to the popular will becomes a factor in generating tensions which can lead to situations of generalized violence, making ever more difficult the road to peace and freedom, the irrevocable aspirations and goals of Latin American man. . . .

VIII. Final Declaration

The heads of state of the republics of Venezuela, Colombia, Ecuador, Peru, Bolivia and Panama:

United by the thought of the Liberator Simón Bolívar, identified in the diagnosis of Latin American and world reality, and committed to a joint effort to make of the Bolivarian doctrine an effective way of life for our people, declare:

First, we affirm Latin American unity as an indispensable condition by which our nations can acquire within the international community the place to which they have the right, and we commit our efforts to achieving the economic, political and cultural integration of the region.

Second, we proclaim with pride the Latin American essence of our people, a melting pot of races, and our proud decision to continue as such within the universal spirit open to all ethnic and cultural contributions to humanity.

Third, we affirm that the Latin American destiny of our people is our own destiny. We therefore reject the policy of blocs and the attempt to link objectives of world supremacy with the contemporary processes of our countries. Alignment with this policy weakens the unified march of the Latin American Community.

Fourth, we reaffirm our will to continue to struggle with bold enthusiasm for a new international order capable of guaranteeing freedom, peace and justice to all the peoples of the earth.

Fifth, we confirm our unity with other peoples of the Third World to confront underdevelopment, and establish a New Economic Order which reverses the tendency toward deterioration of terms of trade, assures just prices for raw materials in the international markets, and leads to the indispensable overcoming of the technological gap.

Sixth, we proclaim the need for the Latin American community to reach an agreement on the problems arising from foreign indebtedness and to prevent efforts to undermine our national sovereignty by manipulating the international financial system.

Seventh, we express our full support to the meeting of special representatives of the heads-of-state of the region to be held in the Dominican Republic to analyze the proposals contained in the document "Bases of a Latin American Response to the International Economic Crisis," and the convening of a Latin American Economic Conference to implement a joint regional action program.

Eighth, we affirm the necessity of reorienting the multilateral monetary and financial agencies, internationally and regionally, to enable them to offer to the developing countries effective, opportune and sufficient help to permit them to pay their foreign debt and supercede the emergency.

Ninth, We reiterate that foreign investments should be subjected to the legal order of the country in which they exercise their activities, and if it be the case, to the common multilateral regimens, and to cooperate in encouraging programs that lead to further prosperity and consolidation and progress.

Tenth, we ratify our decision to encourage science and technology in our nations, convinced that they are fundamental factors of integration and important tools of political, economic and cultural change.

Eleventh, we condemn the illegal drug traffic which has disrupted contemporary society and whose impact on the economy and politics demands a decisive and joint action for its eradication.

Twelfth, we reiterate our conviction of the necessity of limiting arms expenditures and applying these resources instead to the tasks of economic and social development of all peoples.

Thirteenth, we affirm categorically the intrinsic equality of all states and, as a result, the need to establish democratic management of the international community, the only way respect for individuality and each country's way of life will not depend on its level of development or military capability.

Fourteenth, we pose the necessity for an effective reform of the regional international agencies, so that in them our community can efficiently develop the necessary constructive dialogue with other nations of the hemisphere and with other regional communities.

Fifteenth, we reaffirm respect for the principle of self-determination of peoples and, therefore, we reject all direct or indirect intervention in the internal affairs of each state.

Sixteenth, we maintain that Latin America's problems must be solved without foreign interference, that our continent must become a reserve of peace and that the internal peace of our republics assumes freedom and justice, as well as effective maintenance of participatory democracy.

Seventeenth, we ratify our democratic faith not only as a political system but as a way of life, effective guarantee against anarchy and despotism. We affirm participatory democracy as the Latin American option for traveling the path of progress toward the future.

Eighteenth, we maintain our adhesion to the principle of ideological pluralism, an indispensable element in the institutionalization of freedom and so that Latin America will have the consciousness of a nation of free men.

Nineteenth, we affirm our unalterable will to fight for respect of human rights, an aspiration rooted in our peoples and the true motivation that led us to attain the condition of sovereign nations.

Twentieth, we support the struggle to rescue the dignity of the human person wherever he may be subjugated, and we commit ourselves to defend that being wherever he or she may be.

Twenty-first, on this bicentennial anniversary of the birth of the Liberator Simón Bolívar, we call on the governments and peoples of the different republics of our one great nation to construct a democratic Latin American community that will allow us an active solidarity among ourselves and a united and meaningful presence in the international arena.

Twenty-second, to all the countries of the world we offer our fraternal and unified support to the causes of freedom, justice and peace, for which Simón Bolívar, the common father of our nations in whose memory we have gathered two centuries later in the city of his birth, Caracas, always fought.

July 24, 1983

Luis Herrera Campins, president of Venezuela
Belisario Betancur, president of Colombia
Osvaldo Hurtado Larrea, president of Ecuador
Fernando Belaunde Terry, president of Peru
Hernán Siles Zuazo, president of Bolivia
Jorge Illueca, vice-president of Panama,
representing President Ricardo de la Espriella

Club of Life mobilizes for Operation Juárez

by Mary McCourt

Emergency conferences held by the Club of Life July 20 to 25 drew 1,200 persons in support of a call for the formation of a debtors' cartel. The call was made by the presidents of the Andean Pact nations—Colombia, Venezuela, Bolivia, Ecuador, and Peru—when they met in Caracas, Venezuela on July 24, Simón Bolívar Day. The Club of Life conferences, held in 14 cities in Europe, 30 cities in North America, and 3 in Ibero-America, were mandated by founder Helga Zepp-LaRouche to put all the resources of this, the only international organization committed to stopping international genocide and the destruction of culture, behind Operation Juárez—the fight for a debtors' cartel and common development policy for Ibero-America.

The conferences focused on *EIR* founder Lyndon LaRouche's assertion that replacing the "age of manipulation" with "age of consultation" is the only way to end both the economic crisis and the careers of such political thugs as Trilateral Commissioner Henry Kissinger, whose deployment is to smash all momentum for a debtors' cartel.

Conferences held July 21 in Washington, D.C. and New York brought large numbers of Ibero-American and African diplomats to hear U.S. Club of Life coordinator Nancy Spannaus, National Democratic Policy Committee chairman Warren Hamerman, and *EIR* Washington bureau chief Richard Cohen in Washington, and Club of Life founding members Frederick Wills and Antony Papert in New York. Wills is a former foreign minister of Guyana.

Telegrams from the United States, Europe, and Ibero-America were sent to the Caracas meeting, both from the Club of Life conferences and from farm groups and trade union leaders. A total of 225 leaders in the U.S. labor movement, along with delegates to the Mexican-American Political Association at their West Coast convention, endorsed the call by Pedro Rubio, secretary general of the Colombian Workers Union, for the formation of a North-South Labor Committee of the Club of Life, through which unionists of the advanced sector and underdeveloped nations can unite to stop the depression.

From Peru to Chicago to Rome

The Club of Life conference in Lima, Peru was addressed by Enrique Aviles, a representative of the Workers Union of the Peruvian Revolution (CTRP) and a leading member of the newly formed Andean Labor Council, which in July called for the Andean governments to collectively renegotiate

their foreign debts. Aviles's speech demonstrated that nationalists in Peru are looking to the Club of Life as an organization whose economic program and cultural optimism are weapons against the terrorism threatening the government. "I congratulate the Club of Life for its program Operation Juárez and for the way in which the integration of the Latin American countries is evolving on the Andean level," Aviles told the 60-person gathering, which included representatives of the national APRA party.

U.S. labor and farm organization leaders spoke at the conferences held around the country July 24. In Philadelphia, over half the 235-person audience was drawn to the conference after they heard *EIR* editor-in-chief Criton Zoakos describing the urgency of the international crisis on a popular radio talk show two days before.

Ron Thelin, international vice-president of the Operatives, Plasterers, Cement Masons International Association told the Club of Life meeting in Chicago that "The U.S. labor movement has to face the fact that the AFL-CIO is controlled by the Trilateral Commission." Club of Life leader Dennis Speed, also speaking in Chicago, declared that Operation Juárez is the means by which the U.S. Congress can take back its constitutional responsibility—the issuance of credit, and the promotion of commerce, and the general good.

"Was not America settled by people seeking freedom from oppression?" Luisa Tipton from the Argentine Organizing Committee asked a 100-person Club of Life audience in Los Angeles. "Today when we see gunboats pointing at our own brothers of this continent, they don't have the British flag, they have the American flag."

Frank Endres, California president of the National Farmers' Organization, declared in Los Angeles that the plight of Ibero-America is the same as the plight of the U.S. farmer, because both are incapable of getting out from under their debt burden without a change. NFO Executive Board Member Art Wilson added that "People in this country must understand that even though we're the most efficient businessmen in the country, we just can't produce at half the cost of production."

The Club of Life held demonstrations throughout Europe in support of the July 21 general strike against the IMF in São Paulo, Brazil, and to build for conferences in West Germany, Denmark, Sweden, France, and Italy. The unchecked rampages of Kissinger and his allies in Europe, which allowed such disasters as the formation of the fascist Bettino Craxi government in Italy, were cited to show the urgency of Operation Juárez for the dying economies of Europe.

The July 20 Club of Life conference in Rome was attended by many representatives of Italian state industries, including the ICE, the institute of foreign trade, the state steel industry, and the IRI conglomerate, as well as by representatives of the budget ministry and the small industries association. Ibero-America is crucial for Italy, which not only has large investments there, but is facing a comparable debt crisis.

Kissinger's new peace writing off the Arabs

by Nancy Coker and Allen Douglas

On the advice of Henry Kissinger, President Reagan is reportedly considering "writing off" the Arab world as partners in the Middle East peace process, and making Israel the centerpiece of U.S. strategy in the region. Jordan and George Shultz's pet Syria are no longer deemed reliable countries to work with, White House sources report. Even Saudi Arabia, America's closest ally in the strategic Persian Gulf, may be blacklisted. Reagan is said to be particularly furious at the Saudis, the recipients of advanced U.S.-made AWACS surveillance planes, for not adopting a more active role in the Middle East.

In following Kissinger's advice, Reagan is shooting himself—and America—in the foot. Not only is he delivering the Arab states to the Soviets. He is also consolidating a special relationship with one of America's least reliable allies—Israel. As intelligence insiders know, Israel maintains a well-concealed back-channel relationship with Moscow, managed by David Kimche, director general of the Israeli foreign ministry, and by Edgar Bronfman, president of the World Jewish Congress. Israel and the Soviet Union share an interest in the radicalization of the Arab world, the Israelis using such radicalization to manipulate the United States into supporting Israel's "Greater Israel" designs and transformation of itself into a world-class nuclear superpower. The Soviet goal, however, is the expulsion of the United States from a position of power in the Middle East.

Behind these machinations is an elaborate, treasonous deal that Kissinger has been secretly brokering with Moscow, whereby Moscow agrees to recognize Washington as the dominant force in Ibero-America, and in exchange Washington agrees to increased Soviet influence in the Middle East.

This deal is the core of a new Middle East "peace plan" that Kissinger, having wrecked President Reagan's own peace efforts, is now putting into place.

The parameters of this plan were outlined in the London *Sunday Times* of July 24. "After 11 months of intensive American diplomatic effort, this is the gloomy scenario: Syria is in the driving seat, Soviet influence has increased," and the Americans are looking for a way out. As the *Times* notes, "There is a feeling high up in the U.S. administration that America should forget its grand designs for peace in the Middle East." The London daily quotes one source saying that "the Middle East is declining in strategic importance."

'breakthrough': in the Mideast

Assailed by crises in both hemispheres, writes the *Times*, President Reagan will find himself under pressure to pull out of one of them—the Middle East.

Enter Henry Kissinger and his peace plan.

The strategic context

It is not only the Middle East in which the United States is slated to drastically lose influence. Soon after returning from meetings with senior officials in British intelligence in London during May 1982, Kissinger began delivering speeches outlining a U.S. retrenchment to "25 percent of its former global power projection."

This was made more specific in a speech in late June at Harvard University by Zbigniew Brzezinski, the man who, besides Kissinger, did the most to destroy U.S. influence in the Middle East, with his "Muslim card" overthrow of the Shah of Iran. Said Brzezinski: "A new strategic triangle linking the U.S.A., China and Japan could become in a short while more important than NATO itself. The focus of the world interests of the United States will be more and more the Pacific, which will replace Europe as the primary partner both economically and politically. Cold war is now a worldwide phenomenon, but the actors are the U.S.A. and the Soviet Union, while Western Europe is gradually coming out from the East-West conflict."

The man who deliberately lost Iran went on to say: "The explosiveness now confined in Central America could spread in Mexico. There are sinister parallelisms between Mexico and Iran." Translated into plain English this means that an "independent" Europe will come increasingly under Soviet sway, and the United States will be tied up with uncontrollable violence on its own border. The "Pacific basin" strategy, as Brzezinski outlines it, is only for the mickeys, just as his "Arc of Crisis" was supposed to surround the Soviet Union with Muslim uprisings spilling over into the Soviet Union itself. And the key figure handling both the Ibero-American and Middle East hot spots at the moment is Kissinger.

The dirty deal in the Middle East

With the moderate faction of the Palestine Liberation Organization under Yasser Arafat virtually destroyed thanks to Soviet-Syrian-inspired "rebellions" within the PLO, the only stumbling block to Kissinger's deal are the difficulties

between Syria and Israel. To win Syrian—and Soviet—cooperation, Kissinger is offering Damascus a sizeable chunk of eastern and northern Lebanon to satisfy the "Greater Syria" passions of the Syrian leadership. In the words of one Arab intelligence source, "Lebanon is to be sacrificed in the interest of bringing Damascus and Moscow in on the deal."

In exchange for the de facto annexation of a piece of Lebanon, Syria would drop its demand for Israel's return of the Golan Heights, agreeing to an arrangement whereby only a small part of the Golan would be returned. The return to Syrian control of even a segment of the Heights, occupied by Israel since 1967, would transform Syrian President Hafez Assad overnight into a hero of the Arab world. Israel would of course keep southern Lebanon.

The last remaining aspect of the deal involves Jordan and the Palestinians. Jordan's King Hussein is being pressured to move forward into West Bank autonomy talks, speaking for the Palestinians. Until now, PLO leader Yasser Arafat has been reluctant to give King Hussein a mandate to represent the Palestinians in the talks. Now, however, thanks to the Soviet Union, Syria, and Libya, the PLO has been shattered, and Arafat is in no position to resist pressure to throw his lot in with King Hussein, in accordance with Kissinger's "peace plan." The so-called autonomy of the West Bank would make it into no more than a South African-style Bantustan, with Palestinians providing cheap labor for the massive defense industry complex which Science and Technology Minister Yuval Neeman is constructing on the West Bank.

The Israelis say 'yes'

An unmistakable signal that the Israelis have agreed to the deal is the issuance of a strategic memorandum by the Center for Strategic Studies at Tel Aviv University, shortly after Kissinger's visit to Israel in late June. In between meetings with Israeli leaders, Kissinger spoke twice at this same Center for Strategic Studies, Israel's top think tank for Middle East affairs.

The strategic memorandum, written by Zvi Lanir, states point-blank that Washington should no longer be relied on as a broker for a Middle East peace settlement. "Dependence on the American solution is fraught with danger. It might well prove to be a fragile solution, and it might lead to a situation in which the U.S. will decide to deal with the entire Middle East conflict. Israel must, parallel to dependence on the American factor, work toward opening lines of communication with the Syrians in the hope of being able to establish a dialogue with Syria, without American intercession. Of course, there is a danger that an Israeli-Syrian agreement on lines in Lebanon will, in time, create a de facto partition of Lebanon. . . . Another danger inherent in this model is that Lebanon will turn into 'the West Bank of the north.'"

Reflecting Israel's growing public antipathy to an "American solution" per se, a group of Israeli parliamentarians visiting Moscow in mid-July called for an increased Soviet role in the Middle East peace process.

Why the KGB likes Kissinger's Mideast role

by Judith Wyer

Circles close to Saudi Arabia's King Fahd have reportedly become puzzled over the pressure which the U.S. State Department has been putting on the Saudis to open relations with the Soviet Union. Secretary of State George Shultz and his mentor Henry Kissinger support "opening up" the ultra-conservative oil exporters of the Persian Gulf to the U.S.S.R., despite Moscow's open backing for radical Arab and Muslim terrorist movements, which the Saudis see as a threat to the monarchy.

Since Yuri Andropov took power late last year, Moscow has begun an unusual public campaign to win relations with Saudi Arabia and its oil-rich neighbors.

Pavel Akopov, the newly appointed Soviet ambassador to Kuwait, the only Arab Gulf oil exporter with a Soviet embassy, gave a lengthy interview to the Kuwaiti daily *Al Anbaa* last month, breaking the traditional silence of Soviet diplomats in the Middle East. Akopov, who was named ambassador earlier this year from his post in the Soviet Foreign Ministry and charged with the task of re-establishing relations with Saudi Arabia, expounded on the importance of "mutual respect for sovereignty and non-intervention" and welcomed "any power that would want to cooperate with us in the interest of peace and security of peoples."

The irony of the matter is that the embassy that Akopov heads is the KGB center of operations for the entire Gulf region. With a staff of over 250, the KGB uses the embassy to conduct clandestine operations throughout the Gulf, working, in part, through the University of Kuwait. The KGB has also cultivated assets and agents of influence within the Muslim Brotherhood, a terrorist secret society that advocates breaking with the West in general, and with America in particular.

The Kuwait-led Gulf Cooperation Council, composed of six Arab Gulf states, has been operating as a key connection point between the Gulf states and Moscow. On July 25, a high-powered Kuwaiti parliamentary delegation led by National Assembly Speaker Mohammed Yusuf Adasani visited Moscow to discuss bilateral relations and the need for more Soviet efforts to end the Iran-Iraq war.

A well-informed American source in Jeddah, Saudi Arabia, reports that U.S. State Department experts have been urging King Fahd to open ties with the Soviets, on the grounds that Saudi Arabia could then be used as a conduit for Muslim fundamentalist destabilizations of the Muslim regions of the U.S.S.R.! This is the same "arc of crisis" policy by which

the British and their Carter administration allies brought the Khomeini regime to power in Iran. Considering the success that the Soviet Politburo's Geidar Aliyev has had running Islamic fundamentalist operations for his own purposes, Washington's revival of the arc of crisis policy is analogous to instructing a sparrow to intimidate a cat by perching before the beast and flapping its wings.

Capitalizing on U.S. failures

Moscow's strategy in the Middle East is to fill the policy vacuum left by the erosion of U.S. influence during the Kissinger-Vance-Shultz era.

For the past month, the Soviet press has been gloating over Shultz's latest gift to them in Lebanon. The Soviet news agency TASS commented on Shultz's early-July failure to get an agreement from Syrian President Hafez Assad to withdraw Syrian troops from Lebanon. "The U.S. Secretary of State himself does not deny that his three-day tour of the countries of that region was unsuccessful," wrote TASS. "Frankly, it is a logical result, predetermined, actually, by the very contents of U.S. policy in the Middle East."

A commentary on Soviet Domestic Television Service rejoiced that America's inability to solve the Lebanon crisis was weakening U.S.-Saudi ties: "King Fahd took a negative line toward the Lebanese-Israeli agreement in his talks with Shultz. The Saudi monarch . . . views this agreement as a reward for Israel's incursions into Lebanon and occupation of the country."

Another commentary from TASS concluded: "The progressive forces of the Arab world are firmly opposed to the U.S. policy in the Middle East."

The "progressive forces" to which TASS referred include the Nazi International's radical assets, which Moscow has been cultivating within the Palestine Liberation Organization to destroy the moderate leadership of PLO chief Yasser Arafat. Moscow has not hidden its displeasure with Arafat since the PLO chief showed signs of willingness to support President Reagan's Mideast initiative last year. According to PLO Foreign Minister Farouk Kaddoumi, recently in Moscow, the Soviets have run out of patience with Arafat, who has refused to heed Moscow's impossible request that he share his leadership with terrorist PLO leaders.

The Soviets are also on the move in Lebanon. A group of Soviet-Syrian puppets, including Druse leader Walid Jumblatt, former President Suleiman Franjeh, and former Prime Minister Rashid Karami, have formed a "National Salvation Movement" to overthrow the Lebanese government of President Amin Gemayel. A top Soviet delegation visited Damascus over the past few days under the leadership of the deputy head of the International Department of the Central Committee Karen Brutens. In addition to making final arrangements on the partition of Lebanon, Brutens and company were also said to be arranging for Syrian Foreign Minister Khaddam to meet with U.S. Secretary of State George Shultz at the United Nations in September, perhaps to share a glass of champagne over the final partition of Lebanon.

Kampuchea: The smile is back

by Daniel Snieder

Throughout Kampuchea, the symbol of the Khmer people, the warm and ready Khmer smile, has returned. The darkness of the Pol Pot regime, the legacy of its butchery, has finally begun to recede. Now that famous smile can be seen on the faces of women and children playing in the streets of Phnom Penh, on the faces of young men sitting by the roadside in the provinces, having a cold drink in the heat of the June sun.

This June I spent two weeks in Kampuchea, including a week of travel through a third of the country's provinces. I talked not only with Phnomh Penh officials at the highest level of the government of the People's Republic of Kampuchea, but with provincial officials, party leaders in many provinces, teachers, physicians, students, and scores of ordinary people in the villages.

My impressions were juxtaposed with two other views of Kampuchea. One was my own, from a visit here almost two years ago. What had changed; what had not? Were the changes for the better? The other view was one found in a series of articles earlier this year in major Western newspapers such as the *Washington Post* and the *New York Times*. In the view of the latter, Kampuchea's harsh poverty was increasing on a broad scale; it was under stern military "occupation" by the Vietnamese; the suppression of Buddhism and widespread political indoctrination were again being imposed by "communists" who are no different from Pol Pot and Ieng Sary.

Alongside these reports is the charge widely circulated by U.S. State Department and CIA personnel, and echoed by circles in the Association of South-East Asian Nations (ASEAN), that Vietnam is colonizing Kampuchea, bringing in Vietnamese farmers to settle there, with the aim, as a senior U.S. diplomat told me in Bangkok, of "totally absorbing Kampuchea."

All these judgments struck me as alien to my own experience two years ago, but perhaps things had changed. Here is what I found.

In the aftermath of disaster

Kampuchea has many of the problems of other underdeveloped countries. Its economy is almost entirely based on

agriculture, with very few industries, producing only textiles, glass, cigarettes, and a few other staples. Agriculture itself is almost entirely dependent on the bounties of nature, particularly for water. There are few chemical fertilizers or insecticides. Man's labor is supplemented only by water buffalo drawing wooden plows with metal tips. Transport, communications, and power infrastructure is extremely limited, and electricity really available only in Pnomh Penh, with supply in smaller provincial capitals limited to a few evening hours provided by diesel generators.

But Kampuchea's problems, and its accomplishments, cannot be seen as those of any poor Third World country. From 1970 until 1975, it was torn apart, subjected to some of the most intense bombing in modern history, its towns and cities swollen with refugees, and its social and political fabric shredded by a brutal civil war between the U.S.-backed Lon Nol regime and the insurgency of the Khmer Rouge, which was in a front with Prince Norodom Sihanouk and which had been backed for some time by Vietnam. In April 1975, when the Lon Nol regime finally fell to the insurgents, Kampuchea faced extraordinary tasks of reconstruction.

Then came the rule of Pol Pot, which, particularly in the last two years of its almost four-year rule, carried out genocide against its own population—a Maoist bloodbath that killed at least 2 million more Kampuchean and virtually eliminated all the educated people in the country. The obliteration of all urban life, of schools, of Buddhist pagodas, and the subjugation of Kampuchea to a regime of rural slave labor under starvation conditions, have left indelible marks on the population.

The beginning

The Heng Samrin government, established after the Jan. 7, 1979 liberation from Pol Pot, has now been in power for more than four years. What it has accomplished, with the aid of Vietnam, the U.S.S.R., other socialist countries, and various relief agencies, must be judged in light of the situation it has inherited.

The almost complete absence of educated people has

manifold consequences. One is that the government administration—particularly in the provinces, as I discovered—is composed largely of primary school teachers, the largest group of educated citizens left alive, who before 1979 had no experience in such activity. A functioning government, from the central ministries in Phnom Penh to the officials of rural districts, had to be built from nothing.

The social problems are also unique and formidable. Due to Pol Pot's slaughter, the female-male ratio is now estimated to be 60 to 40 or even 70 to 30. Tremendous burdens are placed on farming: hence the emergence of "solidarity group" forms of cooperative organization which are less a product of socialist approaches to agriculture than of the sheer necessity of sharing labor, particularly for plowing and harvesting, when there is a shortage of adult males. Many women of child-bearing age have no chance of finding a husband.

Perhaps what most captures the special problems facing Kampuchea is the condition of health care. Officials of private relief agencies in Phnom Penh told me that the government is in fact falling behind in this field and the situation is somewhat deteriorating.

In Prey Veng, an eastern province with a population of between 600,000 and 700,000, there is only one doctor resident at the provincial hospital in the city of Prey Veng. A Kampuchean woman named Tan Vouch Eng is one of the first crop of graduates from the re-established medical facility in Phnom Penh. This spring she was sent to the province along with a trained pharmacist, Hang Moeun, replacing a Vietnamese doctor there since 1979.

Dr. Eng reports that the most serious problems are intestinal diseases, fevers, and tuberculosis. The hospital, which is supplemented by clinics and dispensaries in other parts of the province, lacks not only personnel but basic medical supplies, particularly serums, intravenous fluids, antibiotics, and blood plasma.

International agencies are no longer sending any help to this hospital. The Red Cross programs ended in late 1981 and those of UNICEF in late 1982. For the past six months, all supplies must come from the ministry of health in Phnom Penh, which has precious few of them. In the province of Takeo, the head of the provincial hospital, also complained of a lack of basic supplies.

Most promising is the prospect of new medical graduates who can staff these hospitals. Dr. Eng, who began her studies before 1975 and resumed them after the overthrow of Pol Pot, said she expected five more doctors to eventually join her in Prey Veng.

Education: the brightest spot

Relief agency personnel in Phnom Penh sympathetic to the Heng Samrin government report that complaints can be heard in the villages that officials are always ready to call meetings to explain national policy but can't be found when something has to get done. It is a complaint heard in many developing (or developed) countries.

The one really bright spot in the government's performance, according to both relief agency sources and diplomats in Phnom Penh, is education. The education ministry is credited by these sources with being the most efficient, well-directed part of the government, with a clear sense of objectives. This assessment is confirmed by travel around the capital and the countryside. The most visible sign of the resurgence of the Kampuchean people is the sight everywhere of children walking to school in the early morning, their books tucked under their arms. In the countryside, schools have been restored or newly constructed everywhere, often simple wood structures with palm-thatched roofs, with one side open to the air. The teacher is at a blackboard at the front of the classroom, the seats overflowing with pupils.

Thus far, the government has established a basic primary-school education (up to fourth-grade level) for everyone in the country. Secondary schools (another three years) are also being developed rapidly, though a shortage of teachers limits the pace. The education director for Takeo province, In Samol, says that there are now 238 primary schools in the province attended by 141,000 students and 24 secondary schools attended by 11,270. The population of the province is about 600,000.

Except for the medical faculty and restored teacher training and technical schools in Phnom Penh, higher education is not yet available. Some students have been sent abroad, particularly to study science and engineering in Vietnam, the Soviet Union, Czechoslovakia, and East Germany; India has also taken a small number of students, for subjects such as language training.

The success of the education program—which also includes adult literacy courses—is a strong point for the government. Khmer culture traditionally values education, and its complete abolition by the Pol Potists is seen by the people as one of its worst crimes. Parents said to me over and over how important it was that now their children could go to school. In Takeo province I was told how, after the fall of Pol Pot, the teachers still alive were assembled, about 20 percent of their previous number, and they immediately re-launched schooling.

In Kampuchea, because of the mass murder, people over 50 are a tiny percentile. The situation is accentuated by a "baby boom" since 1979: sources estimate the current birth rate at 5.5 to 6 percent. Kampucheans explain that they are making up for family members who were killed by the Pol Pot regime. The birth rate seems to be an important affirmation of their commitment to life.

The danger of drought

Observers agree that the key to further material improvements in Kampuchea will hinge on success in reaching food self-sufficiency. After the famines of 1979, the agricultural and food-supply situation has dramatically improved. Relief agencies credit the government with a relatively efficient job of distributing relief supplies and rice seed.

Last year, despite drought in some areas and flooding in others, rice production reached 1.7 million tons, according to Vice-Minister of Agriculture Mat Ly. Around the country, as rice planting neared, government officials at all levels were totally focused on the food problem. By mid-June, extremely unusual weather patterns had already delayed the normal start of monsoon rains by a month or more. It is impossible for most farmers to turn the hardened dry soil of their fields until the rains come.

The problem is in large part the result of the dearth of water pumping, irrigation, and machinery for plowing. In all of Kampuchea, there is only one well-drilling machine, brought in by the Oxfam relief agency, which has introduced a well-drilling program; UNICEF is bringing in a second machine. The government is eager to pursue these programs but has no resources of its own. And, due to the U.S. stance in the United Nations, U.N.-funded relief work is limited to strictly "humanitarian" purposes and cannot include what is called "reconstruction work," so as not to acknowledge the legitimacy of the government in Phnom Penh.

The lack of technical input will continue to restrain any large-scale increase in food-grain production. Even with limited inputs, however, there should continue to be a steady improvement, given the fertile soil of the Kampuchean plains and sufficient rain.

In the past two years, life has settled down into the stable patterns of the past. The vast internal migrations forced by the Pol Pot regime and the months-long process of return to the old villages have ended. The old provincial administrative system of districts, sub-districts, and *khoem*—the village/hamlet, which is the basic unit—has been re-established. Village chiefs are often simply selected by the people. Security and stability have returned for the vast majority of the population. The government is respected to the extent that provincial and local officials have been diligent in responding to people's needs, and simply tolerated where they have been less efficient.

The role of Buddhism

The clearest sign of this stabilization is the revival of Buddhism, whose monks and pagodas were virtually wiped out during the Pol Pot period. The pagodas were once the only centers of education, the bonzes deeply respected, and many of the leaders in the independence struggle against the French in the 1940s and 1950s were originally monks.

Recent Western press reports have claimed that the Heng Samrin government is repressing Buddhism. Even the most casual observer can find this to be an utter lie. In every province I visited, not only were the pagodas flourishing once more, but new ones were being built. Monks can be seen throughout the country; they talk freely about their situation.

At Wat Ksam in Kampong Chhnang province in the west, the monk Men Ten, who is in chagre of the monks for the province, reported that Pol Pot had left only 92 alive there. The only restriction that the government has made on induct-

ing new monks is that they must be over 50 years old; as Men Ten explained, defending the decision, there is such a shortage of young men that economic considerations forbid their becoming monks. He was confident that this was temporary, because, he said, the present government "respects the belief of Buddhism."

This observation is important in light of the charges that the Heng Samrin regime has engaged in mass indoctrination of Kampuchean in Marxist-Leninist ideology. There is no question that the top leadership of the government are communists. Pictures of Marx and Lenin can be found even in orphanages all over the country. Such adornments, however, have yet to strike deep roots in this very traditional Asian country.

The actual practice of the government remains relatively relaxed about achieving "socialism" under current conditions, and the leadership of the People's Revolutionary Party, the ruling party, is recruiting into the party in a very slow and deliberate manner. Some sources estimate party membership at less than 1,000.

There is no denying that wherever one goes, one can see political meetings. I attended one such meeting in Kandal province, where a large crowd gathered under shade trees on the grounds of a pagoda. The gatherings are hardly as insidious as the term "political indoctrination" seems to conjure up. People sit relaxed, listening to explanations of the government's policy on some local agricultural matters, or to denunciations of the Khmer Rouge and their Sihanouk-Son Sann coalition partners. In a country where there are no mass media, such events are the only forum for the government to present its policies and views.

The attacks on that coalition, operating on the Thai-Kampuchea border, are the party's main propaganda activity. The party secretary of Takeo province, Pol Sroeuun, told me that one of the main roles of the party is to reassure the people that Pol Pot will not return.

The only point of political vulnerability for the Heng Samrin government is traditional respect for former Prince Sihanouk. It is difficult to assess what residual allegiance Sihanouk still commands, but it seems clear that whatever he had is fading. Ordinary people question why Sihanouk did not revolt against Pol Pot during the years when Pol Pot was devastating the nation. For them, it is even more telling that now, after Pol Pot is gone, Sihanouk is not only opposing the government but has again allied with Pol Pot. Diplomatic sources in Phnom Penh believe Sihanouk made a grave error in entering that axis again.

Some believe that the unpredictable prince could still play some political role if he were to break with Pol Pot. But Kampuchean government sources are adamant in stating their opposition to any broad coalition such as mooted by the French, Romanians, and others. Diplomatic sources think the Vietnamese government's view of the Sihanouk question is somewhat more "flexible" than that of Phnom Penh. So long as Sihanouk remains attached to Pol Pot and his Chinese

sponsors, this is a moot question.

Lately, George Shultz, the Chinese, and others have stepped up their charges that Vietnam is "occupying" and "colonizing" Kampuchea. At the recent ASEAN summit, Shultz found new evidence that hundreds of thousands of Vietnamese had been sent into eastern Kampuchea. The evidence was somehow discovered just as some of the ASEAN nations had made new overtures to find a way to reach a settlement on the Kampuchean issue; the charges were used to hinder these overtures. Nonetheless, I investigated the charges, and found that State Department statements about Vietnam and Kampuchea bear the same relation to the evidence of first-hand observations as they did during the Vietnam War: very little.

The Vietnamese role

My observations concerning the Vietnamese presence are unchanged from two years ago. Traditional tensions between the Khmer and Vietnamese peoples remain, but I found no sense at all that the Vietnamese army forces in the country are regarded as "occupiers." Every day, Vietnamese troops can be seen, often unarmed, among the Kampuchean population, eating and drinking with Kampucheans in the cafes of Phnom Penh or the rural markets.

One night, as I was sitting in a restaurant in Phnom Penh, a group of Vietnamese and Kampuchean army officers, who had been eating together, came over to my table. In halting French mixed with a little English, they told me they wanted me to know that they were friends, that the Vietnamese and Kampuchean people now stand together against the return of the butcher.

Among ordinary people it is still common to hear what I heard from Kampuchean villagers on my last visit: that because the Vietnamese came, they are alive today. In rural areas, Vietnamese soldiers sometimes help out farmers, which has also earned them respect. Problems that exist seem to stem more, particularly in Phnom Penh, from the activities of semi-criminal Vietnamese who have drifted there in search of easy money.

Charges of Vietnamese colonization also ignore the previous history of intermingling in this region. The ethnic Vietnamese population of Kampuchea before 1975 was estimated at 500,000. Some of these were killed and many fled to Vietnam during the Pol Pot period. I encountered many Vietnamese, particularly fishermen, but all of them spoke Khmer fairly well. Most of the Vietnamese civilians in Kampuchea simply returned to their previous country of residence. I asked peasants again and again in the provinces bordering Vietnam—Svay Rieng and Takeo—whether they had noticed newly arrived Vietnamese in any significant numbers. None had.

Kampuchea has undergone unmatched agonies, but it is slowly regaining stability and normal life. Problems remain and daily existence is still a struggle; but the country is reviving, and the smile is back.

Spain's severe drought, the result of decades

by Joëlle Leconte

After five years of severe drought, Spain is suffering from a water shortage that could, coming on top of 16 to 18 percent unemployment, lead to dangerous social unrest. With rainfall at about 70-80 percent below normal and reservoirs at about 40 percent of normal capacity, approximately 1,500,000 persons are affected by water restrictions of various kinds, with 350,000 living in a "red alert zone" and 50,000 persons getting their only water from tank trucks. Already there is a black market selling drinking water in the worst-affected areas.

The Communist Party and Comisiones Obreras, the communist trade union, traditionally very strong in the desperately poor, latifundist-ridden south where journeyman labor still prevails, have begun to organize in Andalusia around the water issue. A virtual mass strike situation already exists in Valencia due to thousands of layoffs at the Altos Hornos del Mediterraneo steel plant. Since the Communists are also leading the wave of protests against the U.S. military bases in Spain and the repeated ecologist-pacifist demonstrations over the past few months, the water issue will give them another handle to use to unseat the shaky Spanish Socialist Workers Party (PSOE) government of Felipe González.

As Antonio Figueruelo Almazan, Spain's Director General of Civil Protection interviewed below, told the Madrid newsweekly *Cambio* 16 July 18, "This has all the makings of a catastrophe. The threat of desertification that affects North Africa seems to have crossed the Straits of Gibraltar. If it doesn't rain by this fall, extraordinary measures will have to be adopted. The limit is October. Then the faucets will have to be turned off." Figueruelo continued that the situation was even graver in longer terms: subterranean water levels—which take years to replace—are falling very rapidly.

Farmers are staging demonstrations in the worst-affected areas, and there has been a wave of calls for moratoria on agricultural debt in some regions.

The real criminal of the story is the monetarist faction in Spain, which has determined Spanish investment policy since the time of Charles V, the first Hapsburg ruler. There have been only a few notable exceptions to this control, such as occurred in the reign of Charles III. Spanish rulers, heavily indebted to Venetian and Genoese financiers since the discovery and looting of America in the 15th and 16th centuries,

social unrest of usury

turned the countryside from farming to sheep herding, which stripped the vegetation from the land and began a process of desertification which has led to the present drought.

Only heavy investment in infrastructure projects on a long-term basis can solve the present crisis. These must include massive reforestation programs, changing the course of the Galician and Asturian rivers on the model of the American NAWAPA program—a project of dams and canals which would bring water from the glaciers of Alaska down into the agricultural areas of California and the Southwest—and, by the turn of the century, desalinating seawater using thermonuclear fusion process, which Antonio Figueruelo Almazan alludes to below.

The avowed policy of the Bank of Spain monetarists grouped around Friedmanite deputy governor Mariano Rubio Ximenez and Enrique Fuentes-Quintana, the head of the Fundacion de Caja de Ahorros, a savings banks institute, is that Spain's economy is a lost cause, and it is not worth developing any infrastructure. In an April interview, Minister of Public Works Julian Campos expressed complete pessimism about the usefulness of investing in such grandiose projects for Spain, as opposed to developing Latin America or the Mahgreb in Northern Africa. Perhaps the spectre of a nation torn by civil disorder will make him change his mind.

Under the inhuman conditions prevailing in Spain, where water use is cut off for over 10 hours a day in Jaen and four or five other major Andalusian towns and a number of towns in Castile suffer water cuts ranging from 4 to 14 hours a day, and at a time when Spain's neighbor Africa is suffering the most severe food shortages in the world, to accept the calculations of the gray-faced bureaucrats in the Common Market and fail to make the infrastructure investments which would employ thousands of jobless workers, would be a critical error.

The following are excerpts from an interview with Antonio Figueruelo Almazan, Director-General of Civil Protection of Spain, conducted by EIR July 12 from Madrid.

EIR: What measures will your department take in the short term?

Figueruelo: The council of ministers meeting on June 1

approved a special plan against the drought. These measures call for investments of over 50 billion pesetas [\$340 million], to be pushed through as an emergency. This plan completes one approved last year for investments of around 25 billion pesetas; the various ministries intervene, depending on the gravity of the situation, in a manner which is basically infrastructural and not contingent on the present crisis.

EIR: What are the basic causes of the drought which you think governmental action could affect?

Figueruelo: The deep causes [of the drought] are both geographical and ecological. The predominance of grazing during the Middle Ages led to the disappearance of extensive forests, which slowly changed the climate and reduced rainfall. The poverty of the soil, along with increasingly acute meteorological factors, accelerated the erosion of the soil, and in some areas in a few short years we went from forest, to bare ground, to desert.

The cycle has become increasingly short; in the past 30 years there have also been a great number of forest fires. [In the case of Catalonia, these fires are known to have been started by real estate speculators.]

This acceleration of the process of degeneration was never braked by successive governments. [There was no] concerted reforestation policy to stop erosion by coherent ordering of the entire national territory with respect to water and agriculture. The combination of these adverse factors has led to an increasingly grave situation, and in some areas, an irreversible situation. This is the challenge the new government is now facing.

I do believe that modern technology has sufficient resources to solve the grave problems I refer to above. Our geography, with mountain ranges crossing it on all sides, greatly multiplies the cost of all projects for moving water from one river basin to another. According to European experts, the cost of the heavy investments initiated under Franco for the Tajo-Segura project exceeds the profitability in the medium and long term for Spanish agriculture.

In spite of that, and until such point as it becomes economically possible to desalinate sea water, the policy of balancing out the hydrography of the various river basins will have to be pursued, though I think that first an exhaustive study must be carried out of the capacity of each region, drawing on all available water through a policy of small dams.

One should not forget that the extremely high costs of heavy engineering projects will have the effect of increasing Spanish agriculture production in an international market that chronically suffers from overproduction and surpluses. [Spain's agricultural surpluses] is a problem which has paralyzed Spain's entry into the Common Market. [Much of Western Europe's fresh produce is grown in Spain. Already, French farmers are attacking and dumping truckloads of Spanish produce entering France from Spain, out of fear that they will lose their market.]

Labor-bashing

The Díaz Serrano case may have special wrinkles, say U.S. strategists who hope to collapse Mexico's institutions.

A new push is under way to break the hegemony of Mexico's PRI-allied labor unions and their 83-year old leader, Fidel Velázquez.

The International Monetary Fund and its defenders have long stated that a strong labor movement is incompatible with the levels of austerity that the IMF demands. Some of these IMF defenders acknowledge that knocking out the labor component of the ruling PRI party means the collapse of the party as a whole, and a rapid downward spiral into ungovernability—the real goal of the depopulation strategists who control the Fund.

A case in point are some recent comments by Robert Bond, regional manager of First National Bank of Chicago. Bond is one of the highest-level think tankers on loan to the U.S. banks in the Ditchley Group creditors' cartel, having served previously as a Latin America expert at the Council on Foreign Relations in New York and the Woodrow Wilson Center in Washington, D.C.

Bond stated that the "only way" for the Mexican government to impose IMF austerity "is for Mexico to open up its political system. The entire Mexican system has to be realigned, away from a closed circle of power groups which control the policy of the PRI.

"For example," Bond continued, "to impose austerity, the power of the labor movement over the PRI must be reduced."

The interesting means to this end

Bond put forward was to use the current corruption scandal involving former Pemex boss Jorge Díaz Serrano to tar the oilworkers' union as a whole, the strongest single union in Mexico and one which is at the center of labor's capability of resisting the IMF.

In my column of July 14, I indicated how the Díaz Serrano scandal could move in several directions. The one favored by the IMF forces is against the family and other close associates of former president José López Portillo.

Bond is one of those creditor voices giving the order to "get López Portillo." But he has this specific scenario:

"The [López] Portillo faction has the support of the labor movement, and this could polarize the country. Can de la Madrid take them on? They are very powerful. They still have the Petroleum Workers' Union, for example. *Will the Díaz Serrano prosecution lead to investigation of the Petroleum Workers' Union?* You know that if he stole \$34 million, he didn't do it alone."

If the situation breaks that way, Bond continued with satisfaction, "de la Madrid will lose the government's ability to deal with labor. The petroleum workers will walk into his office and threaten to shut the country down, and they can do it. You get a total breakdown of the de la Madrid government's ability to work with organized labor."

Bond was asked how quickly such a blowup could take place. "It depends

how fast they push Serrano," was the immediate reply. "If they push fast, it could mean mass strikes by as early as July or August. I would say it will take until the beginning of September."

While Bond spread the word in private, "Mexican oil expert" George Grayson spread the word in public. A fanatical Malthusian who teaches at William and Mary University in Virginia, Grayson proposed in 1977 that the United States shut its border with Mexico and initiate a policy of mass deportations, as the stick to force Mexico to abandon any pursuit of high-technology industrialization.

This zeal earned Grayson a place as a regular contributor to the *Washington Post*, as well as a featured lecturer in recent months for David Rockefeller's Council of the Americas.

In the July 24 issue of the *Post*, Grayson charged that "the real test of de la Madrid's anti-corruption drive is whether it takes on the 110,000 member oil workers' union. . . . [This drive] is more than just an interesting political sideshow: it is central to Mexico's future."

In August 1982, when the first "Mexico crisis" was at a peak, a top staffer at the social-democratic Washington think tank known as the Institute for International Economics, called Mexico's labor movement "the single most unsettling problem" in the country. The labor movement's demands "must be crushed," he stated, "no matter what the social cost."

In the middle of July 1983, the same source was, if anything, even more insistent: "In Mexico, things will be bad in a matter of weeks," he declared. "The labor movement there is prepared to snap back against the austerity program. This will blow apart the IMF package and scare the creditors away. The labor movement will have to be put into line."

Is Intrabank returning?

The defunct institution may be reconstituted as part of a power play against the Lebanese Falange.

Amid the turmoil in Lebanon, the appointment of up-and-coming Arab financier Roger Tamraz as president of the powerful Beirut-based Intra Investment Company was generally overlooked. A Lebanese source (who worked for Intrabank, Intra Investment's notorious mother company before its early-1970s bankruptcy) warns that Tamraz's appointment is a sign that the Lebanese Orthodox mafia who ran Intrabank are moving to oust U.S. ally, President Amin Gemayel, and take control of greater Beirut away from the Falange as Lebanon is partitioned.

The Lebanese ethnic hierarchy is led by "Brahmin" orthodox clans, such as the Sursocks, the Trads, and the Bustros. They are reportedly using their many agents of influence spanning Lebanon's ethnics against President Gemayel and his Falangist Party. The mysterious entrepreneur Tamraz is considered to be one such agent.

Historically this Orthodox elite has had ties to Moscow through the links between the Russian Patriarchate and Antiochan Patriarchate in Syria. So close are these links that Moscow has a representative to the Antiochan Patriarchate in Damascus which serves as a channel of influence.

The London-Moscow Narodny Bank, which predates the 1917 revolution, and today is often used for such purposes as gun trafficking, held 5 per cent of Intrabank.

Through the 1950s and 1960s, Intrabank was a leading channel for or-

ganized crime internationally. It was so notorious that, through early 1983, Washington's policy was to keep all Lebanese banks out of the United States. Intrabank was rumored to have run guns to every anti-American ethnic group in the Mideast. Through the pro-U.S. Maronite Edde family and the Lebanese central bank, Intrabank was dismembered into a number of separate entities such as Intra Investments and the Beirut-based Bank al Meshraq, using Morgan Guaranty to facilitate its "reorganization."

Today, Intra Investment has substantial interests in institutions which oversee not only the freewheeling Beirut banking system, but also the lucrative gun and drug smuggling which now permeates war-torn Lebanon. Intra holds interests in the Port of Beirut, the Casino du Liban, Metra Insurance, Middle East Airlines, and Air Liban.

Until now the Falange's power has, in part, rested on its military control of the port of Beirut and the Casino du Liban. Tamraz's appointment is probably part of an effort to seize control of the port and casino.

Within three years of Intrabank's bankruptcy, the Lebanese civil war erupted under Secretary of State Henry Kissinger. The invading Assad regime of Syria, which maintains quiet but close ties with Kissinger, drove the Eddes from Lebanon. Raymond Edde, the only candidate for the presidency of Lebanon who could have unified the country is still in exile.

Of the 1,800-plus Intrabank employees, only a handful were Falangists. The bank was pure Orthodox, as was its titular head, Yusuf Beidas, a Palestinian who feigned being a Muslim. Intrabank supported the Syrian National Socialist Party, the neo-Nazi Party founded by Orthodox Antoine Saade, a fanatic pursuer of a "Greater Syria" in the Levant.

In the late 1960s, Tamraz, then with Kidder Peabody, attempted to bail out Intrabank. Later he reportedly set up a major illegal arms trafficker to Iran, Cyrus Hashemi. One of the conduits for illegal arms to Iran is Hossein Mousavi, who has claimed responsibility for blowing up the U.S. embassy in Beirut this spring. Based in the Syrian-occupied Bekaa Valley, Mousavi has had numerous recent meetings with Lebanese warlord Camille Chamoun, a nominal Maronite. Chamoun's closest political associate is Cyril Bustros, a leading Orthodox oligarch, who penetrated the Falange.

In August 1982, the Chamouns held a secret meeting at their family retreat with former Israeli Defense Minister Ariel Sharon and others to discuss the permanent Israel-Syria partition of Lebanon and plan to share the spoils of the growing Lebanese black-market economy, with Beirut, the financial hub, coming under Orthodox control.

The Soviets have multiple channels in Beirut including the Bulgarian link through the Litex bank, a partially owned entity of the Bulgarian Foreign Trade Bank, which Chamoun controls. Moscow's recent move to trim the staff of Bank Narodny in Beirut is seen as a cover.

Should the mafia succeed, it will be a death blow to the American influence in Beirut, the intelligence hub of the Middle East, and will strengthen Moscow's bid for control of the region.

International Intelligence

Kissinger escalates 'get LaRouche' effort

Henry Kissinger's first order of business, upon being appointed head of a presidential blue ribbon commission on Latin America earlier this month, was to activate an international physical harassment and financial warfare campaign against Lyndon and Helga LaRouche and their political collaborators, according to highly placed sources in the U.S. national security and intelligence establishment.

The effort for the present is reported to be below the threshold of outright assassination, concentrating on a spate of phony libel and other legal actions against *EIR*, *New Solidarity* newspaper, and other publications associated with LaRouche, while simultaneously soliciting police harassment and physical attacks where possible.

Kissinger channels within the State Department and U.S. foreign service have been identified as conduits for Kissinger's fit, with KGB-linked channels cited as a second principal route.

Information leaked from the staff of Kissinger Associates suggested that a multi-million-dollar special counterintelligence team has been put together under Kissinger's direction to monitor and counter the global work of the ICLC. Among identified assets of this private intelligence army were the personal staff of AFL-CIO President Lane Kirkland, the Anti-Defamation League of B'nai B'rith, and the overtly KGB-linked Counterspy apparatus of CIA defector Philip Agee.

Last autumn, LaRouche announced a worldwide campaign to force Kissinger to sue him personally for libel for the wide circulation of the details of Fat Henry's murderous homosexual activities. Kissinger responded by recruiting a crew of assets and manipulable individuals to carry out litigation against LaRouche and his International Caucus of Labor Committees (ICLC).

Over the past month there has been a series of lawsuits against LaRouche-related publications and organizations. They appear to be legally frivolous, but are designed

to weaken LaRouche's security. There have also been arrests and threats against the European Labor Party in Italy and West Germany.

Communist troops for the peace movement

V. Zagladin, deputy chief of Boris Ponomarev's Communist Party international department, has given public marching orders to his parties all over the world to invade the peace movement. The 3,000-word article, "Communists and the Peace Movement," appeared July 23 in *Pravda*.

"Participation in the anti-war movement is a vital task of all communists," Zagladin says. "The war danger is such that there must be an intensification of efforts . . . of communists of all countries. . . . Of course, some Western politicians will then say the anti-war movement is a 'branch' of the communist movement," Zagladin adds.

"The anti-war activities of parties in the non-socialist world is to closely connect the struggle for preventing war . . . with the consequences of the economic crisis."

Colombia drug dealer hosts Petra Kelly

Petra Kelly, described by admirers in Colombia as the "hyperactive leader of the West German Green Party," has been invited to that country to proselytize on saving its "environment." When she returns to Germany, customs may be interested to know that her hosts were none other than the Movimiento Latino Nacional (MLN), the 10,000-member cult of Colombia's number-one cocaine trafficker and death-squad supporter, Carlos Lehder.

Lehder, whose drive for political office is being financed by the millions he accrued in the dope trade, produces a weekly newspaper with green lettering on green-tinted paper. He declares that his MLN has "many similarities" to the West German Green Party, because of its commitment to saving the country's natural resources and environment.

Kelly is scheduled to arrive in Colombia at the end of July.

Italy: Craxi readies Mussolini agenda

Bettino Craxi is proceeding rapidly in his consultations for the formation of a Mussolini-style government in Italy. The leadership of the Socialist Party is leaking to the press the basic points of his future program:

Foreign policy: "A meeting with Soviet leader Andropov to attempt to accelerate the East-West negotiations on the missiles."

Economics: The special staff installed by Craxi has decided to create a National Solidarity Fund. The Fund will collect money from workers (whose wages will be frozen for at least two years), from industrialists, and from the public sector. The latter includes the IRI financial entity, Finsider (steel), and Alfa Romeo. The workers will receive shares.

Cultural policy: Craxi will realize his old dream of setting up a Cultural Ministry along the lines of the Fascist Ministry for Popular Culture. The new Ministry will be in charge for TV, Radio, mass media, cultural goods, and "telematics."

But, as the Craxi regime's organ, the daily *La Repubblica*, made clear, "what you will have is not just a new government, but a new regime. Those who didn't realize it better understand it soon. This is an historical shift. Either the shift will succeed and then we will get a new social pact . . . or there will be the chaos. This is a warning for those who don't want to understand. Those who do understand must step in immediately because there is room for everybody."

Pentagon backs cults in Central America?

The cult of Sun Myung Moon is playing a leading role in shaping government policy in Honduras, the *London Guardian* stated on July 25. Bo Chi Pak, the Korean CIA man who is Rev. Moon's right-hand man, made

a public donation of \$5 million to a political front (APROH) run by the head of the Honduran army, General Gustavo Álvarez, a follower of the Moonie anti-Communist grouping CAUSA.

Most interesting is the fact that the head of the U.S. Defense Department's Latin American forces, General Schweiker, said recently that "We can no longer depend on the Catholic Church in Latin America, we have to rely on the free churches," according to the Guardian. The "free churches" are the fundamentalist protestant denominations, such as the Church of the Word, to which Guatemala's would-be ayatollah, Efraín Ríos Montt, belongs, and the Moonie cult.

Japan to mediate Iran-Iraq war?

Japanese Foreign Minister Shintaro Abe leaves Aug. 2 for a 13-day tour of Romania, Bulgaria, Iran, Turkey, and Iraq, the purpose of which is to propose that Japan be allowed to help mediate the Iran-Iraq war. Japan is promoting itself as an "honest broker" with only economic, rather than political, interests in the area, and as independent of both NATO and the Warsaw Pact. However, the idea of Japan playing this mediating role was discussed during U.S. Secretary of State George Shultz's trip to Japan in February and during the Nakasone-Reagan summit just prior to the Williamsburg summit in early June.

As a prelude to the trip, Abe met separately with the ambassadors from Iran and Iraq. Abe told Iranian Ambassador Abdorrahim Gavahi that Japan is not attempting to address Iran as a representative of the Western nations, according to *Kyodo* news. He expressed hope that the Iran-Iraq war could be solved at an early date. *Kyodo* reports only that the Iranian ambassador welcomed progress in Japan-Iran ties, particularly the recovery in bilateral trade, which is expected to hit \$6 billion this year. There is no report on the ambassador's response to Abe's comments on the war.

In the meeting with Iraqi Ambassador Mohammad Amin Al-Jaff, Abe again dis-

cussed the war and urged an early settlement. Al-Jaff welcomed Abe's visit, the first to Iraq by any Japanese foreign minister, saying it would increase political contacts between the two countries.

The fact that Abe is also going to East bloc countries prior to his trip to Iran and Iraq raises the possibility of Japan attempting to get Soviet bloc acquiescence for any Japanese mediating role.

Indeed, many people are running at the invitation of Craxi to "get in now." Marco Pannella, the homosexual pro-drug leader of the Radical Party, promised his responsible political support to the new government, while Giorgio Almirante, leader of the fascist MSI, declared that his party will be a "constructive opposition" in the sense that it will consider case by case whether to support the government.

World church council: capitalism is dying

The World Council of Churches (WCC) opened its sixth General Assembly in Vancouver on July 25 with the message that both capitalism and communism are failures.

During his keynote address opening the 18-day conference, Rev. Edward Scott, head of the Anglican Church of Canada, and moderator for the WCC Assembly, set the tone of what will amount to the largest gathering of anti-industrial religious fanatics ever gathered this side of the Urals. "We are going through the end phase of the industrial culture," said Scott; "capitalism and communism are both dying." The only alternative to this, he stressed is that "religious and theological principles must take the initiative."

Although the Catholic Church has no official membership in the WCC, Pope John Paul II sent a telegram of good wishes to the Vancouver assembly, where a Vatican representative is expected to attend as an observer.

The Soviet Union has only one official Russian Orthodox delegate, Archbishop Pitirin, who is accompanied by five nuns and one female KGB agent.

Briefly

● **POSTAL MINISTER** Remo Gaspari of Italy was forced to withdraw his decision to issue a special commemorative stamp for Benito Mussolini.

● **HURRIYET**, Turkey's leading daily newspaper, gave front-page coverage July 11 to evidence put forth by *EIR* that the Soviet Union is considering occupying northern Iran in the months ahead. *Hurriyet* interviews several Turkish military officials, including Defense Minister Haluk Bayulken, asking them to respond to the *EIR* report.

● **THE DANUBE DELTA** hosts a colony of 20,000 Orthodox "Old Believers," who fled from the effects of Peter the Great's modernization program more than 200 years ago. A recent article in the West German weekly *Der Spiegel* laments that Romania plans to dry out the swamps in the delta; cultivate the soil for rice, corn, and cotton production; plant forests; and initiate livestock production, and thus the "largest natural park in Europe will be destroyed."

● **THE WORLD CONGRESS** of Armenians ended on July 24 with an extremely radical spirit, refusing to condemn the ASALA terrorist group. The meeting, held in Lausanne, Switzerland, was dominated by the French-based Armenian National Movement, and moved to create links with insurgent minorities such as the Kurds.

● **THE EDITORS** of *EIR* released on July 29 a 245-page paperback titled *LaRouche: Will This Man Become President?*, published by the New Benjamin Franklin House in New York. The biography contains four sections: "The Leading Economist of the Twentieth Century," "The Life of a Strategic Analyst," "His Philosophy of Government," and "An Economist as Science Administrator."

Trilaterals tighten noose around Reagan's neck

by Nancy Spannaus

One week after President Reagan designated Henry Kissinger to head his Bipartisan Commission on Central America, it hadn't taken "acting President" Henry long to grab the reins. Already Kissinger has carried out a virtual foreign policy coup, placing his trusted underlings in point positions in Middle East and East-West policy in such a way as to coordinate with his Latin America manipulations. If he is successful, Kissinger will be able to implement the long-term strategy of the Trilateral Commission: negotiating a new Yalta agreement with the Soviet Union in which the United States loses both Western Europe and the Middle East, in exchange for being reduced to a regional gendarme in Ibero-America and other sections of the Third World.

In other words, the Trilateraloids have come several giant steps closer to being able to finish the job that Jimmy Carter began: total surrender to the Soviet Union.

The Trilateral gameplan

The Trilateral gameplan includes three elements, all being widely publicized in their controlled media over recent days. Under the rubric of a "new Yalta," the plan includes U.S. abandonment of Western Europe, U.S. cession of the Middle East to the Soviet Union's sphere of influence, and the embroilment of United States in a host of population wars throughout Ibero-America and other developing sector areas of the world.

There is good reason to believe that the Trilaterals have received the dubious word of Yuri Andropov that he will go along with this plan. It was only three months ago that An-

dropov announced in the German newsweekly *Der Spiegel* that he viewed the United States's interests in Nicaragua as being of the same character as Soviet interests in its bordering state of Afghanistan—an ominous indication that the Soviets wouldn't "give a damn" about U.S. occupation of that nominal ally. More upfront is the de facto arrangement between the Kissinger-Carrington grouping and Andropov to destroy President Reagan's new strategic doctrine through "anti-space warfare" treaties and the like.

A crucial subsidiary aspect of the deal is to destroy President Reagan's presidency, to ensure that he never again acts to assert the strategic interests of sovereign nations through actions like his March 23 announcement of the defensive weapons policy.

One would have to be a fool, or a Soviet agent, of course, to presume Andropov's good will in arranging such new spheres of influence. As the high priest of the Russian Empire cult of the Third and Final Rome, Andropov is just pulling every string he can to try to destroy any economic or political resurgence of the West which could interfere with the Russian drive for world dominance. In other words, once Kissinger and Carrington make their "deal," the Russians will set their next conditions. Ultimately, the alternatives will be U.S. surrender, or more likely, a headlong rush toward devastating thermonuclear exchange before 1988.

The Central American role

Kissinger's Trilateral mandate on the Central American commission is scheduled to play a detonating role to imple-

ment this global catastrophe. Working hand in glove with fellow Trilateraloid Lane Kirkland and KGB Harriman protégé Robert Strauss, Kissinger can manipulate Reagan to carry out the strategies by which he can destroy himself and his strategic doctrine.

First, Kissinger will push Reagan to escalate military action in Central America, which action is an integral part of Kissingeresque “negotiations.” Reagan’s deployment of 40 ships for blockade “exercises” and an estimated 3,000-4,000 men into Honduras has already prepared him for this escalation, and is virtually guaranteed to involve American forces sooner or later in direct military action.

Does anyone doubt that “negotiator” Kissinger is pushing this strategy? Only last spring he gave an interview declaring that it would be ridiculous to accept the “Brezhnev doctrine” of not challenging “communist-dominated” regimes. It is with this in mind that he is encouraging Ronald Reagan in his fervor to overthrow the Sandinista government in Nicaragua. In addition, he declared himself against covert operations, saying “I would rather see an overt American military presence on the Honduran-Nicaraguan border.” Well, Kissinger now has Reagan’s ear, and he’s about to get his presence—a presence that brings us inches away from U.S. troops in a shooting war.

Kissinger will encourage Reagan to escalate rapidly when Congress ends this session the beginning of August. In that instance, one can guarantee the rapid emergence of the proverbial “bloody shirt” of dead U.S. soldiers and atrocities.

The “bloody shirt” will bring two consequences. First, it will feed into a more rapid disengagement of Western Europe from the United States. This will be aided by the fact that the European governments are now dominated by the friends of the Trilateral Commission—also known as the Socialist International—i.e. Craxi, Mitterrand, and Felipe González. But no matter how friendly the governments, there is little tolerance in Europe for a “new Vietnam.”

The second consequence will be the re-emergence of a mass anti-war movement in the United States, this time including thousands of honest people as well as the Fabian foul balls. The Reagan administration cannot obtain mass support for a Central American war, a war which can be guaranteed to be even more onerous than the Vietnam war—despite the

heavy Trilateral propaganda to the contrary. Unfortunately, this is not because the American people are revolted by population wars against the Central American people, but rather because they will be unwilling to tolerate embroilment in a highly visible, bloody losing war once again.

Henry Kissinger has all his options covered, of course. Having created a mass revolt against President Reagan with his advice to “get the commies,” Kissinger is fully prepared to do what Seymour Hersh reveals he did with Hubert Humphrey in 1968—make a deal to blackball Reagan with Democratic presidential aspirant John Glenn!

All according to script

So far, Reagan is running with the Trilateraloid script. While cooing with pro-Contadora rhetoric, as Henry undoubtedly advised him to do, the President has simultaneously demanded a “democratic government” of Nicaragua along the lines of Lane Kirkland’s Project Democracy. “Democracy” to Kirkland and his Second International cohorts means support for Israeli gun-running to the Contras and counter-insurgent rural programs designed to produce a Thirty Years War situation throughout Central America.

Second, the President in his letter to the Contadora group put the heaviest emphasis on mediation of the conflict through the Organization of American States, an organization totally discredited before all American nationalists during the Malvinas war of 1982. Contadora, the alliance of Venezuela, Mexico, Colombia, and Panama which was formed around defense of Central America, has taken as its primary commitment the exclusion of superpowers from the region, emphatically including the self-incriminated U.S.-British tool known as the OAS. The President has rejected the core of the Contadora plan.

Then there is the on-the-ground deployment. The White House announced the last week in July that the Israelis have officially taken over arms shipments into the region. What was not said is that Israeli arms sales go to both sides—the Jesuits who run the Nicaraguan government, and the Jesuit-Moonie alliance which runs the Contras and their base Honduras. Reagan should be well-warned about U.S. experience in having Henry Kissinger’s friends in Israel run surrogate



Reagan takes the Presidency from Trilateral Commission puppet Carter.

operations for the United States, as the bloody civil wars and final partition of Lebanon should testify.

The military deployment speaks for itself. But for those who have been convinced by the new round of Georgetown Jesuit propaganda that the Vietnam war can be won in Central America, we point out a few facts. Rather than having massive indigenous support, the U.S. effort will be the equivalent of having attacked North Vietnam with a contingent of expatriates based in U.S. ally Thailand. And rather than being isolated as the North Vietnamese were, the Nicaraguans—otherwise unloved by the governments of Argentina, Brazil, and Mexico—will receive an outpouring of military support that could only guarantee a war of a continuous nature for decades to come.

Henry Kissinger, of course, is well versed in such wars. He, in fact, came up with the population policy of the U.S. State Department, which declares that the primary reason such wars are necessary is the supposed fact that there are “too many people” in the region. And he became well experienced in running a war in Southeast Asia in which he created the circumstances for the worst genocide in recent memory. Perhaps most important, he has a penchant for running such wars as bargaining chips in global negotiations with the “other empire,” the Soviet Union.

First, the Middle East to be sacrificed. . .

It was Zbigniew Brzezinski, Kissinger's fellow Trilateralist, who in a speech at Harvard University in late June publicized that body's perspective of U.S. “impotence” and withdrawal from the Middle East, and turn more and more to the Pacific. But it is Kissinger's old hand Robert MacFarlane who has been promoted to take hands-on control of finally getting the United States out of the area.

MacFarlane was promoted in the week of July 23 to replace veteran Middle East handler Philip Habib as special envoy to the Middle East. MacFarlane's major credentials for the Middle East come from his serving as executive assistant to Henry Kissinger while he was calling worldwide nuclear alerts and starting wars in that area between 1973 and 1976. He can be expected to maintain the continuity of the Shultz-Kissinger strategy, which has been to promote ethnic warfare and division which will yield the entire region to the Soviet Union—somewhat the way the Brzezinski Iran “experiment” has been worked to deliver that country to the networks of KGB chief Geidar Aliyev. The bastion for U.S. influence is then intended to be Israel, which will function as a gendarme in the region.

But it is unlikely that even Israel will maintain itself as a U.S. asset. Heavy negotiations have been going on between the Israelis and the Soviets which have already produced an Israeli acknowledgement that the Soviet Union is a major power in the Middle East. It is the Soviet Union that has the power in the region, and it is only a matter of time before all of the separatist, Orthodox-Church dominated or Nazi movements that the Trilateral Commission has sponsored in tan-

dem with the Soviets succeed in toppling all the U.S.-allied regimes in the area, such as Egypt, Saudi Arabia, and Jordan.

Yet Kissinger still thinks that he can “negotiate.” Will the Soviets take the Middle East in return for backing out of involvement with Cuba and Nicaragua in the Central American war?

MacFarlane will retain his post as chief assistant to William Clark on the National Security Council, so as to continue to influence policy on both levels.

. . . and then Europe

More shocking, the Trilaterals are also prepared to sacrifice Western Europe! A new taskforce on arms control, run by Kissinger henchmen MacFarlane, Richard Burt, Fred Iklé, Richard Perle, and others, was set up during the week of July 23 to carry out this policy as well.

The policy has been enunciated loud and clear by Social Democrat Henry Jackson, and during the week of July 18 in a private interview by Kissinger clone Helmut Sonnenfeldt. Both these gentlemen indicate that their circles have already written off Western Europe, and are planning to officialize it by withdrawing U.S. troops entirely!

Jackson and his circle of the Citizens for a Democratic Majority have presented this subversive strategy quite coherently. The idea is that U.S. intervention in Central America will cause such convulsions in Mexico that the U.S. will be forced to bring back 100,000 troops from Europe to patrol the U.S.-Mexico border.

Sonnenfeldt was also blunt. He indicated that there were some in the United States who were not very concerned over the fact that the Soviet-run peace movement is planning a “hot autumn” in Europe over the impending deployment of the Euromissiles. Such a situation might rather provide the occasion to pull U.S. troops out Europe, he noted. The troops could then be deployed in what he called Third World trouble spots.

Here again we have Trilateral strategy par excellence—the abandonment of strategic defense while devoting troops to population wars in the developing sector.

Those who buy this strategy are simply ignoring one crucial thing—the Soviet Union is operating on a course of Russian imperialism that is determined to crush the sovereign power of the United States. The Soviet Union is anxious to have the United States withdraw from Europe, and especially not to have them deploy the Euromissiles, yes. But Mother Russia is not acting out of fear of the U.S. deployment. Otherwise, she would have accepted at least one of President Reagan's two generous offers—the zero option, or, more importantly, the offer to discuss and share the technologies to “make nuclear weapons obsolete,” the beam weapon defense policy.

The Soviet Union is determined, above all, to crush the Reagan strategic doctrine which threatens their imperial plans. For this, once again, they are pleased to accept the aid of the Trilaterals, led by Henry Kissinger.

Book Review

The Price of Power is necessary reading for President Ronald Reagan

by Carol White

The Price of Power

by Seymour Hersh

New York: Simon and Schuster, 1983

\$19.95 665 pp.

Even as he was being appointed to what he had confidentially told Israeli leaders is "the most important post in the Reagan cabinet," Henry Kissinger was preparing to jump ship. At a recent press conference, Kissinger laid it on the line—for those familiar with the signals. In anticipation of a growing peace movement, he was paving the way for a graceful shift into the John Glenn camp for the 1984 presidential race by dissociating himself from Reagan's apparent turn toward gunboat diplomacy.

Coming out of a meeting with President Reagan, he informed the press regarding his new appointment: "I think it is quite possible that a report will come out that differs with aspects of the administration foreign policy. We all have to engage in this effort with an open mind and with a willingness to adjust whatever preconceptions we may have to the briefings and to the facts to which we will be exposed."

Just as in the Nixon days, when he repeatedly tried to force the President to go to the brink of war, Kissinger is already preparing his cover story. Ironically, his comeback into power begins with Briefingate, just as Nixon's attempt to break with him ended in Watergate.

As Seymour Hersh tells it, in 1968 Kissinger was guaranteed the post of National Security adviser by Averell Harriman, with whom he has always maintained the closest social and political ties. Either he would be appointed directly by Hubert Humphrey, or Harriman would guarantee him the leaks which he could use to trade himself into the spot under Nixon.

At the time, Johnson was frantically trying to end his presidency with a peace settlement in Vietnam. Harriman was in charge of negotiations in Paris. With his help, Kissinger was able to pass on information to the Republican camp about the status of negotiations, which not only helped Nixon to shape his stance but also became a tool for influencing South Vietnamese President Thieu to resist a peace settlement. Kissinger at that time also possessed a dossier on President Nixon, which, according to Hersh, he considered passing on to the Democrats.

Sy Hersh's portrait of Kissinger is useful. Yet the nastiness is there without the depth of true evil. While Hersh makes a strong case for Kissinger's two-faced character, his own evident bias against Nixon (Hersh after all played a key role in the peace movement and the Watergating of Nixon) blinds him to the more interesting side of things.

Kissinger started his association with Nixon already in possession of a blackmail file which could be used against him. As Hersh himself documents, one of Kissinger's main activities throughout the Nixon administration was to accumulate material for these files in collaboration with J. Edgar Hoover. This entailed not only collecting the goods on Nixon and his associates, but also entrapping Nixon into the pattern of illegal surveillance which ended in Watergate. No reader of this book can come away unconvinced that the succession of security leaks which plagued Nixon was orchestrated by Kissinger.

The Kissinger presidency

Seymour Hersh presents a very ugly picture of a very ugly man. No wonder that rumor has it that he is worried about being on Kissinger's hate list. Kissinger's targets—former Italian Prime Minister Aldo Moro, Pakistani Prime Minister Z. A. Bhutto, and Chilean President Salvador Allende are all dead. As Hersh's book begins, the hated Kennedys, Jack and Bobby, who threw Kissinger out of the security council in 1962 are dead; as it ends, President Nixon

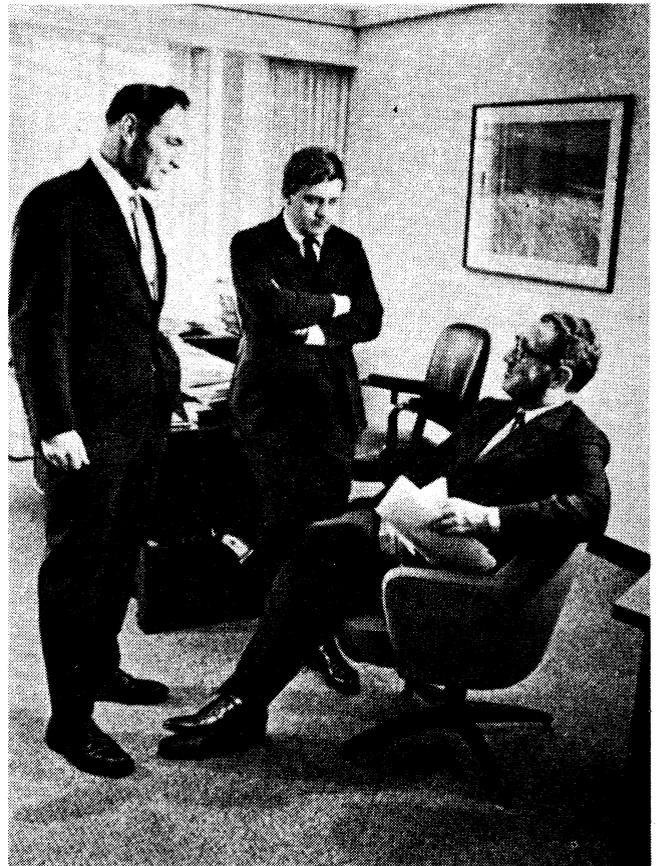
is politically dead. Hersh describes the paranoid environment surrounding the man who wiretapped his own closest associates. This is a sado-masochist who alternates between being the bully and butcher and the obsequious toady. It all rings true, and yet it is fundamentally false.

As the title of his book implies, Hersh suggests that Kissinger suppressed his own liberal better judgment in order to propitiate an irrational President Nixon. Yet the compensating merit of the book is its 698-page length: Through the accumulation of detail, a picture of Nixon comes through which belies the author's own bias. Yes, in the final analysis, command and the moral responsibilities for command decisions rested with Nixon, not Kissinger. Kissinger was able to manipulate Nixon because of Nixon's undeniable weaknesses. Yet through it all another picture of Nixon also emerges, of a man who would be a President like Eisenhower. Thus Nixon repeatedly backs Secretary of State Rogers's efforts to carry out Eisenhower's Mideast stabilization strategy, despite Kissinger's furious opposition.

Hersh virtually echoes Kissinger when he attributes Nixon's support for Rogers as mere unwillingness to face unpleasant bureaucratic infighting, lack of interest on Nixon's part in the area, and a tinge of anti-Semitism. Kissinger, of course, claimed to his NSC buddies that the United States' Mideast policy could only be understood on the basis that at one time Nixon and Rogers had had a homosexual affair. In fact, the Rogers plan fell far short of Eisenhower's Atoms for Peace policy, yet the echo is there.

Nixon came to power in a situation which was in many ways similar to the one which faced Eisenhower at the close of the disastrous Truman presidency. The country was fighting a war it could not win because its military leadership had been rendered impotent: General MacArthur had not only been prevented from defeating the North Koreans, but had been summarily dismissed from command by Truman, who was acting under pressure from Averell Harriman. According to Hersh's account, Eisenhower moved quickly to carry out the MacArthur program, offering two alternatives to the North Koreans: a generous peace settlement or the threat of nuclear escalation of the war. At the same time, he carried through the obviously necessary military measure of closing the Korean access to China by bombing the Yalu river area and the Chinese-North Korean hydroelectric facilities—moves MacArthur had been specifically prohibited from taking on the spurious basis that they would precipitate a Third World War.

Nixon, of course, was not Eisenhower, nor were the problems which he faced in honorably ending the Vietnam war quite the same. While Eisenhower faced the subversive McCarthyite movement, whose venom was directed against the Army, which was supposed to be a nest of communists, the nominally anti-communist Harriman Democrats operated as a peace movement within the government. Also, the general public supported the war in Korea, and was enraged at the ouster of MacArthur.



Henry Kissinger and minions Alexander Haig and Lawrence Eagleburger.

Ten years later the American people had lost their self-confidence. This allowed the Harriman forces to organize a vocal opposition to the war which was especially dangerous because of its wide influence among youth subject to the draft. While the 70 percent "silent majority" supported President Nixon, there was growing dismay at the incompetence of the American military and the purposelessness of the war. It was this that Kissinger played upon as Nixon began his term of office, and the material Hersh himself has amassed makes a convincing case that Nixon was by no means the evil genius behind Kissinger.

It is by no means irrelevant to learn that while America's National Security Advisor was accusing his president of being a homosexual, his deputy, Alexander Haig, was describing to all and sundry how Kissinger masturbated in his private office. Incidents such as these, described in the book, are not mere locker-room prurience, but define the contempt for government which Kissinger fostered—just as his racism was not merely the vulgarity implied by epithets like "jigaboos" and "jungle bunnies," or by discriminatory practices. As Hersh points out, Kissinger's racism was translated into the death of millions of his victims in Asia, Latin American and the Mideast and Africa.

Kissinger's infantilism was not limited to his sexual practices, although those were a standing White House joke. He

was completely preoccupied by his appearance. To this day, he cannot tolerate being looked down upon by a taller man. More to the point, he cannot face being bested. Because of his psychotic rages, President Nixon in 1971 "wondered aloud if Henry needed psychiatric care." Again, just before the 1972 elections, when Kissinger's negotiations on Vietnam fell through, President Nixon's aides Haldeman and Colson were concerned that Kissinger, who feared to face the press, was on the verge of a nervous breakdown. Kissinger described his own state at that time when he wrote about President Thieu: "[O]ur own ally . . . had managed to generate in me that impotent rage by which the Vietnamese have always tormented physically stronger opponents."

Kissinger's inability to tolerate criticism was illustrated in a memorandum circulated in the White House at his insistence. It demanded that "Attacks on Henry Kissinger, direct or indirect, must cease. An attack on Kissinger is an attack on the President."

All of this is useful information for building up a psychological profile of Kissinger, and yet amazingly, Hersh leaves out its centerpiece—Kissinger's well known homosexuality. In fact, at least one diplomatic profile circulating at the time advised that he could be destabilized merely by being patted on the back or touched on the knee by a man. It also noted that his normally guttural voice could become falsetto when he had had a few drinks. Hersh describes Nixon's reference to Kissinger as a lady-killer, in front of Chou En-lai, as good-humored byplay; the incident in fact occurred at a time when Nixon had come to realize that his security adviser was operating out of his control, and very possibly against the national interest. Was the remark a not so subtle warning that Nixon too, had his own blackmail files?

Similar references to Kissinger's sexual infantilism occur in other memoirs of the period. It is impossible to believe that Kissinger's closest associates were not aware of what was common gossip everywhere else, particularly in an environment dominated by blackmail files. Not only were J. Edgar Hoover's blackmail files circulated at the NSC, but in 1969 a group of academics from Duke University operating under the rubric of parapsychology met at the NSC to report upon models which they had developed to exploit the sexual weaknesses of world leaders. Operation upon psychosexual profiles was, of course, also a well-known modus operandi for the Andropov KGB.

The truth about Watergate

Throughout Kissinger's tenure, the Nixon White House was dominated by the problem of unauthorized leaks to the press, which were used to fuel the anti-war movement. Obviously, as Nixon soon suspected, the leaks started at the top, although in the early days a case could be made that dissidents from among the liberals on Kissinger's NSC staff were at fault. It was Kissinger himself who demanded that illegal phone taps be installed on his associates' phones. This was the beginning of the illegal surveillance which featured in

Watergate. J. Edgar Hoover was more than happy to oblige Kissinger in placing these taps; only when Nixon removed direct control of the internal police unit from Kissinger did Hoover balk. Where Hoover really drew the line was in investigating the peace movement.

Then as now, the FBI refused to investigate communist influence in the peace movement despite abundant evidence that its leaders were directly connected to Soviet networks through the Pugwash conferences and related institutions. Since Kissinger had regularly attended the Soviet-dominated Pugwash conferences in the 1960s and held weekly meetings with the Pugwash crowd while he was National Security Adviser, this protection operation for the KGB is horrifying but not too surprising. It was the refusal of Hoover to move against the KGB, coupled with obvious leakiness at every level of government, which no doubt goaded Nixon to turn to the plumbers option. Even in the case of Daniel Ellsberg, Hoover had refused to act.

One of the first actions of the plumbers was to check out Kissinger's protégé Ellsberg. Ellsberg had the highest security clearance because he had not only been involved in strategic planning for the Vietnamese War, but in 1964 had spent six months on a study for the Rand corporation on military command and control of all nuclear targeting. He was given top security clearance even though he was known to be a sexual pervert and a user of LSD.

The point was not to discredit him because he leaked the Pentagon papers to the newspapers; the revelations contained in the Pentagon papers were not particularly threatening to Nixon, since they concerned the Johnson era, but Ellsberg was capable of leaking secrets which would have been (or were) extremely valuable to the KGB. Yet when Nixon demanded that he be surveilled, J. Edgar Hoover balked.

The most amazing security leaks in the Kissinger NSC were never made public. Hersh reports that Adm. Thomas Moorer, presumably on behalf of the Joint Chiefs of Staff, used the services of a fellow Mormon, Yeoman Charles E. Radford, an aide at the NSC, to steal and photocopy over 5,000 memoranda, including eyes-only communications between Kissinger and Nixon, from Kissinger's own files. This operation was only blown when Radford (who resented being passed over for promotion) made the mistake of also supplying columnist Jack Anderson, whom he knew through Mormon networks, with top security material, which Anderson published. Neither the admiral nor his yeoman ever suffered any consequences.

Kissinger watchers have also noted the former National Security Adviser's strange relationship with Air Force Gen. Brent C. Scowcroft, also a Mormon. Scowcroft was nominally Kissinger's deputy, yet Kissinger always seemed to seek approval from him. The connection is even more interesting given Scowcroft's current membership on the board of Soviet liaison Armand Hammer's Charter Oil Company.

To be continued.

A trial run for the Atari Democrats

by Patricia Salisbury

Trailing the pack of contenders for the Democratic presidential nomination can be found Gary Hart, senior senator from Colorado. ABC-TV's most recent nationwide poll of Democrats shows Hart running a dismal sixth. The news from Iowa, the scene of the first party presidential preference caucuses (in February) has also been bad: Hart dropped to 3 percent support among Democrats in the Iowa poll in June, and lost Iowa campaign coordinator William Romjue, the man who ran Jimmy Carter's successful Iowa caucus campaign in 1980. Having counted on a surprise victory in Iowa, Hart's strategists have begun to issue denials that the candidate will withdraw from the race.

But to those who designed and sponsored his candidacy, figures associated with the Colorado-based Aspen Institute, the career of Gary W. Hart is not a major consideration. The purpose of the Hart campaign is to saturate the political environment with fascist "post-industrial" policies, to be implemented after Ronald Reagan is destroyed.

Measured by this standard, Hart's campaign should not be dismissed. Billed as the "ideas" candidate, the proponent of the politics of the future as opposed to the familiar failures, Hart is positioned to shape the debate on how to solve the economic crisis, and lend credibility to the most extreme versions of "Atari" de-industrialization. Americans must understand, Hart regularly cautions audiences, that never again will the United States enjoy the status of most powerful industrial economy in the world.

According to his book *A New Democracy* (New York, Quill, 1983):

During the last several decades, our economy has been undergoing dramatic structural change, a transformation as significant as the the Industrial Revolution of the nineteenth century. It is shifting from primary reliance on heavy industry and basic manufacturing to a new concentration on advanced technology, communications and services.

The popularization of fascism in a populist guise is not a new role for Gary Hart. After collecting degrees from Yale Divinity School and Yale Law School, Hart became national campaign coordinator for the 1972 presidential bid of George McGovern. Although a vote-getting disaster, the McGovern campaign was crucial in destroying the traditional constituency base of the Democratic Party and replacing it with the "life-style" liberation movements which now dom-

inate it. Hart has maintained a longtime association with gay political consultant David Mixner, currently a partner in the Los Angeles based Mixner-Scott political consulting firm; Mixner is now a member of the Hart presidential campaign committee.

Hart used the McGovern campaign to build a national base in the homosexual movement, the women's movement, and what has come to be known as the nuclear freeze movement. The campaigns of Hart and presidential hopeful Alan Cranston (see *EIR*, May 31) together constitute a virtual traveling roadshow for the KGB-infested nuclear freeze movement.

Disarming America

Hart has recently tried to develop a less radical image, going so far as having himself enrolled in the Naval Reserve at age 43. He has also joined the right wing Heritage Foundation in attacks on Pentagon cost overruns in the defense budget.

But in *A New Democracy* Hart celebrates the peace movement as the "citizens' movement" that revived the disarmament issue through the nuclear freeze, following the potential disaster for the environmentalist movement represented by the Reagan victory in 1980. Immediately following President Reagan's March 23 announcement of a new national military strategy based on defense against ballistic missiles, Hart issued a vehement denunciation of the Reagan policy as a "Star Wars" proposal. Since then, two congressional supporters of the Hart campaign were part of a 20-person delegation to the Soviet Union; spokesmen for the delegation returned to aver that the Soviets are sincere in their wish for peace, and to dismiss the notion that Moscow has any control over the U.S. peace movement.

A New Democracy calls for an intensified mobilization of the peace movement in 1983, identifying the danger of an arms race in space as a critical issue. Hart also proposes radical nuclear arms reduction and a drastic decrease in the defense budget. Hart led the Senate opposition to the funding of the MX missile this summer, arguing that it would require the development of ABM systems to defend against it.

Therefore it should come as no surprise that the dean of the Andropov faction in the Democratic Party, Averell Harriman, startled a group of reporters on national television by singling out Hart as his favorite among the presidential candidates—although, Harriman conceded, not the most likely

to win the nomination.

Hart's program for disarming the United States (which he pursues from his position on the Senate Armed Service Committee as well as through his presidential campaign) is dressed in the rhetoric of urging a review of outmoded notions of military strategy, using the real fallacies of current strategy to good advantage.

Hart argues that simple quantitative ideas of improving the U.S. military must give way to a new strategic doctrine which he terms "maneuver warfare." Hart's concept most closely resembles an adolescent video-game addict's notion of battle. Drawing heavily on former Air Force colonel John Boyd's theory of conflict as "observation-orientation-decision-action cycles," Hart offers the following in *A New Democracy*:

First the commander observes, not only with his eyes and ears but also with his radar, reconnaissance, and so forth. Then he orients—he forms a mental picture of this relationship to his opponent. On the basis of this picture he determines a course of action—he decides. Finally he acts. Then he begins observing again, to see the effect of his action.

The commander with the faster cycle will eventually win, because he is already doing something new and unexpected by the time the enemy gets to the action of his own cycle. The enemy's action comes too late to be effective. If one side is consistently faster the enemy will fall further and further behind until he either panics or becomes passive. At that point he has lost.

From this standpoint Hart argues that the military should emphasize simple weapons that can be developed quickly, capable of swift application in today's drug-wracked armed forces. Hart has led opposition to the development of the MX and the B-1, confusing the issues and obscuring the actual revisions needed in America's strategic policy. As already noted, Hart's position on the one technology which would revolutionize military strategy and technology—the development of anti-missile beam weapons—is vehement opposition.

In fact Hart's rhetoric is a fairly obvious justification for an emphasis on conventional warfare models appropriate to the genocidal plans of the Aspen Institute and Draper Foundation circles with which he is associated. Thus the peace-loving Mr. Hart has taken the floor of the Senate to object to the condemnation of Israel when it destroyed Iraq's nuclear reactor, and to praise the British invasion of the Malvinas as exemplary warfighting.

Kitchen cabinet

Hart's campaign is closely associated with the circles of the KGB-Democratic party interface that are working to destroy the military and economic power of the United States. Prominent on Hart's advisory committee are former U.S.

ambassador to Italy Richard N. Gardner and former Maryland Senator Joseph R. Tydings.

Richard Gardner has long been associated with the Aspen Institute, which godfathered the environmental movement in the United States. He was an architect of the 1960s shift of the U.S. State Department into the population control business; in 1963 he went before the United Nations to announce that henceforth the United States regarded population control as an essential part of foreign policy. As Jimmy Carter's ambassador to Italy, Gardner was connected with circles said to deploy drugs, terrorism, and political assassination. Before taking his post of ambassador to Italy, Gardner was board member of a securities firm called Ultrafin, identified as a subsidiary of the Inter-Alpha financial group set up in 1978 under the direction of individuals who founded the Malthusian Club of Rome, most notably Aurelio Peccei.

Joseph Tydings is board member of the Draper Fund's Population Crisis Committee (PCC), and has served as its honorary chairman. (The Fund's Gen. William Draper contributed the bestial notion of "park ranger for the human race" to the population control movement.) Tydings has acted as a leading channel into the U.S. Senate of Fund-initiated legislation, beginning in 1970 with the Family Planning Amendment to the Social Security Act. Richard Gardner also served on the PCC and in 1973 chaired the seminal Conference on Population and the Environment co-sponsored by the Aspen Institute and the Rensselaer Institute on Man and Science.

Another member of Hart's advisory board is pop economist Robert B. Reich, from whom Hart adopted a version of Mussolini-style tripartite corporatism packaged with misleading reference to the Japanese model of dirigist industrial development. Reich has written extended critiques of Keynesian economics and Reaganomics, offering as an alternative a version of the fascist Reconstruction Finance Corporation scheme of Felix Rohatyn. Reich would entirely eliminate basic heavy industry from the Northeast and Midwest, and transform those areas into giant "service economies."

This sex-change is dubbed the economics of the "Age of Information." While nodding to the need for heavy industry, Hart points to the "high flier" companies like Apple Computer, the now financially floundering Atari, and Control Data (notorious for development of the mind-destroying PLATO computer system now being introduced into the country's schools) as the drivers of the new economy. Hart demands that the executive branch channel resources more quickly into these areas of "economic growth." On the source of funding Hart is clear: loot from employee pension funds, both public and private. From the office of the President he proposes to initiate long-term agreements among management, labor, financial markets and government to foster these "post-industrial" sectors.

Among the small comforting thoughts to which Yuri Andropov turns on cold Kremlin nights must be the knowledge that the Aspen Institute's Gary Hart can exist as even a dark horse candidate for President of the United States.

House refuses IMF cash as Senate approves Volcker

by Kathy Burdman

Henry Kissinger, Paul Volcker, and the rest of the lobby pushing for an \$8.5 billion U.S. bailout of the International Monetary Fund suffered an unexpected defeat on July 29 when the House of Representatives voted to halt appropriation of the IMF's quota expansion funds.

Led by the anti-IMF grouping, including Jamie Whitten (D-La.), chairman of the House Appropriations Committee, the full House voted 213 to 165 to strike the IMF appropriation out of the fiscal 1983 supplemental appropriations bill. The IMF will not be able to get its hands on U.S. taxpayers' cash until October, when the 1984 fiscal year starts.

Since many of the arguments for funding the IMF centered around the urgency of the matter, the entire issue is cast in a whole new light. The Senate will now have to vote on the IMF appropriations again after the recess, and many senators who rushed to pass it on the arguments of urgency will now re-think their positions, as will members of the House. A new environment has been created internationally.

The vote occurred despite an ultimatum by Kissinger, George Shultz et al. that the IMF item must be approved before Congress adjourns Aug. 5. Rep. Thomas Corcoran, (R-Ill.), charged July 26 that Shultz and Treasury Secretary Donald Regan were using "blackmail" and "scare tactics" to panic Congress. Rep. Frank D'Annunzio (D-Ill.) warned his colleagues July 26 that they would pay on election day for supporting the IMF. But, following a letter by Shultz, Kissinger, and every other living former Secretary of State demanding IMF passage, Kissinger himself descended upon Congress the last week in July to cajole and threaten, Washington sources report.

The IMF's adherents made a tactical error in trying to slip the cash appropriation for the IMF into the huge fiscal 1983 supplemental budget, which was being rammed through the House Appropriations Committee, before the Congress passed the standard authorization bill for the IMF.

Furious at this affront to the political process and the

"sovereignty" of the House of Representatives, Appropriations chairman Jamie Whitten moved to pull the IMF appropriation altogether.

The administration and the Senate, (which has already passed both the IMF authorization and appropriation), stunned by the move, backed down and struck the funds from the Senate version of the appropriations bill in order to get a supplemental budget that enables food stamps and checks for other essentials to be sent out on Aug. 1.

Despite the appropriations setback, the IMF lobby intends to attempt a vote Aug. 2 to "authorize" the IMF bill, i.e., have the House endorse it in principle for payment after Oct. 1.

The move by the House to strike the funds from the appropriations came as a shock to the administration because they had spent the last three days working out the authorization part of the bill, in the form of a compromise.

Rohatyn and Volcker

The House vote was a last-minute battle in a much larger war being fought out in Washington on the question: will the U.S. turn its sovereignty over to the IMF?

The July 29 blow to the IMF is double-edged, for it reflects the national lobbying of two opposing power groups, who both propose alternatives to the crumbling IMF-centered Bretton Woods system.

The National Democratic Policy Committee of *EIR* founder Lyndon H. LaRouche, Jr. has proposed to scrap the IMF altogether in favor of the plan for world development known as "Operation Juárez." LaRouche's campaign against the IMF bill has helped create a wave of anti-IMF mail to Congress. But also working to deliberately force a "final crisis" of the old Bretton Woods system is a group, symbolized by Lazard Frères investment banker Felix Rohatyn, which seeks to impose a "new Bretton Woods" system with much more power than the present IMF to control world debt and credit flows and dictate global austerity.

Some members of this faction, led in Congress by Rep. Jack Kemp (R-N.Y.), Rep. Ron Paul (R-Tex.), and other "hard money" men, threw their weight against the IMF in the appropriations vote, in the expectation of causing chaos in the world monetary system. Others, such as House Banking Committee chairman Fernand St. Germain (D-R.I.), while supporting the IMF bills, hope to shift the entire debate on both bills toward a "new Bretton Woods" system. If the IMF quota increase is voted down, they will try to use the confusion between now and October, when the IMF has no access to U.S. cash, to argue for the new Bretton Woods.

The Senate meanwhile once more displayed its talent for surrendering the nation's interests when, on July 27, it confirmed by a vote of 84-16 the reappointment of Paul Volcker as chairman of the Federal Reserve Board. The next day Volcker announced a return to the regime of rising interest rates which he has used since 1979 to crush both the United States and the economies of its allies.

The Trilaterals form a platform policy caucus

A gaggle of new committees and task forces surfaced in the last half of July to put the same old traitors in a position to fix the 1984 Democratic presidential nomination. Chuck "Banker" Manatt, the Democratic National Committee chair who runs DNC meetings like a carnival barker, seems to be pulling out nothing from his hat except the Trilateral Commission members who ran the pathetic Jimmy Carter.

A "National Democratic Caucus" under the chairmanship of Billygate insider Robert Strauss and Rep. Gillis Long (La.) will begin touring the nation in September or October with a "long-range blueprint for the future of the country," a Caucus spokesman said July 23.

The purpose of the National Democratic Caucus is ostensibly to give the Democrats an "issues forum" to match presidential access to the media. Strauss, who headed the DNC during the Jimmy Carter years, has popped back into the headlines recently along with Carter and the Trilateral Commission bunch. Strauss will serve on Trilateraloid Henry Kissinger's commission on Central America. Jimmy Carter has reentered public life with a fundraising trip to Tokyo for his Carter Center for Political Sciences. It should be recalled that it was, after all, Carter and Trilateraloid Zbigniew Brzezinski who brought Khomeini to power in Iran, and, through the Billygate affair Strauss was part of, committed what were probably the most

extreme breaches of U.S. security in recent memory.

Now, in the Democratic presidential nomination process, the Trilateral Commission is deployed through its fronts.

The "new" National Democratic Caucus has been meeting for the last 32 weeks, constituted as the "Committee on Party Effectiveness" of the House of Representatives' Democratic Caucus. This committee includes chiefly "the regulars" at Pamela Harriman's Georgetown salon, such as Reps. Gephardt (Mo.), Wirth (Col.), and Ferraro (N.Y.). Strauss himself is rumored to have an especially intimate friendship with Pam Harriman, wife of Democratic Party elder statesman Averell Harriman.

The Harrimanite congressmen will work in tandem with 100 advisory board members that include Trilateral Commission assets such as former Carter administration Secretary of State Cyrus Vance, Pamela Harriman herself, Du Pont's Irving Shapiro, MIT economist Lester Thurow, New York City's "pain and agony" advocate Felix Rohatyn, and other deindustrializers brought in at the suggestion of Trilateral Commission member and AFL-CIO president Lane Kirkland.

Is the aim to draft a Democratic program to get out of the depression and attack the myth of industrial recovery? "Oh, no," said a Caucus spokesman, "there is no question that there is an economic recovery. Our premise is that a recovery, no matter how strong, that gets us back to where we were is not adequate."

The spokesman said the Caucus would certainly deal with the budget deficit in its program. The Trilaterals wish to use the deficit to force cuts in military spending, especially spending for Reagan's proposed defensive beam weapons.

A more open statement of the Democratic program came from Ted Van Dyke of the Center for National Policy, which also includes Bob

Strauss, Vance, and Irving Shapiro. Criticized for producing watered-down, middle-of the road issues papers, Van Dyke told the *New York Times* on July 22 that "If you can get people to come out of the closet [about the kind of national Democratic program that is needed] they will tell you we need an all-out attack on middle class entitlement programs: veterans benefits, government pensions, Social Security."

The Caucus's platform is being formulated over the next eight weeks by the Committee on Party Effectiveness. It will serve as the basis for the 1984 Democratic platform, the spokesman said. "It will make for a less bloody fight. We have the members of Congress working on this program. The problem with the platform is that every constituency is making its demands, but they don't see the larger picture. The congressmen, by virtue of the fact they are here, must. . . . If it's a good program, as I'm sure it will be, it will be natural for all the candidates to support it. All of them are represented. . . ."

What if a candidate outside the Harriman group (or an enemy of Harriman, like *EIR* founder Lyndon LaRouche) should run and refuse to support the austerity blueprint? "We don't care. This program will represent the Democratic mainstream and the candidates will support it. . . . If you think about it, it frees them from the need to develop a program of their own while they are trying to round up delegates."

The National Democratic Caucus will raise its own money, with contributions from sources such as the KGB's Harriman connection (Pam Harriman's "Democrats for the '80s" political action committee is the money which secures Charles Manatt's hold over the DNC), and will operate under the auspices of the Democratic Congressional Campaign Committee, chaired by Manatt lieutenant Rep. Tony Coelho of California.

National News

How organized crime used Vicki Morgan

Ongoing investigations by the *EIR* into how Henry Kissinger blackmailed his way to becoming a leading figure in the Reagan administration point to the case of Vicki Morgan being used for sexual entrapment and blackmail of political figures.

Although the late Alfred Bloomingdale, a friend of the Reagan family, has been portrayed as the victim of the call girl Morgan, sources emphasize that Bloomingdale is more accurately described as himself a procurer whose point of control of the political figures was the Freemasonic Bohemian Grove Club, based in California. The Bohemian Club and its Mandalay Lodge members include Kissinger, Secretary of State George Shultz, and FBI Director William Webster.

One of the reasons why someone like Bloomingdale gets involved with a high-priced whore like Morgan is to supply her at well-taped parties, set up on the pretext that she is available. Any politician who attends such parties accepts the condition of being blackmailed, of being "trustworthy."

During her career, Morgan lived with Bernie Cornfeld, the founder of the mob-run Investors Overseas Services (IOS), the funder of the Permindex assassination bureau. Morgan's six-month 1974 tryst with Cornfeld was in the same period she attended orgies with Bloomingdale—a possible opportunity for making the video tapes being used to blackmail the Reagan administration.

A former leader of the Young People's Socialist League (YPSL), Cornfeld was laundered into organized crime, while still maintaining ties to the Socialist International, the Israeli intelligence service, the Mossad, and such Israeli mafia figures as Meshulam Riklis and Robert Vesco's attorney, Kenneth Bialkin, chairman of the Anti-Defamation League.

According to well-informed sources, the group that controlled Morgan was a ring of Hollywood mob-linked figures led by Max Palevsky. The former chairman of Xerox, Palevsky is a funder of the Democratic Party circles around Charles Manatt, the DNC chairman whose law firm has had a business partnership with Soviet spymaster Dzerzh-

man Gvishiani. A founder of the pro-drug lobby NORML, Palevsky is viewed by intelligence analysts as one of the KGB's main agents in the United States.

Bohemian Grove annual Masonic rite begins

The annual Scottish Rite Masonic ritual at Bohemian Grove got underway again in late July north of San Francisco.

Kissinger is reported to be slated to give the "Lakeside Chat" this year. The speech, in times past given by Bohemian Herbert Hoover, is the major speech of the two-week-long yearly Grove gathering.

The sylvan session, which bars females, opened with the "Cremation of Care," a ritual which involves the burning of a red cross, and is meant to create an atmosphere of "total relaxation."

Other speakers at the Grove this year include: World Bank president A.W. Clausen, speaking on "The Global Economy"; Walter Cronkite, on "Misspent Youth"; Adm. Robert Foley, on "World Naval Power"; John Lenczowsky, National Security Council specialist on U.S.-Soviet affairs; and John Gardner.

Among those scheduled to attend are Joseph Baird of Sovietophile Armand Hammer's Occidental Petroleum, Defense Secretary Caspar Weinberger, National Security Advisor William Clark, and Navy Secretary John Lehman.

Court adds racial tensions to Boston

A federal judge has barred the upcoming elections in Boston for city council and school committee on the grounds that the districting plan submitted by the Council violates the principle of "one man, one vote." As a result, retiring Mayor Kevin White and the council have forwarded a resolution to the state legislature seeking to postpone the Sept. 27 primary to sometime in October, and the November election to Dec. 13.

Judge Andrew Caffrey ruled July 26 that the council's districting plan is not based on

the 1980 census and that the largest and smallest districts vary in size by 23.6 percent, thus violating the "one-man, one-vote" provision of the Voting Rights Act. The ruling came on a suit filed by minority community groups, who alleged that they were being gerrymandered out of chances of getting minority representation. But the ruling will only further the balkanization and destruction of the city, as well as intensify the racial divisions being fostered by Boston's Brahmins, many of whose family fortunes were made in the opium trade with China in the 19th century.

The council's current district plan already goes a long way to destroying what is left of the old Irish/Catholic Democratic machine that has dominated Boston politics. Until this election, Boston has had only at-large officials on the city council and school committee. Any districting will knock out several of these officials, who will likely be replaced by minority activists controlled by the Brahmins, Harvard University, and the Harriman-Kennedy Democrats.

The case was brought by organizations associated with the committee for black "radical" mayoral candidate Mel King, including such CPUSA front groups as the U.S. branch of the World Peace Council. The decision also feeds into the provocative environment being created just days before a visit by Harold Washington, the mayor of Chicago who has whipped up racial tensions.

In one development which may serve to counter the increasing racial tension, the *Boston Globe's* lead editorial July 26 called for Democratic mayoral candidate Michael Gelber, who is supported by the National Democratic Policy Committee (NDPC), and one other to be included in the televised debates sponsored by the League of Women Voters and Chamber of Commerce.

Two days before the *Globe* ran a front-page article demanding that Gelber be excluded from the debate on the grounds that his attacks on Averell Harriman and his associates were not addressing local issues, and that Gelber was too "articulate" to be allowed to present the program of the NDPC for ending the international depression to the Boston electorate.

Gelber has outlined the means for solving Boston's financial woes, restoring services, and providing productive jobs with NDPC adviser Lyndon LaRouche's Operation Juárez program to enact a moratorium

on the unpayable international debt and restart trade and development projects with the Third World. This program could lessen the appeal of racialsists' demands for "fair shares" of a collapsing economy.

Court puts Washington Power in default

The Washington Public Power Supply System (WPPSS) went into default on the \$2.25 billion in bonds WPPSS floated to finance building two of its five proposed nuclear plants, following a ruling on July 21 by the Washington State Supreme Court. The default, the largest municipal bond default in history, puts the future of the entire nuclear and fossil fuel power industry in jeopardy.

The court refused a request to overrule the decision handed down June 15 which said that the 88 utilities that purchase electricity from the WPPSS system are not obligated to pay interest and principal on the bonds after the plants had been canceled by WPPSS due to huge cost overruns. WPPSS serves Washington, Oregon, Idaho, and Montana.

Chemical Bank of New York, trustee for the bonds, will begin the default process, according to vice-president John Fleming, by serving a 90-day notice that WPPSS must pay about \$75 million in overdue interest payments by Oct. 22. Otherwise, Chemical will declare the WPPSS system in default to get the principal and interest paid back immediately. While it pursues the default ruling, Chemical has said it will appeal the ruling to the U.S. Supreme Court.

To try to reassure the bank's own officers about the effect of the WPPSS default, Chemical senior vice-president Kenneth L. Dowd, Jr., issued an internal memorandum July 27 which stated, "It is also important to note that Chemical Bank does not hold WPPSS bonds in the bank's Municipal Portfolio, nor does it hold any WPPSS bonds in any discretionary investment advisory accounts. . . ."

The Natural Resources Defense Council, which helped orchestrate the WPPSS ruling, has announced that if WPPSS defaults, "not another nuclear plant will be built in this country. The nuclear industry is finished." This ruling will also be used, the

NRDC indicated to end construction of coal- and nuclear-fired electricity generating plants, posing the threat of an electricity blackout by early 1984.

LaRouche Democrat upsets Chicago scenario

The Jones for Congress campaign defeated an attempt July 26 to install Lu Palmer, a front-man for Libyan/KGB operations in the United States connected to the race-war promoters based in Chicago, as the congressional representative for District 1 on Chicago's South Side. Despite massive computer-run fraud in the Democratic primary, in which National Democratic Policy Committee (NDPC)-supported Sheila Jones was credited with little more than 150 votes—about the size of her staff at the polls—Palmer lost the race by an unexpected 10 percent.

Five days before election day, Jones issued a leaflet identifying "Libyan Lu" Palmer as an asset of the Soviet KGB. Observers noted that three days later supporters of Nation of Islam Minister Louis Farrakhan were seen distributing literature for Palmer together with a newspaper praising Muammar Qaddafi.

The winner, Meatcutters Union vice-president Charlie Hayes, is a known asset of the Communist Party USA and has been an organizer for Trade Unionists For Action and Democracy, a CPUSA front group.

Hayes advocates a nuclear freeze and public works projects to solve Chicago's unemployment. He was credited with more than 40 percent of the vote, Palmer with 25 percent, Anti-Defamation League figure Al Raby with 10 percent, and all others with 1 to 4 percent. Jones estimates 10 to 15 percent of the votes disappeared at the polls.

The day before the election, the administration of Mayor Harold Washington announced its first round of municipal layoffs in the city, which has been politically paralyzed since Washington became mayor. At the campaign's close, Jones said, "The issue that I think faces people in Chicago is: Are they smart enough to dump Harold 'Herbert Hoover' Washington and the agents in charge of this city's depopulation, and elect me or my NDPC slate so that they can survive?"

Briefly

● **THE FBI** has conducted only 428 investigations under the 1978 Protection of Children Against Sexual Exploitation Act as of last year. Yet law enforcement officials quoted in the April *Ladies Home Journal* reported that more than 1 million U.S. children yearly have become victims of the billion-dollar child pornography racket. As of April last year, the FBI investigations had resulted in only 33 indictments and 23 convictions. Most of the children exploited by the perversion for profit business are runaways or kidnap victims.

● **PATRIARCH PIMEN OF Moscow** and all Russia, agreed to be interviewed on U.S. national television on condition that he be allowed to talk about the peace movement his church and the KGB support. On July 24 Pimen was on NBC—the network for which Henry Kissinger is a paid consultant—in the second of a two-part series promoted by the World Council of Churches. Pimen recently gained notoriety as the first high-ranking Russian official to attack the American policy of defensive strategic beam weapons. Asked to elaborate his thoughts on the "peace" campaign, Pimen said, "I wish for peace, peace, much peace and all over peace."

● **AVERELL HARRIMAN** wrote in the *New York Times* July 24 that the "structure of progress . . . is imperiled," by the spectre of defense beam weapons. He advised to get on "with those matters on which we have the best chance of agreement," in arms control talks with the U.S.S.R. "Small steps, if the only steps feasible, are better than none at all."

Editorial

At Duino Castle

The word "*Mittleuropa*" probably means as little to the ordinary European as it does to most Americans. Nonetheless, around the idea can be found hovering some of the slimiest of old and new Nazi forces in the continent's politics, as well as left-wing terrorists, and also all sorts of respectable figures. For its own reasons, the Soviet Union has also taken an interest in nurturing *Mittleuropa*.

Simply put, *Mittleuropa* is the feudal dream of empire in Central Europe: nationalities instead of nation-states, serfs instead of citizens. For some contemporary and would-be oligarchs, a version of the Holy Roman Empire is the point of nostalgic reference. Others speak of "Hitler without the mistakes."

The scion of the Hapsburgs, Otto, prefers a blend of environmentalism and systems analysis known as "*PanEuropa*," which he reigns over in the Pan-European Union. Other variants include Bertrand Russell's World Federalism and Michael Ledeen's "universal fascism."

Lest anyone dismiss these creatures as mere blue-blooded dingbats, we call their attention to the pompous communiqués and terrorist attacks of numerous ethnic separatist-liberationist groups (most recently Armenian extremists) that have forced their way into the newspaper headlines. The racialist revolutionaries are the vehicles of these oligarchs for the destruction of nation-states and republican culture.

One of their princes, Raimondo Torre e Tasso, will host an international gathering of his colleagues and hirelings, entitled "The European Significance of *Mittleuropa*—*Mittleuropa* Past and Present," in his castle at Duino in Trieste, on Sept. 19-21. Torre e Tasso is the senior Italian branch of the family whose name is Thurn und Taxis in Germany, from whence they ran the postal and intelligence service of the Hapsburg emperors.

Visitors to the Duino stables will include Aristotelian philosopher Karl Popper, former French premier Raymond Barre, and Victor Weisskopf, a founder of the Pugwash East-West scientists' conferences which for the past 25 years have been the main channel of KGB influence over U.S. defense policy. The Duino festivities will follow by a month this year's Pugwash

conference, held nearby in the old oligarchs' haven of Venice. Prince Raimondo himself is associated with the CERN institute of Geneva, a center of Soviet scientific espionage.

Look at a map of "Europe of the Regions," as seen through a *Mittleuropa* eye: Italy, to take the most striking case, has disappeared. Instead you have the resurrected Most Serene Republic of Venice, Alto Adige (South Tyrol), independent Trieste, and of course independent Sicily (or has Sicily become a colony of Libya?). Says a representative of the Liga Veneta, which wants independence for the Veneto region in which Venice is located, and elected one senator and one deputy to the Italian legislature last month: "We are like Catalonia, Wales, and Lithuania!"

Now look at the same map through the eyes of Yuri Andropov. Very interesting. . . . No more Western Europe. . . . No more NATO—at least not the kind you could launch Pershing missiles from.

Now go back and do a cross-gridding of the drugs and arms trade East and West, international terrorism left and right, ethnic separatist "revolutionary" outfits, and organizations like the ones associated with the proceedings at Prince Raimondo's castle: the Centre Européenne de la Culture, the Foundation Coudenhove-Kalergi, and the United Collegium of Torre e Tasso and Prince Philip of the United Kingdom. Very interesting.

The resurgence of *Mittleuropa* has produced another unexpected traveler on the East-West highway: Bavarian governor Franz-Josef Strauss, who has recently visited Czechoslovakia, Poland, and East Germany, for whom he had just arranged a billion-deutschmark credit line. Strauss is a veteran ultra-conservative who used to say that the future of Western Europe lay with the United States. The script he is following was laid out by Lord Weidenfeld, now of Kissinger Associates, in a 1965 book, *The Grand Design: A Strategy for German Reunification*, never published in West Germany, which is devoted to attacking the concept of the nation-state. A reunified—and neutralized—Germany would be perfectly consistent with *Mittleuropa*. Perhaps now Strauss has such ambitions.

Professor Andropov certainly does.

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